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CER OPINION AND ANALYSIS

WATCHING WASHINGTON
“Hurry Up and Wait”

“The politics of [the moment] feels different,” states Tom Netting, who projects that the months of January and February will be beneficial to the proprietary sector. p.1

A View From Washington

Dr. Sharon Bob provides a detailed summary of recently approved legislation and proposed actions that impact the career college sector. p.3

For What It’s Worth...

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A detailed summary of higher education policy and politics for the month of October. p.10

Congress Should Address Rising College Prices, Witnesses Tell House Education Committee

The House Education and Labor Committee will tackle rising tuition in reauthorization of Higher Education Act. Tuition and fees at four-year public colleges have increased by 31 percent in the last five years, after adjustment for inflation. p.12

Federal Student Aid to Undergraduates Shows Slow Growth, While Published Tuition Prices Continue to Increase

Trends in College Pricing 2007 and Trends in Student Aid 2007

The widely-quoted College Board reports offer



The Career College Information Source

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- Michael J. CooneyEditor
- Terry L. StaerkelProduction Manager
- Stacy L. SchomburgProduction Designer
- Cheryl HentzStaff Writer
- Sean P. JohnsonStaff Writer
- Barbara SchmitzStaff Writer

WORKFORCE COMMUNICATIONS

627 Bay Shore Drive, Suite 100, Oshkosh, WI 54901
 920-231-9950 • 1-800-558-8250 • Fax 920-231-9977

Web site: www.workforce-com.com
 Email: mcooney@workforce-com.com

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detailed analysis of the rise in tuition and the reduction in aid by various segments of the higher education sector. Of special note is the fact that, in 1995, 2 percent of full-time students were enrolled in for-profit institutions, and ten years later, that share has grown to 8 percent. p.14

IN THE STATES

California

CAPPS Update

Governor Schwarzenegger has signed SB 45 into law, and he provided a signing letter that indicated continued support for the private postsecondary sector. p.15

Florida

Private Colleges An Essential State Resource

Belinda Keiser's op-ed article argues that the state's beleaguered education system would benefit by the full inclusion of the state's private colleges and universities. p.16

STUDENT LOAN ISSUES

Charts You Can Trust Hidden Details: A Closer Look at Student Loan Default Rates

A new report by NCES reveals that student loan defaults are a far larger problem for some groups, particularly students of color and those who leave college with a lot of debt. p.17

Student Loan Industry Faces New Rules From Education Department

DOE Secretary Margaret Spellings has announced an overhaul of rules governing the student loan industry, including restrictions on gifts and inclusion of a minimum of three companies on an institution's preferred lender list. p.19

CAREER COLLEGE UPDATES

Kaplan Educational Foundation Helps Community College Students Beat the Odds

Thanks to comprehensive tutoring, test prep, and financial assistance, Kaplan Scholars are now attending selective four-year schools. p.20

Baker College Online Into Second Decade of Double-Digit Growth

The school reported that summer enrollment increased 11.3 percent, and new student enrollment was up 21.9 percent. A total of 10,464 students throughout the Baker College system took Baker Online classes in the summer quarter. p.21

NEW PROGRAMS

Capella University Introduces Four New Online Degree Specializations

The online university's new specializations include Gerontology, Early Childhood Education, Homeland Security, and Security Management. p.22

NEW CAMPUS LOCATIONS

DeVry University relocates in Elgin to meet growing student demand. p.23

CHI Institute Southampton campus moves to Franklin Mills complex to better serve its students. p.23

Universal Technical Institute completes sale and leaseback of its Norwood campus. p.23

ITT Educational Services, Inc. opens fourth Tennessee location in Chattanooga. p.24

Education Management LLC announces the opening of The Art Institute of Michigan. p.24

PERSONNEL APPOINTMENTS AND PROMOTIONS

Appointments and Promotions

Apollo Group appoints **Allyson Pooley** vice president, investor relations. p.25

Leonard A. Mariani joins Career Education Corporation as senior vice president and chief marketing and admissions officer. p.25

Lincoln Educational Services announces promotion of **Scott Shaw** as chief administrative officer and creates office of CEO. p.25

Resignations

Lincoln Educational Services announces departure of vice chairman **Lawrence E. Brown**. p.26

