

Introduction

Henley-Putnam University provides programs exclusively to veterans and members of the armed services and receives the majority of its funds from the Departments of Defense and Veterans Affairs education benefit programs. Since this company does not participate in title IV Federal financial aid programs, it is exempt from consumer protections and all measurements of student progress—from basic enrollment numbers to student default rates—required by the Department of Education. As a result, it is difficult to assess how well the company is serving students or taxpayers.

Company Overview

Henley-Putnam University (“Henley-Putnam”) is a privately held, for-profit education company based in San Jose, CA. As a relatively small private company that does not participate in title IV funding programs, there is limited public information available about Henley-Putnam. The company operates exclusively online and offers diploma, degree, and graduate programs in the homeland security and counter intelligence fields. Henley-Putnam is accredited by the Distance Education and Training Council (DETC).

Henley-Putnam was founded in 2001 as the California University of Protection and Intelligence Management by former members of the CIA, U.S. Secret Service, FBI and others in the intelligence community. In July 2006, the private equity group Liberty Capital Partners, Inc. (“Liberty Partners”) acquired Henley-Putnam.¹⁹⁸¹ In a February 2008 letter to its accreditor, Henley-Putnam stated that Liberty Partners owned 56 percent of Henley-Putnam University and “Liberty Partners has exercised control over Henley-Putnam.”¹⁹⁸² Prior to that letter, the primary owner of the Liberty Partners fund that controlled Henley-Putnam was the Florida State Board of Administration, a State employee’s investment fund.¹⁹⁸³ The current CEO of Henley-Putnam is James P. Killin, who was CEO of several software and healthcare companies prior to starting at Henley-Putnam. According to documents provided by Henley-Putnam in 2010, three Liberty Partners executives—chairman Peter Bennett, president and CEO G. Michael Stakias and senior managing director Michael Levine—served on the board of Henley-Putnam LLC.¹⁹⁸⁴

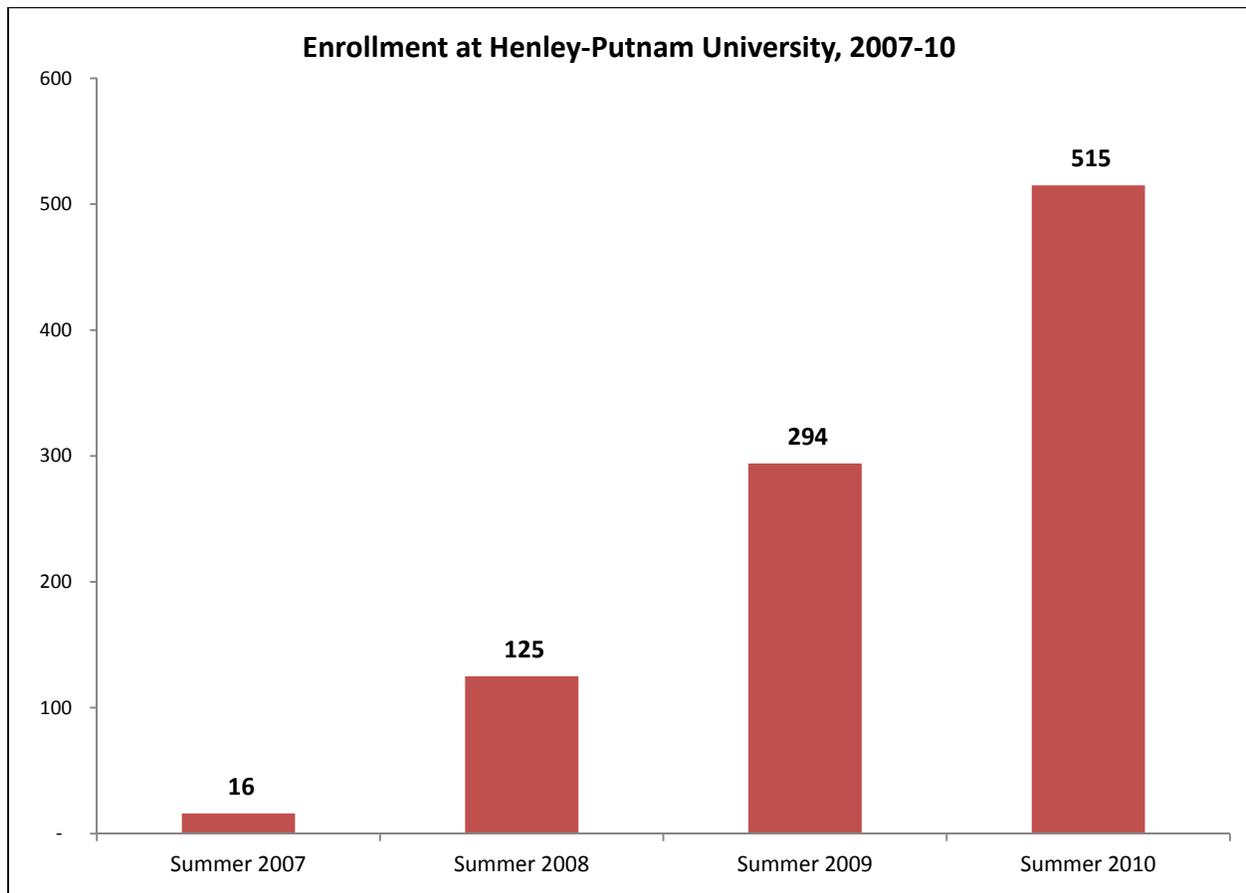
Enrollment at Henley-Putnam has increased significantly since 2008, growing from 125 students to 515 students by the summer of 2010.

