



# South Carolina Commission on Higher Education

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CHE  
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## MEMORANDUM

**TO:** Chair Tim Hofferth and Members, SC Commission on Higher Education

**FROM:** Chair Terrye Seckinger and Members, Committee on Academic Affairs and Licensing

### Consideration of Request for Initial License (Change of Ownership) STVT-AAI Education, Inc. dba Ancora Education acquisition of Miller-Motte Technical College

#### Summary

STVT-AAI Education, Inc. dba Ancora Education (Ancora), a Texas corporation, requests approval of an initial license for its acquisition of Miller-Motte Technical College (MMTC). MMTC was previously owned by Delta Educational Systems, Inc. dba Delta Career Education Corporation, with sites in Charleston and Conway. The parties signed an asset purchase agreement on October 3, 2017, and the acquisition was finalized on January 18, 2018. The acquisition is contingent upon approvals by relevant state regulatory agencies, the accreditor of Ancora's institutions (approval granted January 18, 2018), and the U.S. Department of Education. The change of ownership includes no proposed changes to programs currently licensed to be offered at MMTC. In addition, there are no proposed changes to MMTC's facilities, student support services, resources, staff, or faculty. Students should see no material change in local campus operations. MMTC campuses will be governed by the STVT-AAI Education, Inc. board of directors. An organizational chart representing the structure of ownership is included as Attachment 1.

Ancora currently owns four additional institutions: Platt College, Edge Tech Academy, Arizona Automotive Institute, and South Texas Vocational Technical Institute, with 12 campuses in Arizona, Oklahoma, and Texas. All of the institutions are accredited by either the Accrediting Commission of Career Colleges and Schools (ACCSC) or the Council on Occupational Education (COE). The MMTC campuses in SC will become branches of Platt College in Tulsa, OK, which is an ACCSC-accredited institution, and relevant applications have been submitted to ACCSC and the U.S. Department of Education.

#### Background

The Commission granted an initial license in May 2000 to Miller-Motte Technical College to establish a branch campus in Charleston. In January 2010, the Commission granted an amendment to MMTC's license to add a branch

campus in Conway. MMTC is licensed in SC to offer certificate, diploma, and associate degree programs in the areas of business, allied health, criminal justice, and paralegal. As of September 25, 2017, 863 students were enrolled between the two SC campuses. In addition, MMTC-Conway serves as the host campus for online course offerings within the entire system of schools.

The institutions previously owned by Delta Career Education Corporation, including Miller-Motte Technical College, held accreditation from the Accrediting Council for Independent Colleges and Schools (ACICS). In December 2016, the U.S. Department of Education (Department) withdrew its recognition of ACICS. Institutions maintain Department-recognized accreditation for a variety of reasons, including eligibility for state approval, participating in federal financial aid and other grant programs, and for eligibility of their graduates to sit for licensure exams. After the loss of recognition of its accreditor, MMTC subsequently applied for accreditation through the Accrediting Council for Continuing Education and Training (ACCET). However, its application to ACCET was rejected in October 2017 because certain programs at the main and branch campuses had completion and placement rates that fell below ACCET's benchmarks. The purchase of MMTC by Ancora and establishment of its campuses as branches of an ACCSC-accredited institution will allow for the institution to seamlessly maintain accreditation and for its currently-enrolled students in SC to continue and complete their education.

Ancora Education is a subsidiary of Ancora Intermediate Holdings, LLC, which is a subsidiary of Ancora Holdings, LLC. Marblegate Special Opportunities Master Fund LP and P Marblegate, LTD are the investment groups that own Ancora Holdings, LLC. In 2013, Ancora Education purchased the Arizona Automotive Institute and South Texas Vocational Technical Institute schools from ATI Enterprises, Inc., and it purchased Platt College in 2014. The Ancora-owned institutions remain in good standing with the U.S. Department of Education, and their accreditors, ACCSC and COE, and anticipate remaining in good standing upon the acquisition of MMTC. Two South Texas Vocational Technical Institute campuses recently received the ACCSC 2016-2017 School of Distinction award. There is no pending litigation against STVT-AAI Education Inc. (Ancora) or its institutions.

