

United States Senate

WASHINGTON, DC 20510

May 9, 2018

The Honorable Carlos G. Muñiz
General Counsel
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Mr. Muñiz:

Next month, from May 22-24, the National Advisory Committee on Institutional Quality and Integrity (NACIQI) will hold a scheduled meeting that includes a discussion around “Oversight of For-Profit Institutions’ Conversions to Non-Profit Entities.” with specific attention towards a letter we sent on January 11, 2018.¹ NACIQI’s Chair is Dr. Arthur E. Keiser. Dr. Keiser was named as NACIQI Chair in February 2017, and also serves as Chancellor and CEO of Keiser University, which is a former for-profit college that converted to non-profit status.² Given this dual role, we believe Dr. Keiser’s involvement in this discussion could present a direct conflict of interest, and write to seek additional information on his ethics arrangements.

We appreciate NACIQI’s decision to discuss our letter, in which we expressed concerns regarding for-profit institutions converting to, or attempting to convert to, non-profit entities in order to avoid regulatory scrutiny. We continue to believe that this trend is extremely troubling, making it an imperative and urgent topic for NACIQI discussion.

One of the notable instances of a for-profit college converting to nonprofit status was Keiser University, led by Dr. Arthur Keiser and his family. In 2011, for-profit Keiser University was sold to the nonprofit Everglades College Inc., which was created by the Keiser family, for \$521 million. In order to finance this purchase, Everglades College took a \$321 million loan from Dr. Keiser and paid Dr. Keiser for both the sale of his institution and for the interest on the loan for the purchase.³

In 2014, Senator Tom Harkin, then chair of the Senate Committee on Health Education Labor and Pensions, wrote to the IRS about his concerns about Keiser University’s conversion to nonprofit status.⁴ Senator Harkin noted that despite negligible differences in its operating

¹ Warren, E., Brown, S., Murray, P., Durbin, R.J., & Blumenthal, R. (2018, January 11). *Letter from Senators Warren, Brown, Murray, Durbin, and Blumenthal to Dr. Arthur E. Keiser and Mr. Frank H. Wu, NACIQI*. Online at: <https://sites.ed.gov/naciqi/files/2018/03/2018.01.11-Letter-to-NACIQI-re-sectorial-conversions.pdf>.

² Field, K. (2011, January 13). “Keiser U. goes nonprofit.” *The Chronicle of Higher Education*. Online at: <https://www.chronicle.com/article/Keiser-U-Goes-Nonprofit/125947>.


³ Halperin, D. (2017, June 19). “Should this college operator run a key federal oversight panel?” *Huffington Post*. Online at: https://www.huffingtonpost.com/entry/should-this-college-operator-run-a-key-federal-oversight_us_59481ea4e4b04d8767077ace.

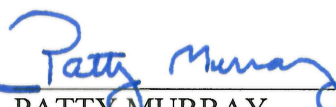
⁴ Harkin, T. (2014, February 12). *Letter from Senator Tom Harkin to Commissioner John A. Koskinen, IRS Commissioner*.

scheme, the new nonprofit status of Everglades College would allow the institution to circumvent rules targeted at protecting students and taxpayers from predatory for-profit colleges.

To this day, the Keiser University-Everglades College deal continues to be a prime example of the elaborate conversion schemes that often result in the personal financial interests of the "new" nonprofit college's leadership remaining closely intertwined with the former for-profit owners' financial interests—the topic of our letter. This is precisely the type of conversion scheme that NACIQI needs to be able to freely discuss without ideological bias or personal conflicts of interests. A spokesperson for Dr. Keiser had also previously stated, "Should an issue arise which would require him to recuse himself from a particular discussion or vote, he is happy to do so. Such action is nothing new and consistent with his past service on the NACIQI Board."⁵ We believe the scheduled NACIQI discussion of for-profit college conversion represents a matter that should warrant a recusal from Dr. Keiser, and ask that you inform us in advance of the meeting whether Dr. Keiser will be recusing himself.

Sincerely,


ELIZABETH WARREN
United States Senator


PATTY MURRAY
United States Senator


RICHARD BLUMENTHAL
United States Senator


RICHARD J. DURBIN
United States Senator


SHERROD BROWN
United States Senator

cc: Ms. Marcella Goodridge-Keiller, Designated Agency Ethics Official, U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, D.C. 20202.

⁵ Halperin, D. (2017, June 19).