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To: Redacted by HELP Committee

FROM:

DATE: July 8, 2010

SUBJECT: Possible Opportunities for EDMC “90:10”

Thanks for the call outlining the interest of EDMC in learning more about potential areas of funding that could add students and revenue that would also address the “90:10” issue.

In light of that dual set of interests, let us briefly review the opportunities we see among recurring sources of government funding, plus some other prospects to consider. For ease of presenting, this document will be broken down as follows:

- **The Federal Government.** This includes the U.S. Departments of Labor, Education, Agriculture, and Health and Human Services in particular for direct contracts and grants on a periodic, competitive basis.
- **The State Level.** Forty states provide \$500 million a year of funding to pay for 50 percent of the costs of training of incumbent workers covering, in one form or another, many of EDMC’s course offerings. These are *recurring* sources of funding.
- **The Local Level.** This category includes the roughly \$2 billion of federal job training funding that is available through the 600 local Workforce Investment Boards on a *recurring* basis to help approximately up to two million people each year secure assessments, training, counseling, and placement assistance. These are **recurring** funds that were tripled under the Stimulus Act.

THE FEDERAL GOVERNMENT

There are a number of emerging opportunities that may present short, medium, and longer-term opportunities that should also be carefully considered, given their size and scale.

The Military

1. **Military Spouses.** Probably one of the most important potential short and long-term targets for EDMC are the 800,000-plus military spouses who have been authorized, *for the first time in history*, for a one-time entitlement of up to \$6,000 that can be used for training, as well as for counseling and other ways to assist them in finding work. We are told by the DOD that the largest demand among the spouses is for healthcare-related training, although it can also cover almost all other occupational areas.

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The Department of Defense has also informed military personnel and their spouses that under the most recent G.I. Bill, they **can authorize up to 50 percent of his/her education benefits for the spouse to continue their education**. Therefore, in theory, every spouse has access to two separate sources of funding.

As you probably know, military spouses are a particularly attractive group of prospective students. Nearly two-thirds have at least some college education. The average age is 36, they have strong support systems with the military bases and operations and, of course, they tend to be very stable.

The big issue that is driving these new training funds is that when the military do their surveys, **the** primary reason people give for leaving the military is that their “spouse is not happy.” When the military spouses are surveyed, they say the reason they are not happy is that they cannot find a job or, more often, they cannot find a **good** job for which they believe they are qualified with their background and experience. This is the reason for the focus on providing training and other forms of assistance: so that they can get better jobs and, in turn, encourage their spouses to stay in the military.

The “My CAA” (*My Career Advancement Account*) program for the \$6,000 entitlement for all 800,000 spouses, however, has been thoroughly bungled. The entire web-based system for enrollment literally collapsed in January. Therefore, the DOD is not authorizing any new CAAs at the moment, and they have spent months trying to restore the system. At least 100,000 military spouses had gained eligibility when the system “crashed.” Those are approved for their training. Once *My CAA* gets up and running, one can safely assume an enormous demand will follow, given all the interest that has been shown by the spouses.

EDMC was provided information on becoming a “Military Spouse-Friendly School” in the past. We would strongly encourage this to be a first step since that is the first stop the spouses see on their websites. No doubt, EDMC is already benefiting from some of this, but an aggressive effort to reach the spouses at the military bases with various career fairs, direct communications, and visibility with the Office of Military Families in Washington would be very important.

2. **Enlisted Personnel**. Of course, there is the long-standing tuition and other support for most members of the military as an entitlement.
3. **Veterans** also have a variety of tuition and other benefits, plus preferred eligibility for almost all other Federal programs.

Near-Term Federal Prospects for New Sources of Funding/Students for EDMC

1. **U.S. Department of Labor**. Although directed at community colleges, there will be the clear need for various kinds of partnerships within the focus of the new funding on expanding access, outcomes, and job placements. Among the most immediate potential opportunities is \$500 million of new funding that was contained in the Healthcare Reform Act. It is a long, complicated story, but the \$10 billion set aside for community colleges under the proposed “American Graduation Incentive Act” was removed to make the Healthcare Reform budget work. Two billion dollars – spread over four years – was delegated instead to the

Department of Labor, with the idea that community colleges would be the preferred eligible applicants. What makes this of particular interest is its focus, for the first time, **on laid-off workers who are on Unemployment Insurance.**

Further, it is authorized under the Trade Adjustment Assistance Act. Therefore, unlike any other Federal program, **it is feasible to provide up to two years of training and, while students are in training, up to two years of Unemployment Insurance benefits.** We found it very interesting that the Congress authorized the funding under TAA, since it does provide for unique longer-term potential training. Further complicating the funding is that every state must receive at least some funding (not less than .05%). Therefore, each state community college system will get a minimum of \$2.5 million of funding. The larger states will receive much more.

