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Dear CEO:

We write to seek an update on your management of online degree programs for colleges and universities that accept federal financial aid. Since our last inquiry in January 2020, and amidst the ongoing COVID-19 pandemic, online program management (OPM) companies appear to have significantly expanded, becoming a more extensive and integral part of American higher education.[1] We are therefore seeking updated data about the degree programs you manage, the students you serve, and the outcomes of these programs, in order to inform effective policy toward this growing sector of higher education.

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[1] Higher Ed Dive, “Colleges look to OPMs as pandemic intensifies shift online,” Natalie Schwartz, October 20, 2020, https://www.highereddive.com/news/colleges-look-to-opms-as-pandemic-intensifies-shift-online/586831/.

The responses to our January 2020 letters[2] revealed important information about the size and function of the OPM market. At the time, the major OPM companies partnered with nearly 200 colleges and universities and served hundreds of thousands of students.[3] Most OPM partnerships were for degree programs in health, education, and business administration; one company reported that these fields make up 92% of its partnerships.[4] Another large OPM referred to public reports that show that its students are demographically diverse: 34% are Black or Hispanic, 70% are between ages 25 and 44, and 66% are women. [5] This company reported a 72% graduation rate in its degree programs, while spending 22% of total tuition on marketing and sales expenses for "mature" degree programs. [6] Another large OPM reported that its degree programs charge an average tuition of $15,100, on average, its contracts specify payments of 46.4% of tuition revenue for an average term of 6.7 years.[7]

Since that time, the COVID-19 pandemic has significantly increased the need for online education, and one industry observer projects that there will be 367 total OPM-university partnerships by the end of 2021.[8] As students become more comfortable with or demand the flexibilities provided by virtual learning formats and universities increase their online offerings, this expansion is likely to continue.[9] Furthermore, OPM partnerships are becoming more integral to university finances and operations: one recent report found that some institutions are relying on OPMs for as much as 40 to 50% of their total enrollment.[10] A reliance on OPM partnerships to generate revenue will likely continue as public and private nonprofit colleges deal with the plummeting undergraduate enrollment caused by COVID-19.[11]

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[2] "Senators Warren and Brown Examine Questionable Business Practices of Largest Managers of Online Degree Programs," January 24, 2020, https://www.warren.senate.gov/oversight/letters/senators-warren-and-brown-examine-questionable-business-practices-of-largest-managers-of-online-degree-programs.

[3] Academic Partnerships reported 57 clients; Wiley reported more than 60 partner institutions; Bisk reported nine active contracts; and 2U reported more than 70 partnerships with nonprofit universities, for a total of more than 197 institutions. (Because of the comprehensive nature of OPM "bundled services" arrangements, we assume that universities generally partner with only one OPM, making these numbers unique rather than duplicative.) 2U reported serving more than 215,000 adult learners. Responses are on file with the office of Sen. Warren.

[4] Wiley reported that 34% of degree programs are in Business & Leadership, 23% are in Education, and 20% are in Health and Human Services. Academic Partnerships reported that 92% of degree programs are in Nursing, Education, and Business. Responses are on file with the office of Sen. Warren.

[5] 2U, "2019 Transparency Report," https://ddfoqzqsu0zvp.cloudfront.net/media/documents/2U_2019_Transparency_Report_23.pdf, pg. 9.

[6] 2U, "2019 Transparency Report," https://ddfoqzqsu0zvp.cloudfront.net/media/documents/2U_2019_Transparency_Report_23.pdf, pg. 7 and 15.

[7] Academic Partnerships response letter, February 21, 2020. Responses are on file with the office of Sen. Warren.

[8] HolonIQ, "450+ University Partnerships in the first three quarters of 2021," December 2, 2021, https://www.holoniq.com/notes/450-university-partnerships-in-the-first-three-quarters-of-2021/.

[9] Higher Ed Dive, "Colleges look to OPMs as pandemic intensifies shift online," Natalie Schwartz, October 20, 2020, https://www.highereddive.com/news/colleges-look-to-opms-as-pandemic-intensifies-shift-online/586831/.

[10] The Century Foundation, "Invasion of the College Snatchers," Stephanie Hall, September 30, 2021, https://tcf.org/content/report/invasion-college-snatchers/?agreed=1.

[11] National Student Clearinghouse, "Undergraduate Enrollment Declines Nearly 8% and Community Colleges Drop 15% Since Fall 2019", Todd Sedmak, November 18, 2021, https://www.studentclearinghouse.org/blog/undergraduate-enrollment-drops-nearly-8-and-community-colleges-decline-15-since-fall-2019/.

We continue to have concerns about the impact of OPM partnerships on rising student debt loads. The responses to our previous letters confirmed that OPMs often have tuition-sharing arrangements with universities, which commit an ongoing percentage of tuition revenue to the OPM to finance the start-up and ongoing costs of operating online degree programs.[12] OPMs often receive 50% or more of students' tuition.[13] These agreements may create a disincentive to lower costs. For example, a recent *Wall Street Journal* report found that the OPM-managed online Master of Social Work degree program at the University of Southern California routinely leaves graduates with hundreds of thousands of dollars in student debt, despite graduates having a median post-graduation salary of only $52,000.[14] At least one OPM contract has been found to actually include penalties if the university lowers tuition, raises admissions standards, or otherwise reduces revenue.[15]

The tuition-sharing model also creates incentives for aggressive recruitment practices. The Higher Education Act prohibits paying incentives for student recruitment, but the 2011 Department of Education guidance created an exception for "bundled services,"[16] which institutions and OPMs have taken advantage of – despite the clear incentive this creates to enroll more students and benefit from a substantial share of their tuition.[17] These incentives appear to have translated into aggressive marketing and recruitment practices. For example, a reporter received eight calls and 34 emails after entering contact information into the USC program's website.[18] One publicly available OPM contract for an online program at a public institution required the OPM to contact every prospective student at least 13 times per day, for ten days in a row.[19] A *Forbes* profile of another OPM noted that about half of its employees worked at a call center focused on recruitment and increasing revenue.[20] Although millions of dollars in federal student aid go to online degree programs every year, there is no consistent public disclosure of

[12] Academic Partnerships, Wiley, Pearson, and 2U all confirmed that they use a tuition-sharing or revenue-sharing model. Academic Partnerships reported that on average, they are paid 46.4% of revenue. Responses are on file with the office of Sen. Warren.