### **Rationale for Ancora's Purchase of Delta Schools**

Delta Career Education Corporation, the prior parent company of MMTC, held 42 campuses in its portfolio, several of which were in the process of closure at the time of Ancora's consideration. However, Ancora purchased just 19 of Delta's remaining 34 active campuses. Ancora officials provided the following rationale for its selection of the 17 Delta campuses it purchased and incorporated specifically as branches of an ACCSC-accredited school:

In approaching the acquisition of a subset of Delta-owned campuses, Ancora utilized a comprehensive review & modeling approach to identify campuses that are in the best possible position to succeed in today's private, post-secondary education environment, those which align with Ancora's mission and current program offerings, and those that can demonstrate a high likelihood of on-going compliance with ACCSC's Standards of Accreditation.

As early as mid-2016, in conversations with Delta leadership, equity and lenders it became clear to all parties that a combination of financial and regulatory issues would likely impair the Delta system of schools and company. In early 2017, Ancora outlined their global solution whereby it would attempt to merge/acquire certain campuses that combined the best possible attributes and future.

In August 2017, after its exhaustive review, Ancora decided to move forward with 17 of the 32 active Delta campuses. Ancora extensively analyzed corporate and campus level data, visited all campuses, and built an acquisition thesis selecting only those schools in the best possible position to succeed in today's private, post-secondary education environment.

As part of the diligence process, Ancora's leadership team completed a detailed four-square analysis (See attached for Conway and Charleston) [Attachment 2] taking into consideration a number of factors, including:

- campus leadership,
- program offerings,
- campus market and area competition,
- financials,
- student achievement outcomes,
- facilities, and
- regulatory position (federal, state and accreditation)

### **Staff Review of Application**

Staff has reviewed the asset purchase agreement, as well as articles of incorporation, by-laws, and other organizational documentation; financial documentation; publications; student records documentation; and liability insurance.

Delta Career Education Corporation's current federal financial responsibility composite score is a -1.0. The federal financial responsibility composite score for STVT-AAI Education, Inc. dba Ancora Education is a 2.4. Federal financial responsibility composite scores range from -1.0 to 3.0, with any number 1.5 or higher reflecting financial responsibility.

### **Summary of CAAL Consideration**

CAAL committee members considered the proposal from Ancora at a specially-called meeting held on December 13, 2017, coinciding with the originally-proposed date of acquisition. Prior to the meeting, committee members considered the impact of the change of ownership on SC students and expressed concerns regarding the institution's inability to gain accreditation from ACCET, its completion and placement rates, similar programs offered by area technical colleges, future plans for the institution, and continuation of the institution's license. In advance of the meeting, institution officials provided CHE staff available completion and placement data (Attachment 3) and indicated that several programs had been revised to improve effectiveness or were being taught out. Committee members were also provided a list of programs offered by MMTC that are similar to those offered at Trident Technical College or Horry-Georgetown Technical College (Attachment 4). In response to a committee question, Ancora officials confirmed that all property leases, equipment, and curriculum convey to the new owners. At the CAAL meeting, committee members focused the consideration on the proposed sale of the institution and subsequent change of ownership rather than productivity, which they discussed considering at a later date.

MMTC officials described revisions to programs that had not met ACICS accreditation benchmarks. In addition, MMTC has further developed course content that address financial planning and career preparation. Chair Seckinger asked if steps taken to improve program effectiveness would be continued after the change of ownership, which both Ancora and MMTC officials confirmed would continue, and she expressed interest in revisiting Ancora's licensure should it be granted. Other committee members shared similar concerns and discussed a request for productivity data. MMTC officials requested at least one full of year of operating under new ownership and accreditation in order to produce such data.

Commissioner Munns offered a revised motion to approve licensure for Ancora through spring 2019. The Committee will then review program-level data related to completion and placement. Dr. Lane added to the motion a request that MMTC provide to CHE staff notification of all revisions to currently-offered programs. All additional conditions included in the original recommendation to CAAL remain as part of the amended motion.

