

**CLOSURE AND VOLUNTARY RELINQUISHMENT OF
OPERATING AND DEGREE GRANTING AUTHORITY
OF AN INDEPENDENT INSTITUTION**

Submitted for: Information.

Summary: This item provides information on the closure of Argosy University (Chicago) and voluntary relinquishment of operating and degree granting authority subsequent to a January 2019 IBHE investigation and March 2019 board decision regarding the appointment of a hearing officer to conduct a hearing regarding the possible revocation of operating authority for Argosy University (Chicago) pursuant to Sections 1030.70 and 1030.80 of the Illinois Board of Higher Education Administrative Rules.

Action Requested: None.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

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The Illinois Board of Higher Education (IBHE) has responsibility to administer “The Private College Act” (100 ILCS 1005/1 et. seq.) and “The Academic Degree Act” (110 ILCS 1010/1 et. seq.), two regulatory statutes governing the operation and degree-granting activity of private colleges and universities in the state of Illinois. Under these statutes and the rules to implement these statutes, postsecondary degree-granting institutions that were established after July 17, 1945, require a certificate of approval from the IBHE to operate, and institutions established after 1961 require authorization to operate and grant degrees.

In authorizing institutions to operate and grant degrees, the Board stipulates that authorization is subject to maintenance of the conditions that were presented by the institution in its application and formed the basis upon which the specific authorizations were granted. The failure of an institution to maintain conditions of approval or conditions substantially equivalent to the conditions of approval constitutes grounds for revocation of authorizations as defined in Section 1030.70 and 1030.80 of the rules to administer the statutes. Procedures for revocation as outlined in Section 1030.70 and 1030.80 include the designation of a Hearing Officer who will schedule and conduct a hearing.

Institutions may voluntarily relinquish their Certificate of Approval, Authorization to Operate, or Authorization to Grant Degrees. Section 1030.70(b)(5)(C)(i) stipulates that such voluntary relinquishment does not require a hearing or any other Board action to be effective. Institutions that close voluntarily must comply with the procedures for closure and teach out as outlined in Section 1030.80(b)(6).

Argosy University
225 North Michigan Avenue, Suite 1300
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President: Mr. Kevin Beaver

Institutional Background and History

Argosy University (the University) was a not-for-profit institution owned by the Dream Center Foundation (DCF) based out of Los Angeles, California, and its affiliate, Dream Center Education Holding, LLC (DCEH) based in Chandler, Arizona. DCEH is a non-profit organization that acquired, in 2017, the educational assets of the for-profit chain of institutions held by Education Management Corporation (EDMC), converting these institutions from for-profit to non-profit status. The change of control from EDMC to DCEH impacted several institutions in Illinois – The Illinois Art Institutes (Chicago and Schaumburg) and Argosy University (Chicago and Schaumburg). The Illinois Board of Higher Education authorized the approval to operate and grant

degrees via the change of control from EDMC to DCEH in September 2017. EDMC subsequently filed for bankruptcy in June 2018.

Argosy University (Chicago) had campuses located in eleven states, including Illinois. The University was regionally accredited by Western Association of Schools and Colleges (WASC) Senior College and University Commission (WSCUC) because the University's headquarters were based in Orange, California. WASC approved the continuation of accreditation under the new ownership structure after the acquisition of Argosy University (Chicago) by DCEH from EDMC in June 2017.

In 2018, DCEH made the decision to close a number of newly acquired institutions, including the Illinois Art Institutes (Chicago and Schaumburg) and Argosy University (Schaumburg). These closures were finalized on December 28, 2018. As of December 28, 2018, Argosy University (Chicago) was the only remaining institution of higher education in Illinois under the auspices of DCEH.

Argosy University (Chicago) was approved to offer associate- through doctoral-level programs in a variety of fields, primarily in business, counseling, psychology, and clinical psychology. As of March 6, 2018, 557 students attended Argosy University (Chicago) with approximately 100 students who transferred from the Argosy University (Schaumburg) location that closed on December 28, 2018.

Illinois Board of Higher Education Investigation and Related Actions

On January 18, 2019, Argosy University entered into Federal Receivership based on the inability of its current owner, DCEH, to meet its outstanding financial obligations. The Federal Receivership involves a legally-appointed receiver acting as custodian of a company's assets or business operations to work out legacy leases, contracts and claims, and restructure debt. According to a DCEH communication, the ultimate goal of the Federal Receivership is protecting the institutions and allowing them to continue to operate.

