



Margaret Spellings:

The Wrong Values,
a Bad Record.

She Can't Lead Our UNC.

Margaret Spellings is the embodiment of the corporatization of higher education. Her record reflects a narrow higher education agenda that promotes the interest of private corporations over the public interest. She has advocated for a corporate model of education while eliminating regulations that held for-profit enterprises accountable to taxpayers. Below are facts about her record, values and why she cannot lead the University of North Carolina system to a future that values students over politics and profits.

Spellings failed to protect taxpayer dollars during her time as Secretary of the Department of Education.

- In 2007, Spellings ignored a recommendation of the Education Department's ("ED") inspector general that she recover the \$278 million in federal subsidy payments that was improperly given to a Nebraska-based student loan lender, Nelnet.¹ The figure was later revised to \$322 million.² Spellings' failure to recover the funds led to Rep. George Miller (then-Chairman of the House Education and Labor Committee) stating that "the Education Department's oversight failures have been monumental."³

During her time as Domestic Policy Advisor and Secretary of Education, Spellings worked to eliminate regulation of funds to for-profit institutions.

- Spellings supported the successful elimination of the 50% Rule, which required colleges receiving Title IV funds to have at least 50% of students and programs campus-based.⁴ The elimination of the 50% rule opened the doors to federal funding for large for-profit outfits that primarily offer online courses.⁵
- During Spellings' time as advisor to President George W. Bush on domestic policy from 2001 to 2005, ED dismantled the ban on incentive recruitment by for-profit colleges in 2002, and allowed incentive payments to recruiters as long as colleges could meet one of twelve safe harbors.^{6,7}
- Spellings has criticized the Obama administration's scrutiny of for-profit colleges since she left office as Secretary of Education. In a 2010 op-ed she wrote, "Now the administration wants to thwart those in

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the private sector who are investing capital and spurring innovation to accommodate students who need more convenient and creative educational opportunities than those offered by traditional schools...At a time when the administration should be focused on job creation and strategies to prepare today's students for tomorrow's jobs, it is targeting private-sector higher-education providers that serve about 3 million students a year."⁸

- Spellings has a long history of advocating on behalf of for-profit higher education. When she served as senior education advisor to George W. Bush during his term as Governor of Texas, Spellings urged then-higher education commissioner for Texas, Kenneth Ashworth, to expedite a license to the University of Phoenix to operate in the state. Ashworth was highly skeptical of the for-profit school's reliance on part-time faculty. According to statements by Ashworth, "I stood in the breach and tried to keep the University of Phoenix out of Texas...She [Spellings] called and gave me unshirted hell. 'Why wasn't I letting Phoenix into Texas?' I said they couldn't meet our standards."^{9,10}

Spellings made \$336,000 as director of the University of Phoenix's parent company during multiple investigations and 115 Phoenix campus closures.

- Spellings served as a director of Apollo Group, the parent company for the University of Phoenix, from June 2012 to August 2013.^{11,12}
- During her roughly one year as board member she received \$336,192 in payment and stock options while the University of Phoenix endured multiple investigations and announced the closure of 115 campuses.^{13,14,15}
- According to Apollo's SEC filing, Spellings informed the company upon her departure that "she had no disagreements with the Company's operations, policies or practices that led to her decision."¹⁶
- During Spellings' time as a director of its parent company, the University of Phoenix was:
 - Investigated by the Massachusetts Attorney General starting in January 2013 for unfair or deceptive practices and by the Enforcement Division of the Securities and Exchange Commission from April 2012 to January 2013 for stock sales by company insiders at Apollo Group;^{17,18}
 - Placed on probation in 2013 by its accreditor over concerns of governance structure, assessment of student learning, faculty quality, low graduation rates, reliance on federal student financial aid, and insufficiency of Ph.D. program faculty research;¹⁹
 - Sued by two former admissions counselors for allegedly violating incentive compensation rules by basing promotion, salaries and bonuses solely on student enrollment numbers;^{20,21} and
 - Sued for allegedly violating federal consumer protections by using automated dialing systems to collect tuition debt from students.^{22,23}

Spellings held leadership positions at a student loan collection agency, and a consulting firm that encouraged privatizing aspects of Philadelphia's public education system.

- Spellings was the chair of the strategic advisory board of CEANNATE Corp, which owns a subsidiary company called i3 that uses default aversion strategies to help for-profit colleges lower their average cohort default rates (CDR) to achieve regulatory compliance and keep federal funding.^{24,25}

- Spellings was also a senior advisor at Boston Consulting Group from 2009 to 2013, the same time that BCG was hired by the Philadelphia School Reform Commission for \$1.4 million to address the school district's budget shortfall and design a decentralized academic model.^{26,27} BCG consultants drafted a plan that called for the closure of 60 school buildings and the hiring of private vendors to replace unionized school support jobs, including maintenance, cleaning and transportation.^{28,29}

Spellings has used her public position to advocate for policies and programs that accelerate the corporatization of public higher education.

- During her time as ED Secretary, Spellings appointed 19 commissioners to produce a report on the future of higher education, often referred to as the "Spellings Report."³⁰ The Commission recommended "to eliminate regulatory and accreditation barriers to new models in higher education that will increase supply and drive costs down."³¹
 - The report was heavily criticized by the AAUP for its focus on higher education as a marketplace. AAUP also called out the report's failure to adequately confront the decline in support from state governments for higher education.³²
 - Spellings characterized the Commission as "very diverse and broad" at a press conference on October 23, 2015.³³ Yet the group was composed primarily of white men who work in business or higher education administration. Out of 19 members, an overwhelming majority were white, 12 were men, 10 were administrators, and 6 were businesspeople.
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- In 2008, Diane Auer Jones, assistant secretary for post-secondary education at the Department of Education, resigned in protest of the Department's fixation with satisfying the narrow needs of business and lack of appreciation for liberal arts.⁵⁴
- Secretary Spellings advocated for expanding the adjunct professor model to public high schools. Spellings supported a new initiative in fiscal year 2007 to implement an Adjunct Teacher Corps Program.⁵⁵
- Spellings advocates for the adjunctification for faculty. In one interview she said: "One of the things that we need to do generally-we also need to do this in math and science-is start welcoming what I call "adjuncts" into our schools. We could not run American higher education if every professor had to be a tenured faculty member, especially at community colleges and often at publicly supported four-year institutions."⁵⁶
- Spellings' low regard for the accreditation system continued past her time at ED. During an interview in 2010 she has referred to accreditation as a "bureaucratic nicet[y]" that impedes change.⁵⁷

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