### **Recommendation**

The Committee on Academic Affairs and Licensing recommends the Commission approve an initial license for STVT-AAI Education, Inc. dba Ancora Education to acquire and operate Miller-Motte Technical College in Charleston and Conway. Licensure will be through June 30, 2019, by which time the Committee and Commission will revisit the license to include a review of program-level graduation and employment data. No state funds will be required or requested. Licensure is conditional upon final approval by the U.S. Department of Education. Under the ownership of Ancora, MMTC will continue to be subject to the Commission's annual reporting requirements.

Note: Since the December 13, 2017 meeting of CAAL, STVT-AAI Education, Inc. has met the condition that it provide surety bonds as required by licensing statute. In addition, the closing date of acquisition was January 18, 2018. ACCSC approval was gained concurrently with the closure.

### **Supporting Documentation**

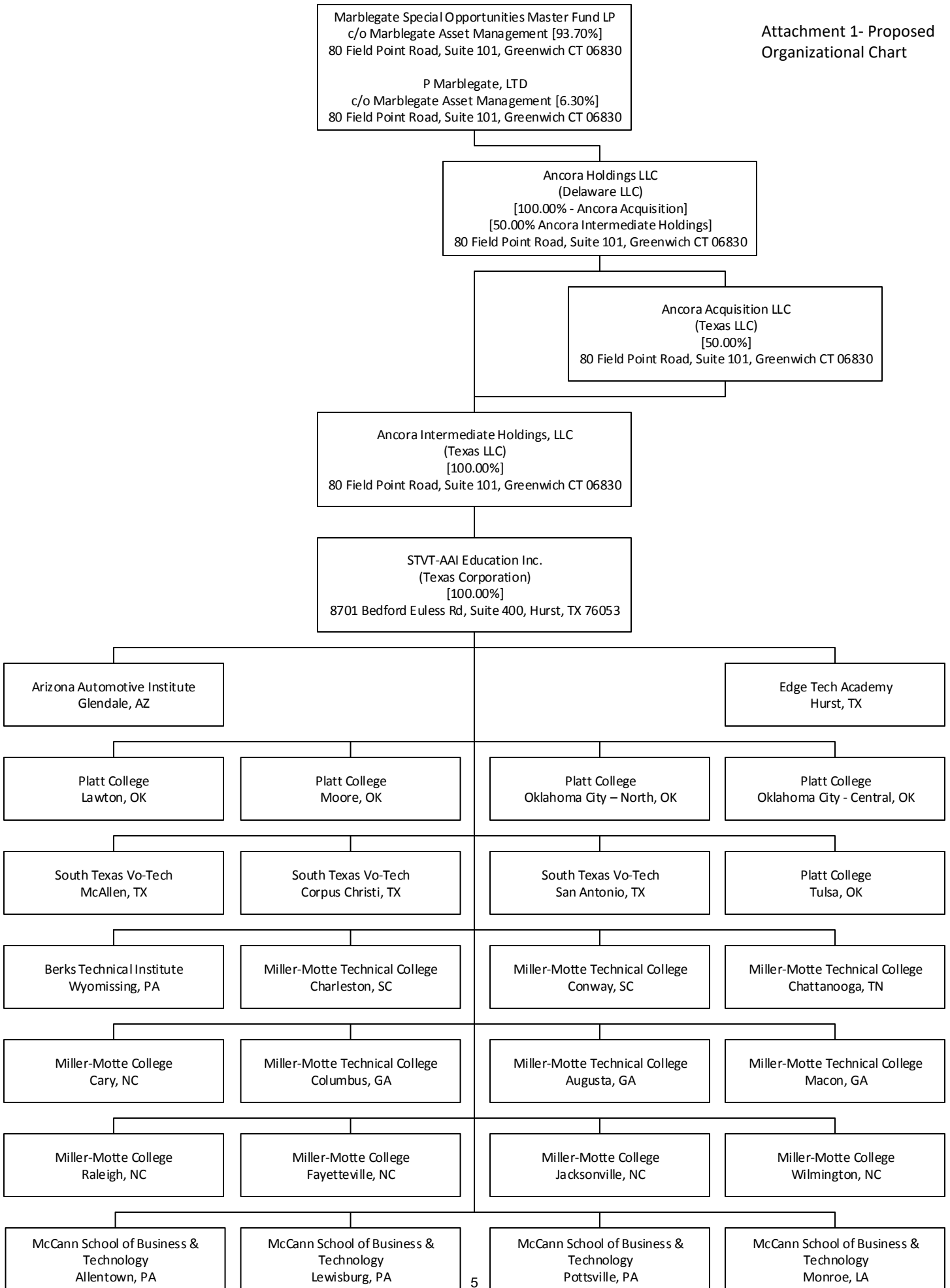
Attachment 1- Proposed Organizational Chart