¹⁹⁸¹ Liberty Partners, “Henley-Putnam University Portfolio”, <http://www.libertypartners.com/index.cfm/Fuseaction/Portfolio.viewCompany/companyID/44.cfm> (accessed June 14, 2012).

¹⁹⁸² Letter from Gregory H. Vonn Gehr, CEO of Henley-Putnam University, to Mike Lambert, executive director for DETC Accrediting Commission, February 26, 2008, re: *Restructuring of Liberty Partners’ Majority Stock Ownership* (HPU0001810, at HPU001811).

¹⁹⁸³ *Id.*

¹⁹⁸⁴ Henley Putnam University Employee Directory, HPU0001808, at HPU0001809; See also Liberty Partners, “Our Team” <http://www.libertypartners.com/index.cfm/fuseaction/Team.Main.cfm> (accessed June 14, 2012).



The growth in enrollment has led to growth in revenue. The company's revenue grew from \$181,179 in 2007 to \$2.1 million in 2009.¹⁹⁸⁵ With \$2.1 million in revenue, Henley-Putnam is the smallest of the 30 for-profit education companies examined.

Federal Revenue

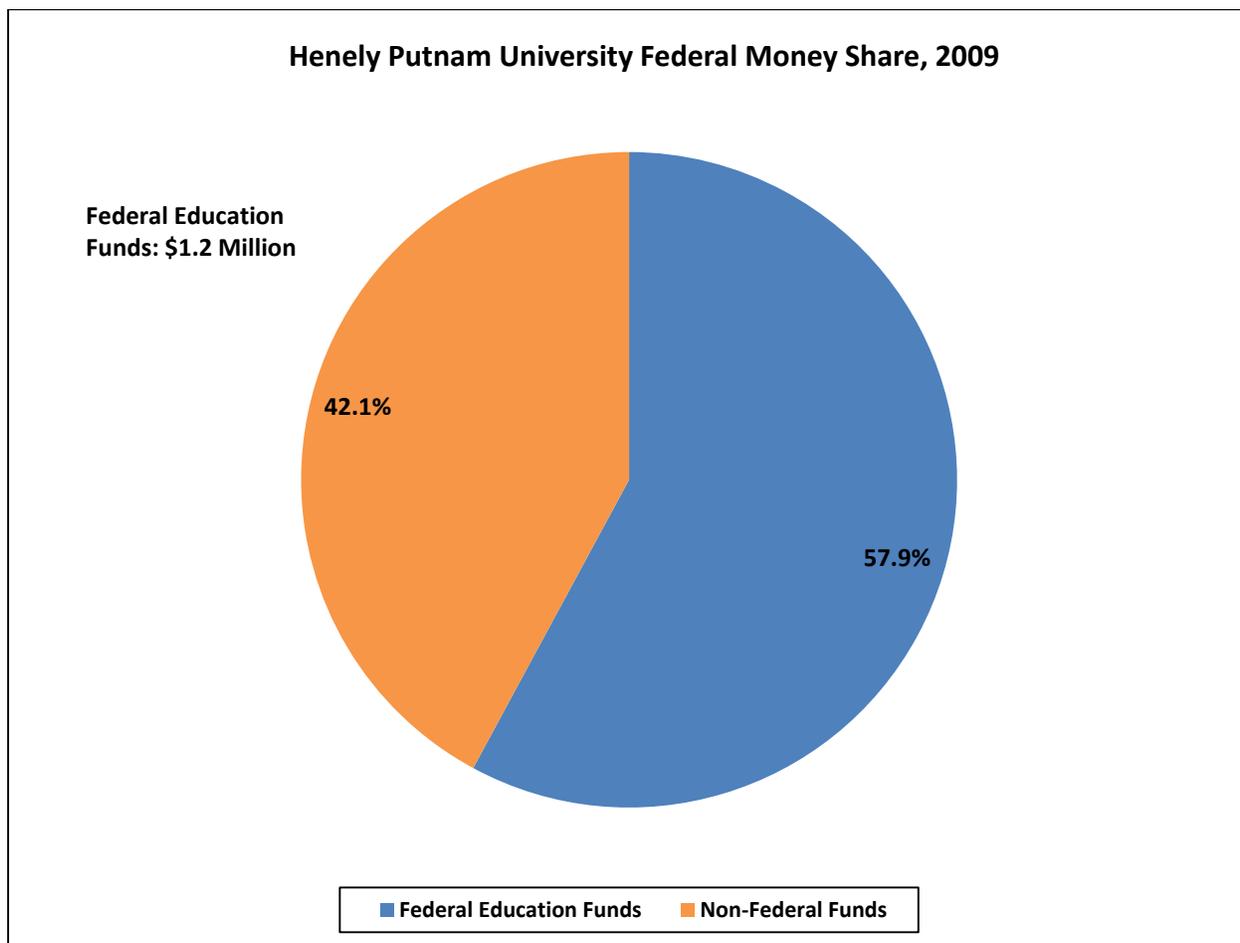
Nearly all for-profit education companies derive the majority of revenues from Federal financial aid funds.¹⁹⁸⁶ While Henley-Putnam stands apart from other companies examined by the committee in that it does not participate in title IV funding programs, Henley-Putnam does derive a majority of its revenue from Departments of Defense and Veterans Affairs military education benefit programs. In 2009, funds from these Federal programs accounted for approximately 57.9 percent, or \$1.2 million, of Henley-Putnam's revenue.¹⁹⁸⁷

¹⁹⁸⁵ Revenue figures for publicly traded companies are from Securities and Exchange Commission annual 10-K filings. Revenue figures for privately held companies are taken from the company financial statements produced to the committee. See Appendix 18.

¹⁹⁸⁶ "Federal financial aid funds" as used in this report means funds made available through Title IV of the Higher Education Act, including subsidized and unsubsidized Stafford loans, Pell grants, PLUS loans and multiple other small loan and grant programs. See 20 U.S.C. §1070 et seq.