Also of interest is that the legislation allows for “training of incumbent workers whose jobs may be at risk of unemployment and, if so, would likely qualify for Unemployment Insurance.” It is clear that the goal in targeting these funds, therefore, is to try to reduce the demand on the Unemployment Insurance system by training and job placement.

We are advised that the Department – surprised by receiving these funds – will not have an RFP. There will likely be at least two different RFPs targeting “low-wage workers” who have been laid off and are on Unemployment Insurance and another at a broader reach to the rest of the laid-off workers on UI.

Finally, a great part of the focus will be on job placement – therefore, getting people **off** Unemployment Insurance. That is where some potential partnerships between EDMC and targeting certain categories of laid-off workers in concert with a Workforce Investment Board or a community college could prove attractive to all.

2. Department of Health and Human Services:

Training in Uses of Technology for Incumbent and New Healthcare Workers. As you may know, the Stimulus set provides for a \$20 billion allocation of funding that will go (by some convoluted formula) to healthcare providers for acquiring “new technology.” For some larger healthcare providers, it is serious money - \$150 million to \$400 million for the bigger hospital management companies.

It is our understanding that a substantial amount of funding will be offered by HHS to provide training to incumbent and new healthcare workers in those new technologies. Our contacts at HHS report that funding should be available by the late fall. (The first few RFPs with small amounts of money have already been released by HHS.)

Based on our discussions with our large healthcare clients, a good deal of work is already underway in the planning for **major** re-training of **existing** workers for a variety of new technologies. (Those will range from new MRI machines to new, more sophisticated computers, lots of new medical-related software of many kinds, various alarm and monitoring systems, patient data processing, etc., all of which have training requirements.)

Electronic Medical Records. *One of the biggest workforce impacts* is contained in the Healthcare Reform legislation and, separately, by the Obama Administration's Executive Order that no healthcare worker who interacts with any patient supported by Federal funding (which, of course, will make up the majority of people) can do so without "demonstrating competency in the use of Electronic Medical Records."

Our hospital clients report that they expect to have to re-train hundreds of thousands of current workers – which means across the country, among all healthcare providers, millions of current workers – to demonstrate mastery of the yet-to-be-defined Electronic Medical Record.

Work is underway at HHS to define those competencies. Microsoft, IBM, and others are lobbying hard to have their version of the EMR utilized. Best guess is that the government will set the criteria, multiple vendors will provide EMRs to fit, and the vendors will fight it out over market share.

These will be very sophisticated Electronic Medical Records, requiring the ability to use relational databases, very sophisticated ways of interacting with multiple sources of data systems internally and externally, and with lots of data input and verification requirements.

Adding to the major investment that will be required is the fact that almost all professional and technical post-secondary training programs for healthcare professionals will need to be reformed to incorporate the mastery of those Electronic Medical Records.

The Administration has established 2015 as the final date by which everyone who interacts with patients or medical activities that have any Federal funding whatsoever attached to them must be competent in the use of Electronic Medical Records. Some of the early funding from the Department of Health and Human Services has been around the issue of funding for public colleges to begin the process of reforming their curricula. HHS indicates that they will be providing RFPs in the fall to seek organizations to compete for training in and around the new technologies and Electronic Medical Records.

It is important to note that many state and local sources of funding (described later) are already being responsive to requests for training funding by companies with whom we work related to meeting the requirements of the Federal government and improved healthcare.

- U.S. Department of Agriculture.** One of the most frequently ignored yet one of the largest Federal agencies is the U.S. Department of Agriculture. As you know from our dinner with Secretary Vilsack, he still has nearly \$3 billion of Stimulus funding to invest in economic development in rural America. He is seeking to focus those resources around a significant commitment to improve educational opportunities in rural America – especially those that utilize technology to broaden the ease of access and opportunities for the full range of people in rural America. In the Stimulus, he received about \$250 million, which he put out for competition to bring broadband to rural areas that did not have it, with the requirement that those who did respond had to show how broadband would be used to improve educational opportunities as well as other improvements in the community.

Taking place the week of July 19 is the National Conference on Technology in Rural America, organized by the Administration. Over this past weekend, the President announced (although there are not a lot of details) an additional \$800 million to help finance more broadband and Internet access.

STATE FUNDING

1. Most state-based sources of training funding, though not all, are focused on the re-training of **incumbent** workers.