Attachment 2- SC Campuses Four-Square Analysis

Attachment 3- MMTC Outcomes Information

Attachment 4- Comparable Programs- HGTC and TTC

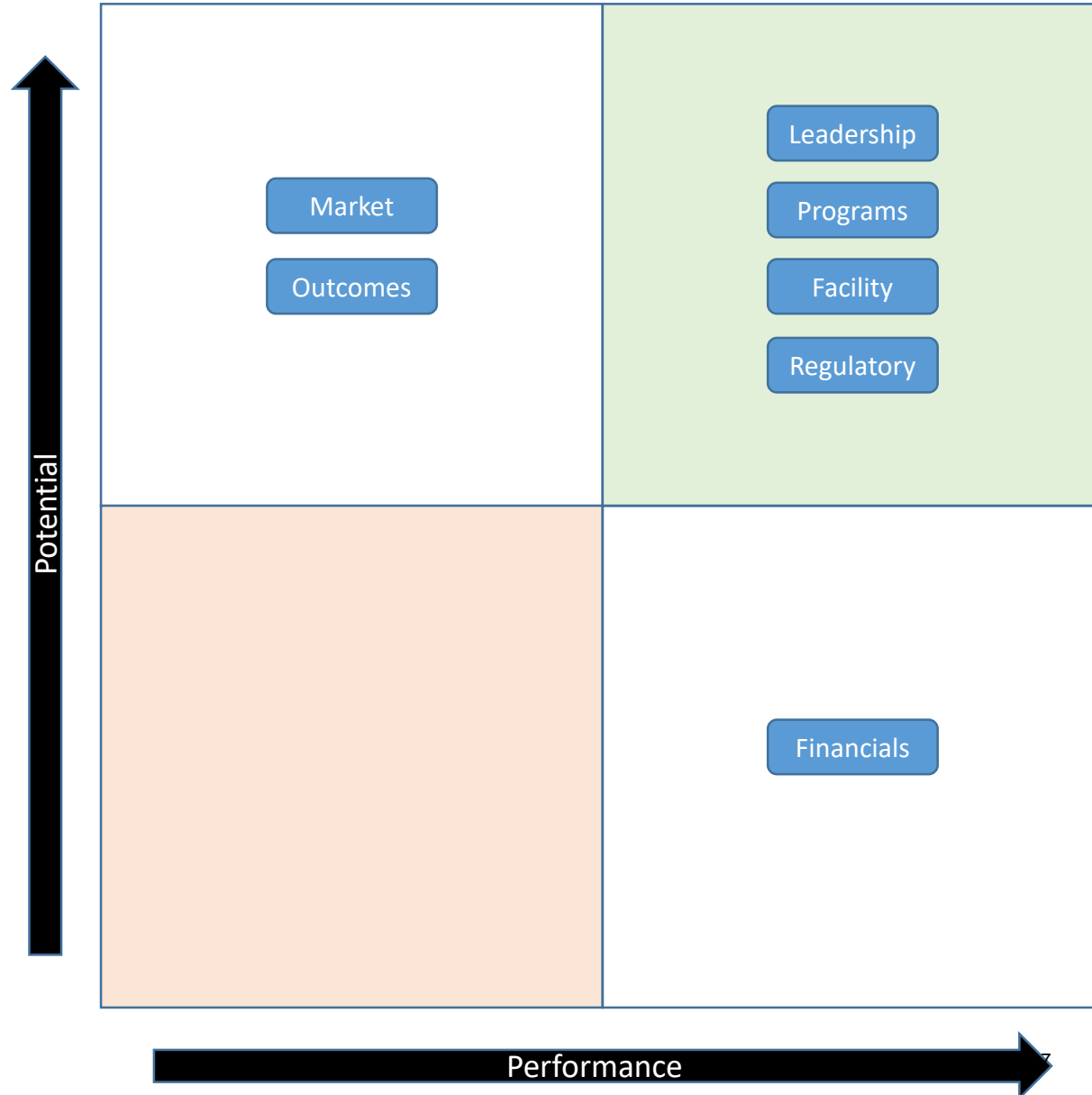
Attachment 1- Proposed Organizational Chart



