

The Maven of For-Profit Colleges

■ California entrepreneur proves that you don't have to have a college degree to be successful at making colleges profitable.

By Eliza Krigman

In the past five years, Michael Clifford has raked in millions of dollars turning financially struggling nonprofit colleges into for-profit institutions with rapidly growing online components. A self-proclaimed education entrepreneur, Clifford persuaded legendary businessman and former General Electric Chairman Jack Welch to create an online M.B.A. program in conjunction with one of Clifford's universities this past year. At a time when many colleges are wondering how they will stay afloat financially, schools under Clifford's management are racking up record profits, and here's the kicker: The man never attended college.

That's a fact that Clifford isn't trying to hide. Indeed, he's writing a book with the working title *How to Run a College by a Guy Who Never Went to One*. This unlikely force behind proprietary higher education now counts at least five postsecondary institutions in his cross-country portfolio: Grand Canyon University in Phoenix; Chancellor University in Cleveland; InterAmerican College and LA College International in Southern California; and his latest acquisition, Crichton College in Memphis, Tenn. He also owns a hybrid company, Bridgepoint Education, which provides mainly online degrees. As of September, 99 percent of Bridgepoint's students were accessing their classes exclusively online. Two other colleges with campuses, Ashford University in Clinton, Iowa, and the University of the Rockies in Colorado Springs, Colo., are under Bridgepoint's management.

Here's how the Clifford formula works: Round up a group of investors to purchase a school; turn the institution into a for-profit; put in place a business team to manage it; expand online offerings; and aggressively increase enrollment. It has been a financially successful strategy.

For the third quarter of 2009, Grand Canyon University and Bridgepoint took in about \$194 million in net revenue and net income of \$26 million. Profits were up 155 percent for Bridgepoint compared with the same period last

■ Michael Clifford



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year. Both operations recorded huge leaps in enrollment in the past 12 months. Bridgepoint's increased by more than 24,000 (30,547 to 54,894) while Grand Canyon University's jumped from 22,000 to 34,200.

Clifford, 55, didn't start out to be a big-time, profit-making investor in higher education. After high school, he formed his own band and traveled the country hoping to make it as a musician. At 25, he decided to give up the rock 'n' roll lifestyle and pursue a more grounded profession. Shortly thereafter, he became a born-again Christian. "I truly try to, in my imagination, think in terms of

Jesus sitting with me, in every meeting, in every phone call, influencing everything I do," Clifford said.

His Christian-oriented worldview led to a gig as a communications consultant for evangelist Pat Robertson's 1988 presidential bid. But it was Bill Bright, founder of Campus Crusade for Christ, who ignited Clifford's passion for higher education. Bright recognized Clifford's business talent when Clifford was an errand boy for a Christian ad agency, and Bright challenged him to get involved with postsecondary education. In the late 1990s, Clifford assisted Bright in the successful recapitalization of King's College, a Christian institution in New York City.

Grand Canyon and Crichton are Christian institutions, while Inter-American College, LA College International, Chancellor University, and Bridgepoint aren't. Clifford embraces what he characterizes as the four gospels of higher education—broader access; affordability; timeliness and relevance; and purposefulness and ethics—but he isn't limiting himself to Christian education.

A case in point: Significant Federation, Clifford's main investment company, which is based in Del Mar, Calif., offered Rio Salado, a public community college in Maricopa County, Ariz., \$400 million for its online operations. The deal never went through, and Clifford says that with Rio Salado still struggling financially, his contacts there now regret not taking the offer. College officials did not return a call seeking comment.

Clifford's success in turning nonprofit institutions into for-profits may be instructive of what's to come in these financially tough times, but education professionals stop short of saying that it will become a trend.

Harris Miller, head of the Career College Association, which represents the proprietary higher-education sector, foresees more "dating" between for-profits and nonprofits, but not nec-

essarily weddings. Rep. Tim Bishop, D-N.Y., a member of the Education and Labor Committee and a former college provost, says that it's reasonable to assume that more commingling is in store. Tuition-dependent colleges without endowments—particularly public schools that face dwindling support from cash-strapped state budgets—will continue to struggle financially, both men noted.

