

Grand Canyon University has issued the statement below regarding the U.S. Department of Education's response to the university's charge that three federal government agencies are unjustly targeting the largest Christian university in the country.

Department of Education comment:

"The U.S. Department of Education is committed to holding schools accountable for serving students' best interests. We take our oversight obligations seriously, follow the facts where they lead, and will not be dissuaded from enforcing the law and protecting students, taxpayers, and the federal student aid programs. We are unapologetically challenging schools that mislead their students, whether for profit or not.

"For this particular school, the Department determined, under the last Administration, that GCU does not meet the Higher Education Act's definition of a non-profit because the majority of GCU's revenues continued to go to its former owner, a for-profit entity. The school sued to challenge this determination, twice, and the Department prevailed, twice. The school appealed both of those cases. The Department prevailed in the first appeal, and the appeal in the second case is pending.

"Unrelated to those lawsuits, through a separate investigation, the Department determined that fewer than 2% of the students who graduated from GCU's doctoral programs that require dissertations paid the amount that GCU advertised as the total cost. GCU has not disputed this statistic. Most students paid thousands more than the advertised cost. In light of these substantial misrepresentations and other compliance issues identified by the Department, the Department included specific terms in the school's Provisional Program Participation Agreement to allow it to participate in the federal student aid programs. Those terms are designed to protect students from substantial misrepresentations regarding the cost of their programs. This is an example of the Department taking reasonable and prudent oversight actions as a regulator to protect students and taxpayers and has nothing to do with the school's religious affiliation as a Christian University or history of litigation against the Department."

GCU response:

The facts do not support the Department of Education's statement. We are unaware of any other nonprofit university receiving the same level of scrutiny of its written disclosures for doctoral programs, when in many cases other institutions disclose far less than GCU does. We know of no other universities subject to such high levels of scrutiny for making truthful statements regarding the demand for specialists in the cybersecurity field. We know of no other University that has been required to spend thousands of hours reviewing something as basic as the posting of a student bio in an online class, because the Department second-guesses the value of the discussion among students learning together at a distance. As an institution of higher learning, GCU is the rightful party to make purely academic decisions. In this case, the university considers student introductions to be an important part of our discussion-based model. The Department invaded that prerogative while also deciding to abandon its own guidance to GCU on this subject so that it could take multiple punitive actions under the guise of a program review. The combination of each of these scenarios compels the conclusion that GCU is being unfairly targeted.

The Department's rationale for refusing to acknowledge GCU's nonprofit status departs from every other authoritative body in higher education or in tax law. Every other regulatory body, including the IRS, has approved our nonprofit status. Regarding the revenue GCU exchanged with its education

services provider for the various services they deliver, the Department chose to ignore the conclusions of two nationally recognized, highly respected, independent accounting/finance firms – despite asking GCU to provide these studies. Both studies concluded the purchase price of the nonprofit transaction and the terms of the master services agreement with our primary contractor represented fair market value and were beneficial to GCU. The Department conveniently ignores expert analysis because they want to perpetuate the fiction that GCU does not receive fair value for the services it receives from its contractual partners. The 60% revenue split with our service provider is not only within industry norms but GCU actually receives more services in that agreement than other universities who have similar revenue splits. The Department also chooses to ignore the fact that a large percentage of the expenses and the operating risk are also absorbed by our partner – which the independent experts understand. This has greatly advantaged the university particularly during the recent inflationary cycle because the university's costs for the services received remained fixed and predictable. The financial results obtained in the five years since the nonprofit transaction unequivocally show the university is thriving. This stands in stark contrast to the Department's erroneous description of the purpose and effect of the nonprofit transaction. The facts completely refute their opinion.

More importantly, there is a multitude of challenges that pervade higher education today – tuition is high and rising, students are overburdened with debt, students default on loans, there is a lack of sufficient access and diversity on college campuses, state owned institutions increasingly face budgetary crises and retrenchment, and rates of college participation and degree attainment fall short of national policy goals and workforce needs. GCU has established a model that addresses these issues in very positive ways.

It is obvious that higher education needs new models that create affordable learning opportunities for all socioeconomic classes without overburdening taxpayers. These solutions must also address critical skilled workforce shortages in this country. GCU's model does all of that in spades.

Regarding the doctoral program, the Department is only stating their opinion or perception of our disclosures. They have confirmed that their allegation is not based on student complaints. We believe their conclusions are wrong and cited examples in our statement that show the numerous examples of transparency in which we make sure students understand that they may need additional continuation courses as well as the economic consequences of extending the time to complete their dissertations. Courts have already agreed with GCU on this matter in *Young v GCU* in which both a district court and appellate court rejected the claim that GCU's disclosures of doctoral program requirements misrepresented the total number of credits and therefore the cost it would take a student to complete a doctoral program. The Department, as it has done repeatedly regarding GCU, ignores those common sense decisions.

Two other clarifications regarding the statement by the Department:

GCU's nonprofit status should be determined on its merits, not who is president. The facts, supported by the determinations of regulatory nonprofit law experts and accounting/finance experts, and most importantly the undisputed success of GCU's model for the benefit of the students, organizations and communities the university serves, completely refutes the Department's opinion on this matter. The stance of these long-tenured Department staff is misguided at best and discriminatory at worst.

The only point in our original statement related to politics is that the coordinated attacks by the three agencies have occurred under the current Administration, after GCU filed its lawsuit against the

Department and after the FTC declared publicly that it would be coordinating efforts with the Department of Education and VA to crack down on for-profit institutions (which GCU legally is not).

The characterization that the Department has prevailed twice in the court system regarding our nonprofit status is at best a half-truth and, in our view, substantially misrepresents the facts. GCU brought two cases, only one will determine the legality of the Department's decision to treat GCU as if it were a for-profit school for purposes of federal student aid programs. That case remains pending before the U.S. Court of Appeals. The other case had to do with the Department's decision to withhold Covid relief funds from GCU students during the pandemic. It expressly did not address GCU's status in federal student aid but rather dealt with regulations related to awarding of those funds. We do not regret pursuing this relief on behalf of our students.