# Campus Four-Square Analysis

Target Campuses

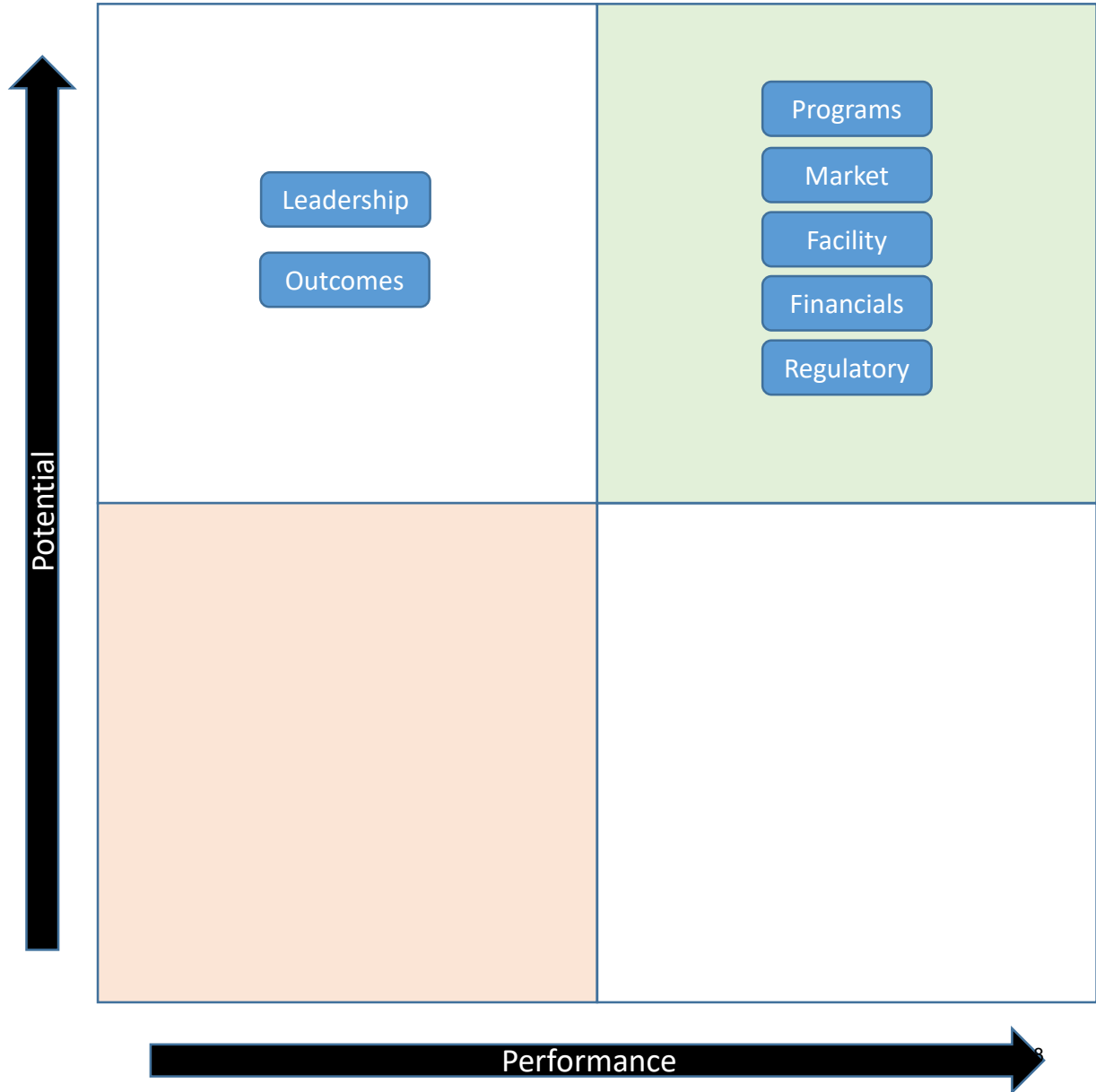
## Miller-Motte Technical College- Charleston, SC