[13] Huffington Post, "The Creeping Capitalist Takeover of Higher Education," Kevin Carey, April 1, 2019, https://www.huffpost.com/highline/article/capitalist-takeover-college/.

[14] Wall Street Journal, "USC Pushed a $115,000 Online Degree. Graduates Got Low Salaries, Huge Debts," Lisa Bannon and Andrea Fuller, November 9, 2021, https://www.wsj.com/articles/usc-online-social-work-masters-11636435900.

[15] Huffington Post, "The Creeping Capitalist Takeover of Higher Education," Kevin Carey, April 1, 2019, https://www.huffpost.com/highline/article/capitalist-takeover-college/

[16] U.S. Department of Education, "Program integrity questions and answers – Incentive compensation," March 17, 2011, https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/compensation.html.

[17] Huffington Post, "The Creeping Capitalist Takeover of Higher Education," Kevin Carey, April 1, 2019, https://www.huffpost.com/highline/article/capitalist-takeover-college/.

[18] Wall Street Journal, "USC Pushed a $115,000 Online Degree. Graduates Got Low Salaries, Huge Debts," Lisa Bannon and Andrea Fuller, November 9, 2021, https://www.wsj.com/articles/usc-online-social-work-masters-11636435900.

[19] *Id.*

[20] Forbes, "No College Left Behind: Randy Best's Money-Making Mission to Save Higher Education," Caroline Howard, March 3, 2014, https://www.forbes.com/sites/carolinehoward/2014/02/12/no-college-left-behind-randy-bests-money-making-mission-to-save-higher-education/#18a36dea14a2.

how many of those dollars are directed to recruiting, advertising, and profit, rather than instruction.[21]

We appreciate the important information that companies provided in their responses to our previous inquiry. However, this information was provided inconsistently across companies, making it difficult to understand the impact of OPMs on the field of higher education as a whole. In addition, the global disruption of the COVID-19 pandemic has likely changed the operations and status of many OPM-managed programs.

We therefore request answers to the following questions no later than January 28, 2022:

1. How many institutions do you have active contracts with, and what is the breakdown of those institutions (public, private, number of students)?
    a. How many of your contracts include tuition-sharing payment terms?
    b. How many of your contracts include recruitment services?
    c. For each client institution, how many programs does your company manage? For purposes of this question, please count each concentration offered for a degree or certificate program as a single program. [22]
    d. How many students are currently enrolled in each program?
    e. At how many of your company's client institutions do students enrolled in OPM-managed programs make up at least 30% of the total students enrolled at the client institution?
        i. At least 50%?
2. For each client institution, please provide a demographic breakdown of the students enrolled in degree programs you manage, including race/ethnicity, gender, age, veteran status, and number of students eligible for a Pell Grant.
    a. How do these demographic characteristics compare to in-person students at the same university?
3. What percentage of your total managed programs are:
    a. Undergraduate degree programs?
    b. Graduate degree programs?
    c. Non-degree and/or certificate programs?
    d. Coding or tech bootcamps?
4. What percentage of your total managed programs are in:
    a. Health care (e.g. nursing)?
    b. Education?
    c. Business administration?
    d. Technology, IT, or computer science?

[21] The Century Foundation, "Three Things Policymakers Can Do to Protect Online Students," Stephanie Hall, September 12, 2019, https://tcf.org/content/commentary/three-things-policymakers-can-protect-online-students/?agreed=1.
[22] This follows the program counting method used by Academic Partnerships in its 2021 transparency report. Academic Partnerships, "2020/2021 Impact Report," https://www.academicpartnerships.com/wp-content/uploads/2021/09/academic-partnerships-impact-report-2020-21.pdf.

5. What is the average tuition charged for each of the programs you manage?
    a. In what percentage of programs is the tuition higher, lower, and the same as equivalent on-campus programs?
6. What is the average contract length for your management of degree programs?
7. What is the graduation rate for each of the degree programs you manage?
    a. In degree programs leading to licensure, such as nursing, what percentage of graduates pass licensing exams?
8. Do any of your contracts include incentives for higher tuition or penalties for tuition changes? If so, please describe.
9. What percentage of your expenditures go to marketing, recruiting, and/or enrollment advising prospective students?
    a. How have your marketing, recruitment, and enrollment advising practices changed since March 2020?
    b. Please provide a demographic breakdown that includes the 2020-21 school year of prospective students that you contacted for recruitment, including race/ethnicity, gender, age, veteran status, and number of students eligible for a Pell Grant.
    c. Please describe the compensation structure for your employees who work in student recruitment.
10. What percent of your revenues are spent on instruction or support for students who are currently enrolled?
11. What percentage of your revenue comes from Title IV federal aid?

Thank you for your attention to this important matter.

Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

Sherrod Brown
United States Senator