¹⁹⁸⁷ Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via the Department of Veterans Affairs on July 18, 2011; Department of Defense Tuition Assistance Disbursements and MyCAA disbursements for fiscal years 2009-11 provided (by branch) by the Department of Defense on December 19, 2011. Committee staff calculated the average monthly amount of

Henely Putnam University Federal Money Share, 2009



Spending

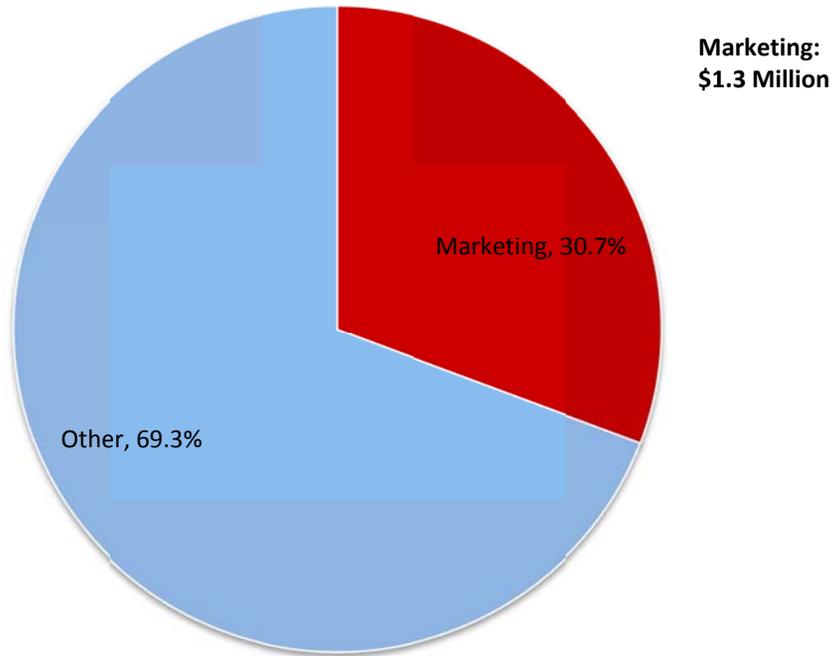
While Federal student aid programs are intended to provide educational opportunities for students, for-profit education companies direct much of the revenue derived from these programs to marketing and recruiting new students and to profit.

However, due to the start-up nature of Henley-Putnam and the limited amount of information available, it is unclear whether these concerns apply to this company. In 2009, Henley-Putnam devoted 30.7 percent of its spending, or \$1.3 million, to marketing and recruiting.¹⁹⁸⁸

benefits collected from VA and DOD for each company, and estimated the amount of benefits received during the company's 2009 fiscal year. See Appendix 10. "Federal education funds" as used in this report means Federal financial aid funds combined with estimated Federal funds received from Department of Defense and Department of Veterans Affairs military education benefit programs.