- Programs – There is a good mix and balance of program offerings.
- Market – 600k+ Metropolitan Statistical Area (MSA); medium/heavy competition
- Facility – 50k Sq. Ft; \$14 per Sq. Ft.; lease ends 2018; could potentially give back some space
- \*Financials – 20% contribution; 15% marketing spend; 13% occupancy
- Outcomes – Business Admin. program 3 years below retention benchmark
- Regulatory – ACICS program level show cause for placement for Electronic Health Records and licensure reporting for Surgical Tech. program
- Leadership – Solid leadership team

\*Contribution – percentage of gross revenue that is available to support regional and corporate services, personnel, and management  
 Marketing Spend – percentage of gross revenue necessary to allocate to marketing costs to sustain new student starts at requisite levels  
 Occupancy – percentage of gross revenue that is required to support campus facility lease, CAM, utilities, real estate taxes, etc.

# Miller-Motte Technical College – Conway, SC



- Programs – Program population needs more balance between programs; Medical Assisting is half the population; fair mix of program offerings
- Market – Limited competition; 380k MSA
- Facility – 31k Sq. Ft; \$16 per Sq. Ft.; Separate parking lease
- \*Financials – 37% contribution; 11% marketing; 7% occupancy
- Outcomes – 3 programs below ACICS placement benchmark
- Regulatory – Licensure exam pass rate for Massage Therapy
- Leadership – Recent upgrades; RVP on campus

\*Contribution – percentage of gross revenue that is available to support regional and corporate services, personnel, and management  
 Marketing Spend – percentage of gross revenue necessary to allocate to marketing costs to sustain new student starts at requisite levels  
 Occupancy – percentage of gross revenue that is required to support campus facility lease, CAM, utilities, real estate taxes, etc.



Ancora Education Response Regarding Graduation/Completion/Placement Rates

Miller-Motte Technical Colleges have not yet calculated ACCSC graduation and employment rates as this is not part of the initial branch application process with ACCSC. The campuses will first calculate ACCSC student achievement outcomes in fall 2018.

The institution's current accrediting agency, ACICS, tracks retention, placement, and licensure on a program level and retention and placement on a campus level. The institution's anticipated accrediting agency, ACCSC, tracks graduation, employment, and licensure on a program level. The cohort timeframes and methodology of calculations differ between the two agencies. The ACCSC rates will be calculated using a July 2018 report date and the reporting cohort will differ for each program based on an ACCSC calculation, which uses program length.

Charleston, SC

The following programs are in process of revision or teach-out at the Charleston campus:

<b>Program</b>	<b>Credential</b>	<b>Clock Hours</b>	<b>Quarter Hour Credits</b>	<b>Program Length (in Months)</b>	<b>Anticipated Last Date of Graduation</b>
Clinical Office Assistant (now Medical Clinical Assistant)	Diploma	870	68	15	03/18/2018
Criminal Justice	AAS	1060	96	18	10/01/2018
Electronic Health Records	AAS	1100	96	20	08/27/2018
Management - International Trade	AAS	1140	96	20	02/18/2019
Medical Billing and Coding	Diploma	780	70	18	12/24/2017
Medical Assisting	AAS	1210	96	20	02/18/2019
Surgical Technology	AAS	1360	94	20	11/12/2018

Following are the programs that will continue to be offered with those that are new (hybrid or flex delivery) and do not have any prior outcomes data notated as such; otherwise, 2017 ACICS CAR outcomes are provided as reported to ACICS:

Program	Credential	Clock Hours	Credit Hours	Retention %	Placement %	Licensure %	Notes
Business Administration	AAS	1040	92	New hybrid program			
Criminal Justice	AAS	930 - 990	92	New hybrid version of program; prior version in teach out			
Medical Assisting	AAS	1120	92	61%	67%	NA	We are not enrolling in this program at this time
Paralegal	AAS	940 - 1000	92	Under 10 students graduated during reporting period; rate not calculated			
Surgical Technology	AAS	1270	92	71%	65%	27%	Change in program director; Revamped review class to better prepare for the computer-based exam. First group of new reporting year is trending at 100%.
Medical Assistant Specialist	Certificate	410	36	This is a new program that the campus has not yet launched			
Medical Billing and Coding	Certificate	800 - 920	72	New hybrid version of the program adding in additional coding classes, with an externship, and students are now eligible to take CPC.			
Medical Clinical Assistant	Diploma	920	72	67%	71%	NA	This program is meeting standards and goals. Recent revisions to make hybrid program.

