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What the Failed Sale of the University of Phoenix Means for Higher Ed

Dan Bauman

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Illustration by The Chronicle

What's New

The University of Idaho on Tuesday [called off](#) plans to buy the operations and assets of the University of Phoenix, acknowledging for the first time in public what had become apparent after two years of stalled and unproductive negotiations with the online, for-

profit college.

Officials at Idaho and Phoenix had as recently as March [expressed](#) continued interest in drafting some sort of deal before a self-imposed deadline of June 10. But in a news release on Tuesday, C. Scott Green, president of the University of Idaho, said the time had come for his institution to move on. The Idaho State Board of Education, which oversees the University of Idaho, will meet Thursday to [officially](#) terminate talks between state officials and Phoenix.

“Although we continue to see great value in University of Phoenix, it has become cost prohibitive, and potentially distracting to our other work, to continue conversations,” Green said.

In spite of the University of Idaho’s move to break off negotiations, Phoenix will be the one paying the state university’s legal bills — just over \$17 million, to cover the University of Idaho’s due-diligence costs, according to reporting by Idaho Education News.

The Details

Plans for Idaho to acquire Phoenix first [surfaced](#) in May 2023, just a month after the board of the University of Arkansas system [rejected](#) a proposal for a nonprofit system affiliate to take over Phoenix’s operations.

Under the initial terms of the proposed deal, Idaho — through its own nonprofit affiliate called Four Three Education Inc. — would have taken over operations of Phoenix and [become](#) the de facto education service provider to as [many](#) as 80,000 undergraduate and graduate students. The \$550-million acquisition of Phoenix's operations and assets was to be financed through taxable and nontaxable bonds, though Phoenix [promised](#) to provide an additional cash infusion of \$200 million. The deal anticipated that Four Three Education would start making annual payments to Idaho of \$10 million. University of Idaho officials also [predicted](#) Four Three Education would immediately generate positive financial returns, reaching total revenues of \$821 million and after-expense surpluses of \$60 million by the 2025 fiscal year, according to Four Three Education's application for federal tax exemption.

Immediately after news of the proposed deal broke, faculty members and students, as well as state legislators and executive officials, expressed surprise, concern, and skepticism about Idaho's plans to take over Phoenix, an institution with a well-known and tumultuous [history](#). And such headwinds only intensified as a somewhat similar nonprofit conversion effort at the University of Arizona [generated](#) a [parade](#) of poor [headlines](#). Meanwhile, the Biden administration [stoked](#) fears [that](#) nonprofit [conversions](#) might create [unanticipated](#) liabilities for any public institutions like the Universities of Arizona and Idaho, which had sought to integrate respective for-profit operations into their own.

A dour [analysis](#) from Moody's Investor Service of the proposed deal and the long-term challenges tied to its escalating \$685-

million price tag further complicated Idaho's and Phoenix's pitch to various stakeholders.

Lawmakers publicly [grilled](#) Green, Idaho's president, in June 2023 about why certain legislative committees had not been warned or consulted about the university's plans. Days later, Raúl Labrador, the state's attorney general, filed a lawsuit which [claimed](#) the Idaho State Board of Education had violated the state's open-meetings law by allegedly debating the merits of the Phoenix acquisition during closed-door sessions. And in early 2024, Idaho Education News [reported](#) that the University of Idaho had paid \$7.3 million to Green's former employer for consulting and due-diligence work associated with the Phoenix proposal.

The Backdrop

Nearly a decade ago, acquisitions like the one pitched by the University of Idaho seemed to be gathering ever greater levels of interest.

In 2017, Purdue University — at the time led by the former Indiana governor, Mitch Daniels — announced the university, through a nonprofit affiliate later rechristened Purdue Global, would [acquire](#) certain operations of Kaplan University, another for-profit college. The takeover at the time represented an extraordinary shift for American higher education, not only because a public university was using methods and tactics more familiar to Fortune 500 companies and Wall Street bankers, but also because of what it signaled about the diminishing outlook for the nation's best-known for-profit college behemoths.

To Phil Hill, an ed-tech consultant and publisher of the On EdTech

[newsletter](#), the U. of Idaho's failure to win support for its acquisition of Phoenix suggests greater public skepticism of nonprofit conversions backed by public universities than what Purdue and Daniels faced in Indiana eight years ago. Phoenix came to the university as a motivated seller willing to reimburse it for various upfront costs and make generous cash infusions. None of those concessions, however, managed to temper or resolve the underlying skepticism of various stakeholders on and off campus.

"I would be pretty surprised if another public institution followed up from the University of Idaho right now, because they're going to be looking at all these political problems," Hill said, though he reiterated how the University of Idaho's poor planning and execution of strategy ultimately made an already challenging venture even more so.

What to Watch For

In March, Bloomberg [reported](#) that Phoenix's owners, Apollo Global Management Inc. and the Vistria Group, are considering an initial public offering for Apollo Education Group, the holding company for the U. of Phoenix. A potential offering was contemplated as early as the third quarter of 2025.