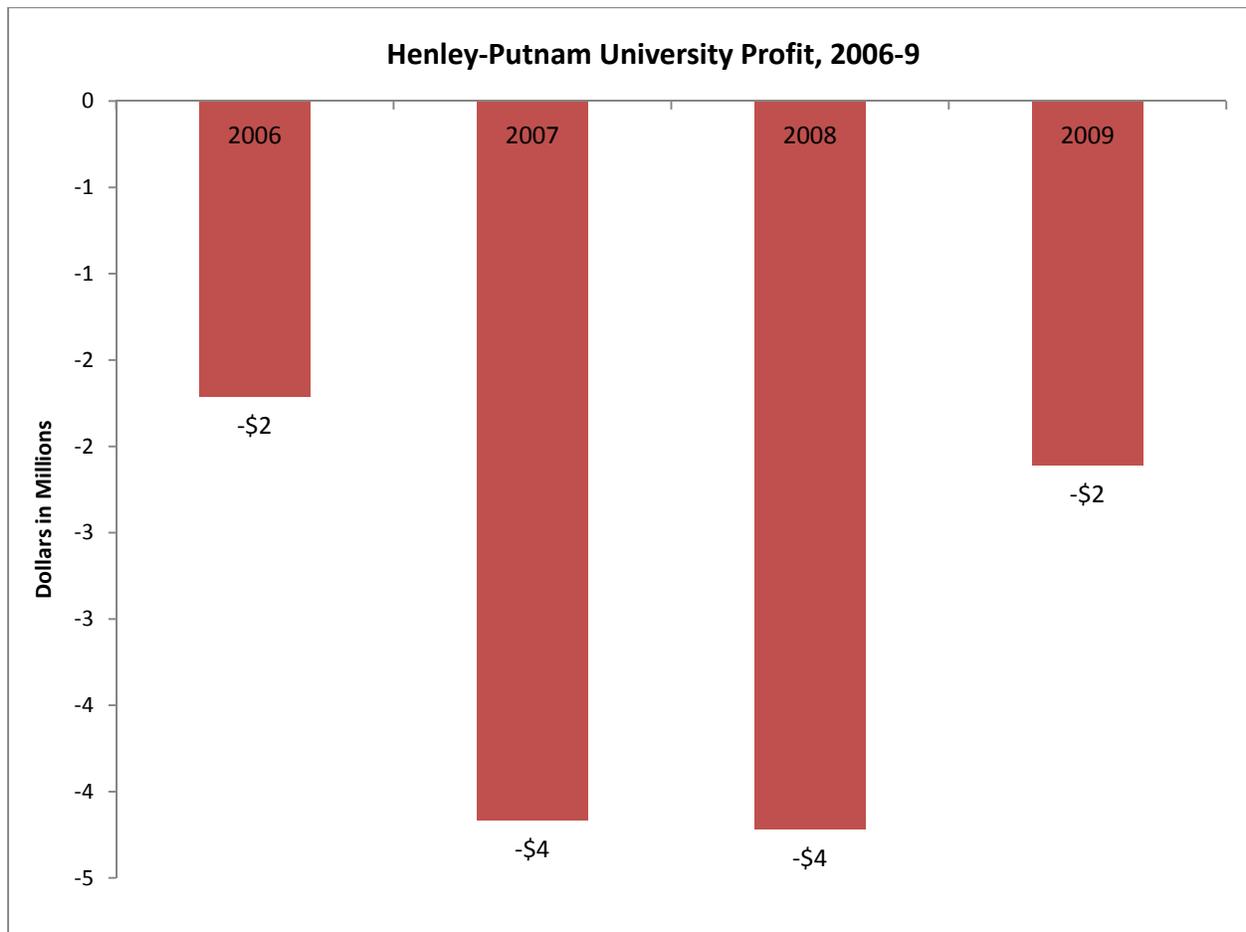
¹⁹⁸⁸ Senate HELP Committee staff analysis of fiscal year 2009 financial statements and information provided to the committee by each company pursuant to the committee document request of August 5, 2010. See Appendix 19.

Spending at Henley Putnam University as a Share of Expenses, 2009



Although the company has increased enrollment and revenue, as of 2009 Henley-Putnam was not yet profitable. The company operated at a loss of \$2.1 million in 2009 and \$4.2 million in 2008.¹⁹⁸⁹

¹⁹⁸⁹ Senate HELP Committee staff analysis. See Appendix 18.