Conway, SC

The following programs are in process of revision or teach-out at the Conway campus:

Program	Credential	Clock Hours	Quarter Hour Credits	Program Length (in Months)	Anticipated Last Date of Graduation
Medical Assisting	AAS	1190	96	18	9/9/2018
Medical Billing and Coding Specialist	Diploma	840	70	15	11/19/2017
Medical Clinical Assistant	Diploma	840	66	10	4/22/2018
Medical Office Assistant	Diploma	730	64	10	5/27/2018

Following are the programs that will continue to be offered with those that are new (hybrid or flex delivery) and do not have any prior outcomes data notated as such; otherwise, 2017 ACICS CAR outcomes are provided as reported to ACICS:

Program	Credential	Clock Hours	Credit Hours	Retention %	Placement %	Licensure %	Notes
Business Administration	AAS	960 - 1040	92				New program
Criminal Justice	AAS	930 - 990	92				New program
Medical Assisting	AAS	1120	92	58%	65%	NA	We are not enrolling in this program at this time
Paralegal	AAS	940 - 1000	92				New program
Massage Therapy	Certificate	900	N/A	86%	61%	52%	The program is exceeding the retention goal. Although it is meeting standards in placements more efforts are being made to get the students to take the MBLEX

Medical Assistant Specialist	Certificate	410	36	This is a new program that the campus has not yet launched			
Medical Billing and Coding	Certificate	800 - 920	72	New hybrid version of the program adding in additional coding classes, with an externship, and students are now eligible to take CPC.			
Medical Clinical Assistant	Diploma	920	72	56%	70%	NA	More training for PGM Director, DOE, and ADOE; Implemented improved re-entry process; More detailed mentoring and counseling taking place w/students; Hired Student Resource Coordinator to assist with tutoring student personal challenges; Implemented improved retention strategy;

Programs Offered by Miller-Motte Technical College Similar to Those Offered by Trident Technical College and Horry-Georgetown Technical College

Institution	Location	Credential	Major	Concentration	Offered by Trident?	Offered by HGTC?
Miller-Motte Technical College	CH, CW	AAS	Business Administration		AAS Business Administration with various paths	AAS Business Administration
Miller-Motte Technical College	CW	AAS	Business Administration	Hospitality Management	n/a	AAS Business Administration, Hospitality Management Path
Miller-Motte Technical College	CH, CW	AAS	Criminal Justice		AAS Criminal Justice	AAS Criminal Justice Technology
Miller-Motte Technical College	CH, CW	AAS	Electronic Health Records		AAS Health Information Management	No
Miller-Motte Technical College	CH, CW	AAS	Medical Assisting		AAS General Technology, Medical Assisting Path	No
Miller-Motte Technical College	CH, CW	AAS	Paralegal		AAS Paralegal	AAS Paralegal
Miller-Motte Technical College	CH	AAS	Surgical Technology		No	n/a
Miller-Motte Technical College	CW	Dip	Business Administration		n/a	Basic Business certificate
Miller-Motte Technical College	CH, CW	Dip	Medical Clinical Assistant		? Certificate in Medical Office Specialist	? Certificate in Medical Administrative Assistant
Miller-Motte Technical College	CH, CW	Cert	Massage Therapy		Massage Therapy certificate	Massage Therapy certificate
Miller-Motte Technical College	CH, CW	Cert	Medical Assistant Specialist		Medical Assistant diploma	? Medical Administrative Assistant diploma
Miller-Motte Technical College	CH, CW	Cert	Medical Billing and Coding		Medical Record Coder certificate	Medical Coding and Billing certificate