

# Contents

CER OPINION AND ANALYSIS

**For What It's Worth...**

by Stephen B. Friedheim

This month Steve considers why "they"—that is, bureaucrats, lawmakers, or the folks at public postsecondary institutions—don't like us. Being a business should not tarnish nor negatively impact the image of our institutions. p.1

**Watching Washington: Waiting for the Dust to Settle**

by Sean P. Johnson

The Congressional rush on budget bills leaves details for Higher Ed in the air. Washington sources indicate that things are probably not as bad as they have been portrayed, and that in the end there will be a set of regulations that career colleges can live by. p.5

WASHINGTON PERSPECTIVE

**A Damaging Leak to the University of Phoenix**

*Higher Ed Watch* asks: Why did the Department of Education release to the University of Phoenix, via a Freedom of Information Act request, the entire legal strategy of a pair of whistleblower lawsuits including the confidential list of witnesses. p.8

**Friends in High Places Deliver Big for Sallie Mae Behind the Scenes**

*Higher Ed Watch* observes that an Education Department official provided key help to Sallie Mae, his former employer, on the eve of the company's privatization. p.9

**Educating the Education Secretary**

The *New York Times* editorial is highly critical of the Education Secretary's actions regarding the Department's failure to control corruption in the student loan program. Education Secretary



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Margaret Spellings responds to the *New York Times* editorial and maintains that fixing the student loan system is a top priority. p.11

### **Fixing the Student Loan Mess**

The *Times*' editorial asserts that, "The risk of shady dealing is especially apparent at for-profit colleges and technical schools...." p.12

### **CCA Response to *New York Times* Editorial**

In response, CCA maintains that student success rates at for-profit colleges and technical schools are superior to public institutions. p.12

### **Department of Education Considering Significant Steps to Increase Federal Control Over Accreditation**

ACE asserts that the new regulations would give the government unprecedented control over accrediting agencies and institutions of higher education. p.13

## EDUCATION POLITICS AND POLICY

### **Washington—The Month in Review**

Student loan and accreditation issues dominate the news for the month. p.15

## CAREER COLLEGE UPDATES

### **Demand Accelerates for Skilled Auto Technicians**

Universal Technical Institute in Sacramento is featured in this article on the career opportunities in automotive technology. p.19

### **Student-Run Restaurant Gets Down to Business**

The Art Institute of Vancouver's Culinaria restaurant plans to extend hours to evenings and weekends to bolster the instructional experience and generate more revenue. p.21

### **Johnson Controls Partners With Schools**

Johnson Controls' "CareerConnect" program is benefiting six educational institutions with grants for new equipment and materials for instructor training. p.22

### **Rasmussen College Expands Into North Dakota and Florida**

The college has expanded into North Dakota and Florida with the granting of its request to merge Aakers College and Webster College by the Higher Learning Commission. p.23

### **Rasmussen College, Inc. Revs Up With NASCAR**

The college is partnering with The American Legion in supporting Team Johnson Motorsports in the upcoming NASCAR season. p.23

### **DeVry Offers No-Tuition Classes to High-Schoolers**

The Passport2College program offers high-school students who have completed their sophomore or junior year four tuition-waived courses. p.24

### **Cookbook Supports Scholarship Fund for Cosmetology Students**

AACS and SalmonBeach & Associates are co-sponsoring the cookbook, with profits from sales going to the Pat Goins Scholarship Fund to help deserving cosmetology students with tuition. p.24

## NEW PROGRAMS

### **Taking on Goliath**

An Indianapolis entrepreneur sees a niche for a for-profit alternative to IU School of Law. p.25

### **Capella University Introduces Ph.D. Specialization in Special Education Leadership**

The growing field of special education presents unique leadership challenges and offers expanding career opportunities. p.27

### **Kaplan and the University of Essex Launch New Online Foundation Degree**

Kaplan Open Learning will deliver the courses with degree awards being made by the University. p.27

### **DeVry University Approved to Offer First Game and Simulation Programming Bachelor's Degree Program in Austin**

The multi-billion dollar industry surpasses Hollywood box office sales to push demand for talent beyond the current supply. Austin is the third-largest center for video game development in the country. p.28

## NEW CAMPUS LOCATIONS

**DeVry University** opens a new campus in Jacksonville, Florida. p.29

## PERSONNEL APPOINTMENTS AND PROMOTIONS

**Diane Auer Jones**, of Maryland, will be nominated by President Bush to be Assistant Secretary for Postsecondary Education. p.31

**Rose Mary Healy**, Ph.D. has been named to serve as interim Berkeley College president. p.31

**Tim Cole** has been appointed to the newly created position of chief operating officer for Concorde Career Colleges, Inc. p.31

**Dr. Sondra Stallard** has been appointed president of Strayer University. p.32

### *Resignations:*

Hedy Govenar and John Blair have resigned from the Apollo Group, Inc. board of directors. Both will take board positions with subsidiaries. p.32

## EDUCATION TRENDS

### **Looking Good: State Sees Cosmetology License Boom**

As day spas become increasingly popular, the number of licensed cosmetologists and shops in Massachusetts has risen 14 percent in the past four years. p.33

### **Market Spotlight: Online Education**

Non-profit universities prove to be tough competitors in the for-profit online degree market. p.34

### **Survey of College Marketing Programs**

More than 47 percent of American colleges use Web advertising of some type to market the college including more than 59 percent of private colleges, according to a new study. p.35

### **Distance Learning Rising Fast at Two-Year Schools**

A survey of 320 two-year institutions reported that online enrollments had increased by 15 percent on the average over the last year. p.36