Executive Compensation

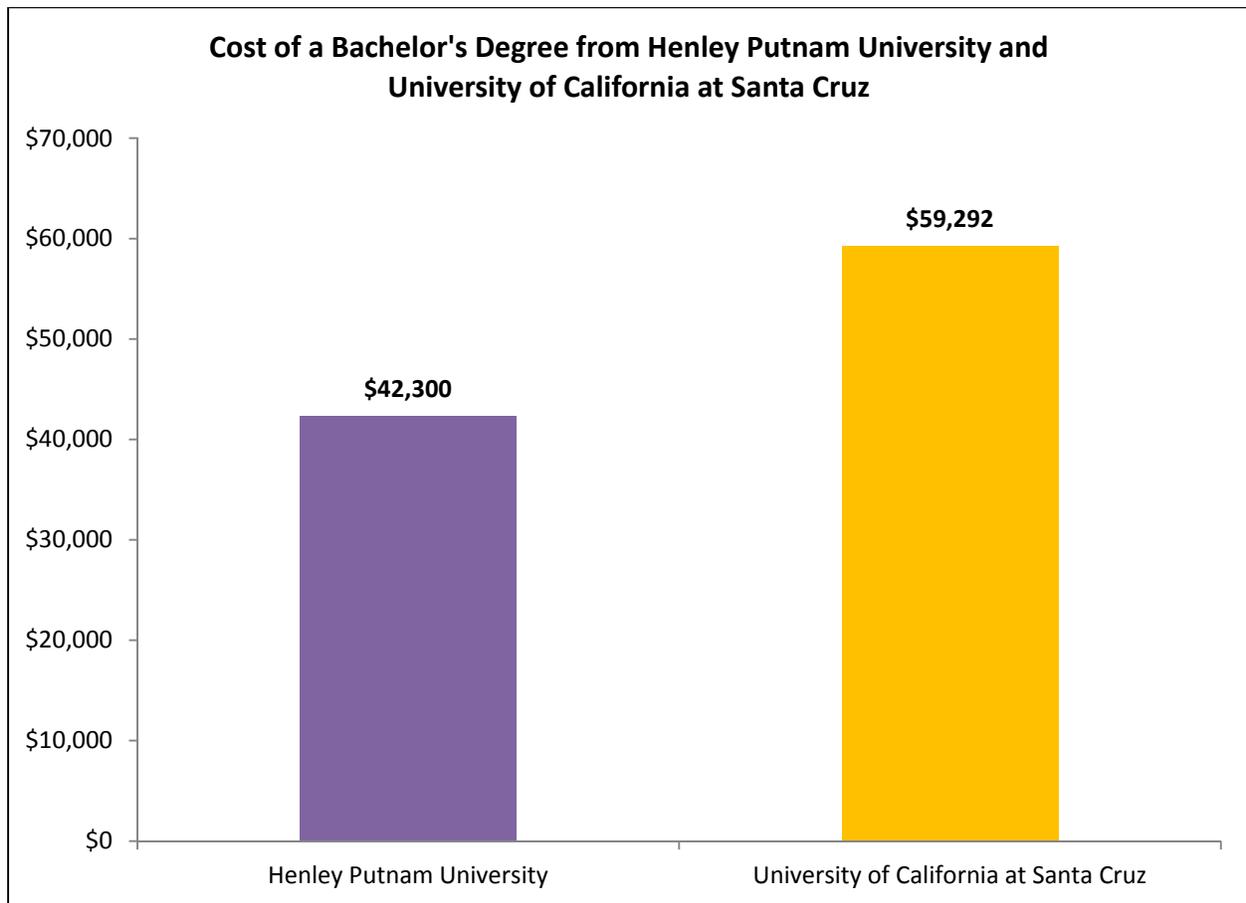
As a privately held company, Henley-Putnam is not obligated to release executive compensation figures.

Tuition and Other Academic Charges

Henley-Putnam is one of the four companies examined by the committee that offers Bachelor's degree programs for less tuition than nearby public universities. A Bachelor's at Henley-Putnam costs \$42,300,¹⁹⁹⁰ but costs \$59,292 at University of California at Santa Cruz.¹⁹⁹¹

¹⁹⁹⁰ See Appendix 14; see also, Henley Putnam University, *Admissions*, <http://www.henley-putnam.edu/admissions/tuition.aspx> (accessed July 12, 2012).