EDUCATION TRENDS

Online Education Reaches New Heights

Five-year growth trend shows that nearly 3.5 million students are now learning online. p.27

Education Longitudinal Study of 2002: A First Look at the Initial Postsecondary Experiences of the High School Sophomore Class of 2002

The study offers a detailed picture of postsecondary education performance by this cohort. p.28

LEGAL AND REGULATORY ISSUES

Feds Seize Florida Career College Financial Aid Files

On October 16, federal agents served a search warrant on the school and carted off more than 100 evidence boxes. p.29

Corinthian Campus Raided by Officials

U.S. officials searched the National School of Technology campus in Fort Lauderdale, the company reported in a Securities and Exchange filing. p.30

Houston Beauty School Fined a Record \$250,000 and Forever Closed

The cosmetology license factory has been shut down, and 45 individuals across the nation who may have obtained cosmetology licenses by illegal means are being sought. p.31

ACQUISITIONS AND MERGERS

Thoma Cressey Bravo Leads Recapitalization of Porter & Chester Institute, Inc.

The private equity firm will help the institute build its brand and expand into new markets. p.32

CORPORATE SCHOOL NEWS AND REPORTS

APOL Apollo Group, Inc.

Apollo Group and The Carlyle Group have formed a \$1 billion joint venture to make investments in the international education services sector. p.33

The company also reported fiscal 2007 fourth quarter and year-end financial results, with fourth-quarter revenue increasing 14.2 percent and degreed enrollments increasing 11.1 percent. p.34

Analyst comments are provided by Jennifer Childe, Bear Stearns & Co.; and Trace Urdan and Jeff Lee, Signal Hill Capital Group. p.36

CECO Career Education Corporation

Delaware's Court of Chancery has dismissed a shareholder lawsuit. p.37

Class action litigation has been filed against CECO's California Culinary Academy by, and on behalf of, former students alleging systematic recruiting fraud. p.37

According to a recently filed Form 8-K, CECO states that SACS' Special Committee of the Commission on Colleges has completed its scheduled visits to four AIU campuses and will recommend no further corrective action. p.39

Analyst comment by Jeffrey M. Silber, BMO Capital Markets. p.39

COCO Corinthian Colleges, Inc.

The company reported fiscal 2008 first-quarter results, including new student starts up 13 percent and total student population up 6.5 percent. p.40

Analyst comment provided by Jeffrey M. Silber, BMO Capital Markets; Trace Urdan and Jeff Lee, Signal Hill Capital Group; Suzanne E. Stein and Christopher P. Gutek, Morgan Stanley. p.41

CPLA Capella Education Company

The company reported revenue increase of 26.5 percent and enrollment increase of 23.8 percent as part of its third quarter 2007 results. p.42

Analyst comment by Jeffrey M. Silber, BMO Capital Markets. p.42

DV DeVry Inc.

The company reported that revenues in the fiscal 2008 first quarter increased 14.2 percent

to \$250.3 million with net income of \$26.8 million. p.43

Analyst comments are provided by Suzanne E. Stein and Christopher P. Gutek, Morgan Stanley; and Barrington Research. p.44

The company continues its diversification with investment in the growing online high school market, by acquiring Advanced Academics Inc. p.45

EDU New Oriental Education & Technology Group, Inc.

The company announced fiscal 2008 first quarter results, reporting year-over-year increases in net revenues and income of 42.5 percent and 55.1 percent, respectively. p.46

Analyst comments by Trace Urdan and Jeff Lee, Signal Hill Capital Group. p.47

ESI ITT Educational Services, Inc.

Trace Urdan and Jeff Lee, analysts with Signal Hill Capital Group, project that ITT's share growth

will slow in 2008, and are therefore lowering their share rating from Buy to Hold. p.48

STRA Strayer Education, Inc.

The company reported on revenues (up 23 percent), earnings (diluted EPS up 45 percent), and fall term enrollments (total enrollments up 15 percent, new students up 16 percent) as part of its 2007 third quarter results. p.49

WPO The Washington Post Company's Kaplan Colleges

Education division revenue totaled \$514.6 million for the third quarter of 2007, a 22 percent increase over last year. p.51

The company also reported on two mergers: Hamilton College and Kaplan University (the seven campuses will be renamed Kaplan University); Concord Law School and Kaplan University (creates the first online law school within a regionally accredited institution). p.52