Immediately following entrance into Federal Receivership, the U.S. Department of Education (ED or the Department) placed Argosy University on Heightened Cash Monitoring Level 2 (HCM2) status. An institution placed on HCM2 status no longer receives federal financial aid funds under the Department's advanced payment method. The institution must make federal financial aid disbursements to students from its own institutional funds and submit a request for reimbursement to the Department.

On January 19, 2019, the WASC Senior College and University Commission placed Argosy on Show Cause status based on the ED HCM2 sanction and related issues of noncompliance with accreditation standards. Show Cause status results in the loss of accreditation within a maximum period of one year from the date of notice unless Argosy University is able to produce evidence as to why its accreditation should not be revoked.

On January 24, 2019, the IBHE notified DCEH that Argosy University (Chicago) was placed under investigation pursuant to *23 Illinois Administrative Code 1030.70 (b)(4)(i), (iv) and (v)*. The investigation was predicated on IBHE concerns with the institution's financial viability pursuant to *23 Illinois Administrative Code 1030.30 (a)(11)*, staff capacity to sustain current operations pursuant to *23 Illinois Administrative Code 1030.30 (a)(3)(B)*, and the WSCUC decision to place the University on "Show Cause" status, among other issues. IBHE staff completed two site visits to Argosy University (Chicago) on February 8, 2019 and February 19, 2019 and carried

out numerous other forms of communication with DCEH and University personnel in the intervening period.

On February 8, 2019, IBHE Academic Affairs staff conducted a site visit to Argosy University (Chicago), meeting with the campus president. During this site visit, IBHE staff verified the current organizational structure and the nature of further personnel reductions that had occurred at both the Chicago campus and system office levels. Staff also discussed with the campus president the concerns about students not receiving federal financial aid disbursements in accordance with requirements of the U.S. Department of Education. The campus president confirmed to IBHE staff that these federal financial aid monies, though disbursed by ED to DCEH in January 2019, had not all been received by Argosy University (Chicago) – a process managed centrally and potentially through an affiliated company. IBHE staff requested a list of all students and the federal funds due to them through the Title IV process. Staff also confirmed that some students had taken advantage of the extended drop date to exit Argosy University (Chicago) without University penalty. Given current conditions, IBHE staff requested that the drop date be extended through the end of the spring semester so that students can exit the institution without University penalty – an arrangement confirmed by the campus president in a subsequent email message. The IBHE staff also urged the campus president in this meeting, and subsequent communications, to execute teach-out agreements with Illinois institutions of higher education in order to allow Argosy University (Chicago) students other options for completing their programs of study.

Concomitantly, the IBHE began to receive complaints from Illinois students who had not received their Spring 2019 semester federal financial aid disbursements from the University. These students were experiencing extreme financial distress due to their inability to access awarded federal financial aid that should have been credited to their student accounts at the University, including inability to pay rent or other basic living expenses. Numerous media outlets began reporting on this issue as the impacts were felt by students across Argosy University locations across the country.

Public filings by the Federal Receiver for DCEH, also raised serious concerns about the staff capacity and financial viability of DCEH and Argosy University, including Argosy University (Chicago). On February 20, 2019, the Receiver filed a declaration in the U.S. District Court, Northern District of Ohio, Eastern Division, requesting a motion for a temporary restraining order and temporary preliminary injunction. In the declaration, the Receiver stated:

DCEH desperately needs the money due from Studio under the TSLA in order to be able to continue to provide the services required thereunder. If DCEH is rendered unable to pay the costs associated with the provision of those services, and therefore forced to shut down the servers and terminate the staff's employment, all three university systems, [the Art Institutes], South [University], and Argosy [University] will fail as a result of the total lack of critical services like payroll, human resources, IT, accounting and other fundamental requirements of running any business.

If the Receivership Entities are unable to complete their teach-out obligations, the more than 10,000 students attending the Receivership Entities campuses will be entitled to cancel their student loans, but will likely lose the value of the partial semester, as well as previous coursework, as new schools would be under no obligation to give credit for that coursework. Those affected students would lose at least a semester's worth of work if not more.