Some forty states provide approximately \$500 million per year in various ways to offset the costs of training of primarily but not exclusively incumbent workers. Generally, these are grants in the \$100,000 to \$250,000 range, although large-scale training needs by companies in states like Texas and California can often exceed \$1 million.

However, in almost all cases the funding **can** be used for training of new workers, often with the requirement (such as in California) to provide job placement as part of the commitment under their training grants.

These can be **recurring** sources of funding. (California makes companies take a “holiday” for a year after three years of grants in a row, but then can come back for another three-year cycle, and many companies with whom we work do just that.) As noted in previous communications, in some cases that funding could be used to offset the costs of training staff of EDMC, as a private sector employer.

Typically, these grants cover approximately 50% of the **direct** costs of training. Most often – though not in every case – it does **not** include the cost of the wages of the trainees, but again, the **direct** costs of training, though they will accept fully loaded, defensible costs. Typically, the grants provide from several hundred dollars per employee to as high as \$7,000 or \$8,000, depending on the sophistication of the training and the level of employee to be trained.

The priority is on skills training. However, that can include supervisory training in addition to a full range of technical skills.

2. **The Unemployed.** As noted, many states allow some portion of their training grants to be used for training of unemployed workers (although most rely on the Federal source of funding described below for that purpose).

In a few cases – such as Virginia’s recent commitment of nearly \$60 million of new funding to help support job creation, which includes funding for training incumbent and new workers – states have actually stepped up their level of funding for both incumbent and new workers.

Local Funding

1. **Workforce Investment Boards.** A major source of *recurring* funding is the Federal government’s \$2 billion or so investment each year in 600 local Workforce Investment Boards that blanket the country. In turn, they utilize approximately 2,500 “One-Stop Centers,” where

the unemployed and those people who feel they are underemployed can go to receive assessments, counseling, and training.

Each Board is independent and, in most cases, acts like it. However, they are consistent in their focus on the re-training of the unemployed and requiring all training institutions to go through a process to become "Eligible Training Providers."

EDMC should have no trouble being approved in every case, because it is recognized by the U.S. Department of Education as an "accredited" institution – normally the fundamental requirement for being approved. Nevertheless, in some cases, the WIBs do require quite a bit of data about individual courses and programs, and the process can take from 30-60 days to complete from beginning to approval.

Once completed, in most cases it is a permanent eligibility. In a number of states, if you are approved by one Workforce Investment Board, then you are automatically approved as an Eligible Training Provider for *all* of that state's Workforce Investment Boards.

Typically, training is funded in the form of "Individual Training Accounts." Those are authorized after an individual is determined to be "eligible" for WIA services (typically either a laid-off worker or an individual who can demonstrate they are economically disadvantaged). The individual then gets to choose which school to take that ITA for training.

The ITAs typically are in the minimum \$3,000 range, but in a number of cases recently, those have been increased to as much as \$15,000 (in the Dallas WIB that we worked on).

The Big Issues Facing WIBs. There are three crucial issues facing Workforce Investment Boards:

- A. **They are overwhelmed with millions of laid-off workers.** Also in many cases, they are not well equipped to work with those who have good educational backgrounds and work experience. In the past, they have been primarily focused on the economically disadvantaged and under-skilled.

Further, the Administration has been pushing hard (as noted in the description of the new Federal funding from Healthcare Reform), also focused on those laid-off workers who are currently on Unemployment Insurance. In each year from 2001 to 2007, about a million people were served. In the past twelve months, the number has been closer to two million.

- B. **Community colleges are often at capacity.** Because of state budget cuts, in many cases the community colleges can no longer absorb any more individuals. Therefore, the WIBs are searching for new capacity and new options.
- C. **Job Placement.** In the end, Workforce Investment Boards are held accountable for getting people back to work. In this tough economy, that is very hard to do. Therefore, schools that are able to provide both the training and reasonably high percentages of job placement success have become very attractive.

Getting EDMC into the workforce system will take some work. The rationale for doing so is that this is a large and recurring source of funding which, given the anticipated long-term unemployment in this country, will receive disproportional amounts of funding for years to come as the primary mechanism by which the government seeks to help the unemployed get work.

As noted earlier, WIBs are faced with massive challenges and a lack of capacity to meet those challenges from their usual vendors (community colleges, non-profit/public vocational technical centers, and non-profit job training organizations).