### **The Implications of Full Tech Employment**

With near full employment in the technology sector there is increased likelihood that U.S. businesses would be forced to move more positions overseas. p.36

### **Looking for Male Students**

Nationally, men make up 43 percent of college students, and there are plenty of community colleges where that proportion is smaller. p.37

### **New Figures Show High Dropout Rate**

Federal officials say problem is worst for urban schools and minority males. p.38

### **U.S. High School Courses Lack Rigor Needed to Prepare Students for College-Level Coursework**

ACT research suggests that even students who take the recommended college preparatory curriculum in high school are often ill-prepared to handle college material and that many students lose academic momentum during their last two years of high school. p.39

## ACQUISITIONS AND MERGERS

### **For-Profit Company Could Buy Myers U.**

Education Management Corporation is vying for Cleveland's financially crippled Myers University. p.41

### **Heald to Be Bailed Out by Private Equity Group**

The San Francisco-based college, founded in 1863, will be acquired by investors who plan to convert the college into a for-profit institution. p.42

### **Post's Kaplan Buys Canadian Test Prep Firm**

CPA Success runs test preparation schools for the U.S. Uniform Certified Public Accountant test in five Canadian cities. p.42

### **University of Liverpool and Laureate International Universities Announce Expanded International Collaboration**

The joint program was created to address the growing global need for students to "internationalize" their education. p.43

## **eCollege® to Be Acquired by Pearson**

The deal will give eCollege stockholders \$22.45 per share in cash in a transaction valued at \$538 million. Datamark will be sold to an investor group led by Thorne family interest for \$41 million. **p.44**

### **CORPORATE SCHOOL NEWS AND REPORTS**

## **APOL Apollo Group, Inc.**

The company reported that 2nd quarter profits were down 24 percent with the company's net income dropping to \$60.3 million. **p.45**

### *Analyst and Press Comments*

Start growth of 24 percent comes at an unsustainable price—a 46 percent increase in advertising expense alone. (Trace Urdan & Jeff Lee, Signal Hill Capital Group) **p.46**

University of Phoenix, once a pioneer, sees its profit figures shrinking. (*Associated Press*) **p.47**

## **CECO Career Education Corporation**

### *Analyst Comments*

SunTrust upgrades Career Education as it sees total student population trends improving. (Mark Hughes, SunTrust Robinson Humphrey) **p.49**

Career Education announces a new stock repurchase program of \$300 million. (Jeffrey Silber, BMO Capital Markets) **p.49**

## **COCO Corinthian Colleges, Inc.**

The company reported financial results for the third quarter with a decline in student population, student starts and net income. **p.50**

## **CPLA Capella Education Company**

The company reported for the first quarter a revenue increase of 26 percent and enrollment growth of 21 percent. The company will price its common stock offering at \$36 per share. **p.52**

### *Analyst Comments*

The company stands out in the investible education market by virtue of its student quality, and the anticipated pace and likely longevity of its growth trajectory. (Trace Urdan & Jeff Lee, Signal Hill Capital Group) **p.53**

## **DV DeVry Inc.**

### *Analyst Comments*

### *Takeaways from 2007 Analyst Day:*

We estimate it will take roughly two to four years to get to the stated 17.1 percent operating margins. (Jeffrey Silber, BMO Capital Markets) **p.54**

The cost per lead for television ads is down 50 percent year over year. (Mark Hughes, SunTrust Robinson Humphrey) **p.54**

## **ESI ITT Educational Services, Inc.**

### *Analyst and Press Comments*

ITT shares declined on valuation downgrade after the shares sharp rise to all time record price. (*Associated Press*) **p.55**

Earnings should continue to do well with some analysts predicting a 16.5 percent increase annually. (*Seeking Alpha*) **p.55**

## **EVC Career Colleges Holding Corp.**

The company has completed its financing with ComVest Investment Partners III, L.P. **p.57**

## **LINC Lincoln Educational Services Corporation**

The company has reported results for the 2007 first quarter: revenue grew 3.5 percent with operating income margin decreasing to (3.0) percent of revenues. The company has also realigned its operations into the Lincoln Tech Group and the Lincoln Educational Group. **p.58**

### *Analyst Comments*

The 1.5 percent decline in average enrollment was attributed to the strong employment outlook, with many high school students opting to enter the job market instead of school. (Howard Block, Banc of America Securities) **p.59**

## **STRA Strayer Education, Inc.**

The company reported for the first quarter that revenues increased 20 percent, income from operations was \$28.9 million, and net income was \$18.8 million. **p.60**

## **UTI Universal Technical Institute**

The company reported that net revenues for the second quarter were \$91.7 million, a 3.3 percent increase, with net income of \$6.1 million. **p.62**

### *Analyst and Press Comments*

No real change as the company faces high

tuition pricing, a robust job market and an increase in the number of competitive programs. (Trace Urdan & Jeff Lee, Signal Hill Capital Group) **p.62**

Consensus was not surprised by 2Q07. A modest sequential up-tick in population is a positive surprise; however, re-acceleration in population growth is unlikely during F2007. (Howard Block, Banc of America Securities) **p.63**

Total employment of technicians dropped from 258,100 last year to 254,700 this year as the average dealership saw a decline in tech jobs from 13 to 12. (Mark Hughes, SunTrust Robinson Humphrey) **p.63**

UTI and NASCAR renewed its licensing deal, and UTI will continue to use the NASCAR name and logo at the Mooresville, N.C. campus. **p.64**

## REVIEW OF ADVERTISEMENTS

### Display Ads **p.65**

- Empire College
  - Everest College
  - New York Institute of Technology
  - Remington College
  - Institute for Business & Technology
  - Institute of Medical Education
-