The for-profit sector of higher education is growing at a faster rate than either the public or private nonprofit arenas. In the past year, the student population for proprietary schools grew by 28 percent versus 14 percent in the public sector and 16 percent in the private, according to Eduventures, a Boston-based research and consulting company for postsecondary institutions.

As of this fall, 2.1 million students were enrolled in college programs online. For-profit schools have a disproportionate share of the online market: They account for only 9 percent of all higher-education students but command 42 percent of the enrollment in online programs.

For-profits are very effective at marketing, developing degree programs, and targeting the people who need an additional degree to move up in their careers, said Gerald DiGiusto, a senior analyst at Eduventures.

The expansion of for-profit schools and the sprawl of “distance learning” raise questions, however, about the quality of the education being received as well as the ethics and money involved. Veterans in the field of higher education recall the pattern of predatory lending by proprietary schools during the 1980s and early '90s. When it was discovered that for-profits were abusing federal student-loan programs to reap profits, in part by preying on poor people and minorities, then-Sen. Sam Nunn, D-Ga., led an aggressive effort to curb exploitation of the system.

Lawmakers are still concerned about possible abuses. Rep. Maxine Waters, D-Calif., pushed to have private loans from proprietary schools put under the regulatory authority of a proposed consumer financial protection agency. In a “Dear Colleague” letter urging support for her

amendment to the bill that would create the agency, Waters wrote, “Private student loans offered by for-profit institutions are risky and expensive, too much like the subprime loans that caused our current housing crisis.” Her provision, however, was defeated in a close Financial Services Committee vote, 33-35.

“The [for-profit] sector touts its spectacular growth and record profits as market validation,” said Barmak Nassirian, head of external relations at the American Association of Collegiate Registrars and Admissions Officers. “But it's not like they have discovered cold fusion in the kitchen sink: This is just another economic bubble caused by lax federal oversight.”

As far as educational quality is concerned, it's difficult to judge the online sector, of which for-profits own a disproportionate market share, because the learning method is still evolving. Bishop warns against painting for-profit schools with too broad a brush, positively or negatively. In assessing online education and for-profits, he said, “My own personal opinion is that it's a subject that requires greater evaluation.”

In a recent visit to Monroe College, a for-profit in the Bronx, N.Y., Bishop was impressed with the school's stability and commitment to students. He also found the online course that his daughter took in pursuit of a master's degree in library science to be demanding and substantive.

The great advantage of distance learning, advocates say, is its flexibility in accommodating the needs of full-time workers, parents, and other adults crunched for time. Moreover, students who may be shy about participating in a traditional class can be very active online. Clifford adds that it's easier to be motivated about attending class when it doesn't include the hassle of driving in traffic and finding a parking spot.

But judging quality in a cyber setting can be tricky. Distance learning has given way to “course outsourcing.” Last spring, *Inside Higher Ed* reported that Grand Canyon University, among other institutions, was offering courses from the company StraighterLine,

which is not a college and does not have accreditation. Although StraighterLine hires the instructors, Grand Canyon University, as well as others who outsource, award credits for completion of these courses.

Regardless of these concerns, Clifford has the wind of profit at his back and is sailing forward in his education ventures. Next up is a journalism school, led by a prominent member of the field whose name, Clifford says, he cannot disclose at this time.

In Clifford's vision of the future, edu-



cation will be delivered on iPhones and BlackBerrys, high school and college will be compressed to two years each, and a doctorate will take about 25 years. “It's agony for [my son] to sit in high school for information he can access at his fingertips in a matter of seconds,” said Clifford, who also maintains that there is a lot of unnecessary material covered in secondary schools and bachelor's degree programs.

For all of his accomplishments, Clifford says he tries to keep it simple: “I'm just a fat guy trying to get to heaven.” ■

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