Keys to Success with Workforce Boards. Happily, there is some good EDMC experience. It is our understanding that EDMC has won significant WIA training and placement contracts on an episodic basis (especially in the Miami area, as we recall). Based on our experience in helping others in this arena, the following are the keys to success:

- **First and foremost, one must be serious about this.** That means a commitment of senior-level management time and on-the-ground engagement of committed staff who can reach out and build relationships with the local Workforce Boards.
- **Key Workforce Boards should be identified in the locations where EDMC has schools** and adequate staff to meet all of the requirements to become an Eligible Training Provider.
- **Be aggressive in reaching out to the Workforce Board leadership to demonstrate your commitment** and show the commitment to put people on the ground to introduce EDMC to the counselors in the One-Stop Centers. Also, provide those counselors with posters, DVDs, and other information about the offerings through EDMC.
- **Keep it up** – keep returning to those One-Stop Centers, keep showing up at Workforce Investment Board meetings (campus-based staff), and demonstrate that EDMC is a genuine partner in the process.
- **Work to have EDMC personnel be appointed to the Workforce Investment Boards** as a further demonstration of partnership. That, of course, puts those individuals in a position to better understand the large-scale training needs in the community and how EDMC can respond most effectively respond to those.

In short, our recommendation is to make systematic what has been otherwise episodic: engaging with and becoming a regular partner to the workforce system.

2. **Cities / Counties.** Many cities and counties have small but significant sources of job training-related funding. Each would need to be assessed on a case-by-case basis where EDMC has facilities. Again, these are *recurring* sources of funding and may be used for a variety of innovative purposes helping to build partnerships between the EDMC campuses and the cities/counties, potentially in concert with a local Workforce Investment Board.

Other Potential Sources

1. **Foundations.** A number of America's major foundations have jointly committed to investing hundreds of millions of dollars over the next ten years in "expanding access and increasing outcomes" in higher education. They have teamed up with the Obama Administration in setting similar goals for doubling the number of people enrolled in higher education within 8-10 years, and most recently have shifted even more of the focus onto improving the **outcomes** of higher education.

The foundations have firmly concluded that the quickest way to achieve these goals is by helping adults get enrolled, especially those who have had some previous college experience but did not get through, and making sure those who are enrolled complete their training and are able to transition into work. The key foundations driving this priority are:

- The Bill and Melinda Gates Foundation
- The William and Flora Hewlett Foundation
- The Carnegie Corporation
- The Lumina Foundation

It is important to underline that when we have talked to each of those Foundations, each believes that for-profits generally are "doing a much better job" in terms of providing access, especially to the economically disadvantaged and those who are either first time or second-time college-goers. These Foundations also believe that they are also "far and away" more successful in achieving educational and vocational outcomes.

A number of RFPs are coming up this summer and fall, focused on various categories of adults to utilize foundation funding to leverage other resources to build the scale of access and outcomes.

In some cases, a non-profit partner may be key. That might include community-based organizations (such as the National Urban League, various member organizations of the National Council of La Raza that do recruitment and screening of their populations, Goodwill Industries, Easter Seals, Opportunities Industrialization Centers, etc.) where EDMC could be the training provider and they might provide the recruitment and family/other support services as needed.

We believe that the Foundations could be a major missed opportunity for the for-profit sector because of the Foundations' view that the for-profit sector is, in fact, a far better performer on the access and outcome criteria.

2. **International.** We realize EDMC is able to recruit international students (if we recall from previous discussion, largely from the Caribbean but also from a few other countries).

At a minimum, EDMC should reach out to the non-profit international organizations funded by the State Department **for the purpose of helping students interested in getting an education through a U.S. institution to become aware of EDMC.**

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Most for-profits **do not** take advantage of this funding which, as a practical matter, can provide free recruitment services.

One good example is AMIDEAST, an international non-profit focused on eleven countries in the Middle East, headquartered in Washington. The State Department provides several million dollars per year to fund eleven physical counseling centers and various phone banks and web-based assistance to approximately 200,000 individuals annually from those Middle Eastern countries seeking information about and assistance enrolling in U.S. institutions.

The Institute for International Education, certain American Chambers of Commerce, and others receive similar funding.

The U.S. Agency for International Development (USAID) is separately ramping up its spending on training, both on the ground in developing countries and in covering the costs of bringing students to the U.S. Over the past decade, the government has shifted away from four-year degrees to shorter-term, more business/technical courses for foreign nationals, who will then go back and enhance the workforce capabilities in their homelands.

The World Bank, the Asian Development Bank, and the Inter-American Development Bank all have **major** training components of all their infrastructure and economic development-related grants. Often these training grants can be in the tens to even hundreds of millions of dollars over an extensive period. Again, most are targeted on technical and business skills, although in some cases that can include degrees up to an MBA.

We look forward to the call to discuss.

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