

Roll Call

May 2, 2011

[homepage](#)[non-mobile version](#)[Article](#)[Chart](#)

For-Profit Colleges Field Team Of Top Lobbyists

By [Bennett Roth](#)

Roll Call Staff

April 29, 2011, Midnight

They may not have ivy-covered campuses or rowing teams, but for-profit colleges that award degrees in nontraditional studies such as herbal sciences and golf management have hired the Ivy League of lobbyists to wage a high-dollar battle against federal rules that they claim could put them out of business.

“There has been an all-hands-on-deck,” said one lobbyist hired by a for-profit school, joking that there were so many lobbyists roaming Capitol Hill on the issue that “they are stumbling over each other.”

“There may well be a shortage of lobbyists if they keep up the pattern of hiring every former Member of Congress and K Street lobbying shop,” said Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers.

Nassirian has been an outspoken critic of for-profit colleges, which he and others argue are making handsome profits by encouraging students to go deeply in debt with federally backed loans for programs that are of disputed merit.

Last year the Education Department moved to clamp down on for-profit colleges by drafting rules that would cut off federal loans to programs where students had high default rates and debt compared to projected annual income.

The schools have responded that the “gainful employment” rule was unfairly designed and could force them to shutter programs. They furiously lobbied Congress, prompting the House, with bipartisan support including Minority Leader Nancy Pelosi (D-Calif.) to approve a rider to this year’s budget that would have barred the department from implementing the rules.

However, in the final negotiations, Congressional leaders dropped the provision, which was opposed by powerful Senate Democrats, including Majority Whip Dick Durbin (Ill.) and Health, Education, Labor and Pensions Chairman Tom Harkin (Iowa), whose panel held a series of hearings on for-profit colleges.

Among the influential opponents of these for-profit colleges is Steve Eisman, the equity trader who foresaw the subprime mortgage crisis and profited by short selling those stocks. Eisman, who was profiled in Michael Lewis’ best-selling book “The Big Short,” testified before Harkin’s committee last year about his concern that the for-profit college industry boom, driven by easy access to federal loans, could be as destructive as the mortgage meltdown. The for-profit colleges have responded that Wall Street traders such as Eisman are attacking these schools to depress their stocks so these short sellers can make more money. The Education Department inspector general is looking into those charges at the request of two Senators.

Officials from these education companies say their next step will likely be determined by how extensively the administration revises the rule on student loans. Education Department spokesman Justin Hamilton said Friday that regulations would be published soon.

"Everyone in this town seems to have a lobbyist fighting for them, except for these students," Hamilton said. "We need to make sure that they are getting what they are paying for, skills for a good-paying job."

The debate includes other Wall Street players that now own for-profit colleges. For example, Goldman Sachs has a financial interest in the Pittsburgh-based Education Management Corp., which runs for-profit colleges. Its board chairman is former Maine Gov. John McKernan (R), the husband of Sen. Olympia Snowe (R-Maine).

Last week 118 lawmakers wrote a letter to President Barack Obama urging the Education Department to withdraw the regulations. The letter — signed by prominent Republicans such as House Education and Workforce Chairman John Kline (Minn.) and a number of veteran Democrats including Reps. Alcee Hastings (Fla.) and Robert Andrews (N.J.) — argued the rules would hurt the most at-risk students. The group urged the department to work with Congress to develop polices that would "truly protect taxpayers funds and measure and improve educational quality across all sectors of higher education."

If the rules are not changed to their satisfaction, college officials say they will keep pressuring lawmakers to attach provisions to future budget bills or other legislation to prevent the restrictions from taking effect.

"The legislative vehicle option is still around," said Harris Miller, president of the Association of Private Sector Colleges and Universities. The group, which represents for-profit schools, spent \$247,000 in federal lobbying in the first quarter of this year, more than double what it spent for the same period of 2010. As part of its lobbying effort the group has retained the Podesta Group, led by Tony Podesta, an influential Democratic fundraiser.

The association has been joined by others who have put together all-star teams to lobby on the issue. For example, Kaplan University, which is owned by the Washington Post Co., paid \$110,000 to Akin Gump Strauss Hauer & Feld in the first quarter of this year to lobby on the issue and \$90,000 to Ogilvy Government Relations. Vic Fazio, a former Democratic Congressman from California, is a leader on the Akin Gump team, while GOP operative Wayne Berman leads the Ogilvy effort. The Washington Post Co. has also retained the Democratically connected firm of Elmendorf Ryan to make its case.

Last summer, the heads of two private equity firms that have financial stakes in for-profit colleges, Avy Stein, managing partner of Willis Stein & Partners in Chicago, and Lincoln Frank, managing partner of Quad Partners in New York, launched the Coalition for Educational Success to fight against restrictions on their schools.

According to Quad Partners' website, the group has 13 schools in its portfolio, which are also listed by the coalition as members. They include the Marinello Schools of Beauty, offering training in the salon/spa industry; the Culinary and Star Academies, which provide training in commercial cooking and baking and restaurant management; and the Pacific College of Oriental Medicine, which offers doctoral, master's, bachelor's and associate degree programs in acupuncture, herbal medicine and massage.

Stein's firm's portfolio includes the Education Corp. of America, whose schools offer degrees in golf management, interior design, renewable energy, culinary arts and business.

To lead its lobbying efforts, the coalition hired Penny Lee, a former adviser to Senate Majority Leader Harry Reid (D-Nev.) who is now president of Venn Strategies, a government public affairs firm.

The coalition originally hired Lanny Davis, former general counsel for President Bill Clinton, to be its advocate, but it dropped him after news reports that Davis was representing Ivory Coast President Laurent Gbagbo, who has been accused of violating human rights. Davis, however, is now working with the National Black Chamber of Commerce, which last week issued a news release attacking the Education Department for its regulations on for-profit colleges.

Lee defended the for-profit schools, saying they "fill a necessary void" by offering training for nontraditional students. "What matters is the quality of education," not the ownership of these schools, she said.

Other lobbyists for the coalition are the Wexler & Walker Public Policy Associates, which includes former Rep. Robert Walker (R-Pa.), and Chicago-based Singer Consulting. The firm’s head, William Singer, reported in his first-quarter lobbying disclosure that he had spoken with Durbin and White House Chief of Staff William Daley about the for-profit colleges.

Pressure to turn back the Education Department rules has also come from John Sperling, a prominent Democratic donor who is also the founder of the Apollo Group Inc., the parent company for the University of Phoenix. Sperling, who has been to Capitol Hill to lobby against the regulations, contributed \$105,093 in the last election cycle, including \$2,400 to Reid and \$28,500 to the Democratic Congressional Campaign Committee, according to the Center for Responsive Politics.

Even though for-profit colleges lost the last round on Capitol Hill, Arthur Keiser, chancellor of Keiser University in Florida and chairman of the APSCU board, said the schools had no choice but to keep up their lobbying campaign.

“You either fight back,” he said, “or you die.”

- HOME** >
- HEARD ON THE HILL** >
- POLITICS** >
- LOBBYING** >
- OPINION** >
- AROUND THE HILL** >

[Back to the Top](#)

An Economist Group Business

2011 CQ-Roll Call, Inc.

All rights reserved.

[Privacy](#) | [Legal](#)