The WASC Senior College and University Commission, as a follow up to the Show Cause Order, held a meeting on February 21-22, 2019. During this meeting, the WASC Commission considered Argosy University's response to the Show Cause and voted to continue the order to Show Cause. The Commission also stated that WASC would be closely monitoring the University's financial position and administration of education programs and student services. WASC set a hearing date for March 15, 2019 and demanded an accelerated schedule of reports and deadlines for the institution.

On February 27, 2019, the U.S. Department of Education issued a letter informing the Receiver and DCEH that ED had made a determination to deny the pending application for the change in ownership from EDMC to DCEH and the related request to convert Argosy University from a for-profit to a nonprofit institution for the purpose of participating in the federal student aid programs. This Department communication indicated that Argosy University did not meet certain standards, including administrative capability, financial responsibility, and the institution's duty to use federal student aid program funds only for their intended purpose. The Department communication further noted that Argosy University's failure to pay Title IV credit balance refunds to its students and parents demonstrates that Argosy cannot meet the standard and that, effective immediately, Argosy University's participation in the federal student aid program was terminated. A timeline for appeal of March 11, 2019 was provided in order to give Argosy an opportunity to dispute ED's findings with factual evidence.

As of March 1, 2019, Argosy University (Chicago) had not fully complied with IBHE requests for the institution to turn over all student transcripts to the state agency. The University also provided no evidence of compliance with the IBHE request, communicated on multiple occasions beginning January 24, 2019, to execute teach-out agreements with Illinois institutions of higher education.

Starting on March 5, 2019 and after the Illinois Board of Higher Education meeting on the same date, Dream Center Education Holdings began to comply with IBHE requests for Argosy University Chicago to turn over all of the student transcripts. The request for transcripts included Argosy University Schaumburg, The Illinois Institute of Art Chicago, The Illinois Institute of Art Schaumburg, and The Illinois Institute of Art Tinley Park because all of those Illinois institutions were under the same ownership structure as Argosy University Chicago. Additional files of transcripts were received on March 15, 2019.

Abrupt Institutional Closure

On March 6, 2019, a campus closure plan was submitted to the IBHE with a potential and anticipated date of closure for March 8, 2019. Preparing for this abrupt closure, Dream Center Education Holdings finally began work on teach-out agreements and coordinating transfer fairs for all campuses. Argosy University Chicago hosted two transfer fairs on March 7 and 8, 2019 at the downtown campus. Due to the lack of initiative from DCEH and Argosy University, the staff at IBHE had begun contacting potential partner institutions for transfer and helped secure representation from these same higher education institutions at the transfer fairs. IBHE staff was present at both transfer fairs held on the Chicago campus. Additionally, students were able to request official copies of transcripts and receive copies of financial statements from Argosy University in the final days. IBHE staff also provided direction to students on filing complaints and the U.S. Department of Education was present at the transfer fairs and provided information on closed school loan discharge to students.

On March 8, 2019, students and employees were notified via email about the campus closure. The Dream Center Education Holdings provided an updated breakdown of the students affected by the closure. As of March 6, 2019, there were 557 students impacted by the closure of the institution. The majority of these students were enrolled in masters' and doctoral-level programs.

On March 17, 2019, the Federal Receiver and Chairman of the Board of Trustees for Argosy University received formal notification of the decision made by WSCUC on March 14, 2019 to withdraw the accreditation of Argosy University.

Post-Closure

The abrupt closure of Argosy University (Chicago) and the receivership of its parent organization, in essence, constitute a voluntary relinquishment of operating and degree-granting authorities in Illinois. Consequently, an administrative hearing to pursue the revocation of such authorities is no longer necessary. While the IBHE investigation launched January 24, 2019, concluded with the abrupt closure of the University, the IBHE reserves the right to re-initiate an investigation at any time should circumstances change.

IBHE staff continue to work on matters related to the closure of this institution. For approximately two weeks post-closure, students had no information from the Receiver or Dream Center Education Holdings staff about teach-out and transfer options in order to continue their studies. Prior to and during this period, IBHE staff collaborated with regulatory bodies and institutions of higher education in Illinois to establish transfer options for Argosy University students. Details about these educational options and other information pertaining to student loans and federal financial aid were made available on the IBHE website and regularly updated. IBHE staff also continue to address communications and formal complaints filed by students and staff related to unpaid payroll, federal student financial aid, and the U.S. Department of Education's Final Program Review Determination