¹⁹⁹¹ See Appendix 14; see also, University of California Santa-Cruz, University of California Santa Cruz, <http://www.ucsc.edu/> (accessed July 12, 2012).



Outcomes

Because 98 percent of students who enroll in a 2-year degree program at a for-profit college, and 96 percent who enroll in a 4-year degree program, take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.¹⁹⁹²

Two metrics are key to assessing student outcomes: (1) retention rates based on information produced by the companies, and (2) student loan “cohort default rates.” However, because the Department of Education only measures student loan default and repayment rates for title IV loan programs, and Henley-Putnam does not participate in title IV programs, no information is available on the company’s default rate.

Retention Rates

Information provided to the committee by Henley-Putnam indicates that out of the 107 students who enrolled at Henley-Putnam in 2008-9, 45.8 percent, or 49 students, had withdrawn by mid-2010.¹⁹⁹³ The company’s small overall enrollment, and especially small enrollment during the 2008-9 year, makes this withdrawal rate difficult to compare to other institutions. Nonetheless, Henley-Putnam’s

¹⁹⁹² Patricia Steele and Sandy Baum, “How Much Are College Students Borrowing?,” *College Board Policy Brief*, August 2009, http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf (accessed June 14, 2012).

¹⁹⁹³ Senate HELP Committee staff analysis. See Appendix 15. Henley-Putnam did not produce information on student retention for graduate programs.

withdrawal rate is lower than the 54.3 percent average Bachelor’s degree program rate for the entire sector.¹⁹⁹⁴

Status of Students Enrolled in Henley-Putnam University in 2008-9, as of 2010						
Degree Level	Enrollment	Percent Completed	Percent Still Enrolled	Percent Withdrawn	Number Withdrawn	Median Days
Bachelor’s Degree	107	0.9%	53.3%	45.8%	49	263

The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model. The analysis also does not account for students who withdrew after mid-2010 when the data was produced.

Instruction and Academics

The quality of any college’s academics is difficult to measure, however the amount that a school spends on instruction per student compared to other spending is a useful measure. Henley-Putnam, however, did not produce information on its instructional spending or student complaints on the subject of their academic experiences.

A large portion of the faculty at many for-profit colleges is composed of part-time and adjunct faculty. While a large number of part-time and adjunct faculty is an important factor in a low-cost education delivery model, it also raises questions regarding the academic independence they are able to exercise to balance the colleges’ business interests. Among the 30 schools investigated by the committee, 80 percent of faculty is part-time, higher in some companies.¹⁹⁹⁵ Henley-Putnam is one such company.¹⁹⁹⁶ The company’s entire faculty is part-time.¹⁹⁹⁷

Staffing

While for-profit education companies employ large numbers of recruiters to enroll new students, the companies have less staff to provide tutoring, remedial services or career counseling and placement. In 2009, Henley-Putnam employed seven recruiters, four student services employees, but no career services staff.¹⁹⁹⁸

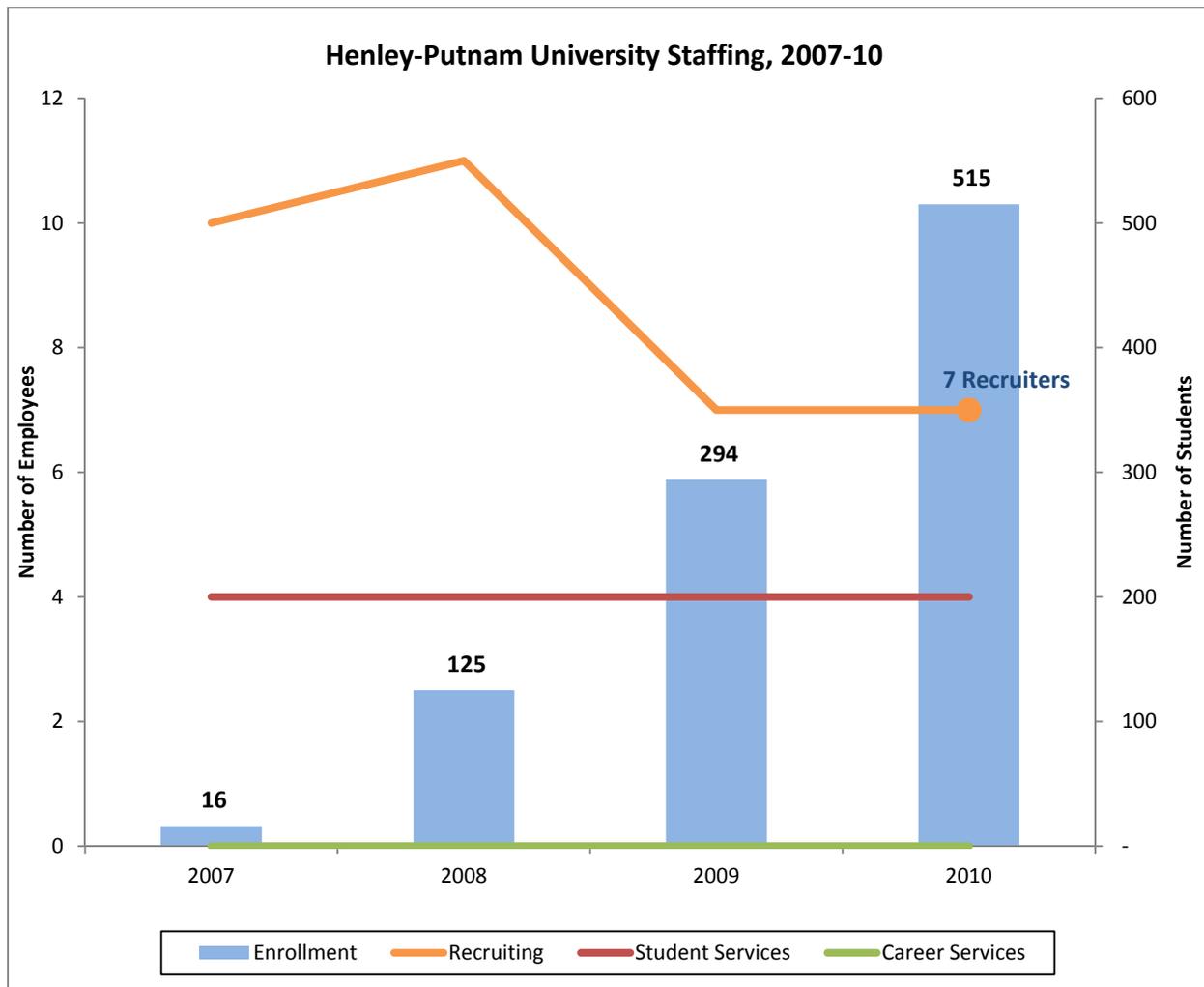
¹⁹⁹⁴ It is not possible to compare student retention or withdrawal rates at public or non-profit institutions because this data was provided to the committee directly by the companies. While the Department of Education tracks student retention and outcomes for all colleges, because students who have previously attended college are excluded from the data set, it fails to provide an accurate picture of student outcomes or an accurate means of comparing for-profit and non-profit and public colleges.

¹⁹⁹⁵ Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 24.

¹⁹⁹⁶ Id.

¹⁹⁹⁷ Id.

¹⁹⁹⁸ Id. See Appendix 7 and Appendix 24.



Conclusion

Little information is available about Henley-Putnam. Without this information, is it difficult to draw any conclusions about the company’s performance in terms of its value to its students or to taxpayers. Yet the company seems to be growing rapidly and increasing enrollment in its national security programs. As a company that derives a majority of its revenues from Federal dollars, and particularly as one that is not subject to any of the oversight requirements of the Department of Education under title IV programs, Henley-Putnam should be subject to stringent oversight by the Departments of Defense and Veterans Affairs.