Apollo Group, Inc.

Summary: 2012 U.S. Senate Committee Findings + 2015 Update

Overview

- Nation's largest publicly-traded, for-profit education company, operating under the University of Phoenix and Western International University brands at over 200 "learning centers" for online students and 76 campuses
- Pioneered the modern version of the proprietary model, originally focusing on working adults with some college credits
- Abandoned this model after 2001 to focus more on growth and earnings than on academic integrity
- The company is under investigation by 3 state Attorneys General and the Department of Education Inspector General

Tuition

- Online associate degree in business almost 6 times more expensive than a local community college ($24,500 vs. $4,087)
- Bachelor's degree in business is about $30,000 more expensive at University of Phoenix than at the University of Arizona ($74,575 vs. $44,200)
- Has raised tuition 3-5% over past several years
- Recruiters trained to deflect questions about cost with responses such as "will you tell your friends and family you bought the cheapest degree you could find?"

Federal Revenue

- 88.7% ($3.8 billion) of its revenue came from federal student aid plus military and veterans educational benefits in 2010

Expenditure Priorities

- Allocated significantly more revenue to profit (27%) and slightly more to marketing (23.7%) than its publically traded counterparts in 2009
- CEOs ($3.4 million) and Board Chair ($8.6 million) earned over 5 and 13 times more, respectively, than President of the University of Arizona ($633,000)
- Only spent $892 per student on instruction in 2009, among the lowest in the industry, versus $3,344 at a comparable community college and $11,128 at 4-year state school
- Spent $2,225 and $2,535 per student on marketing and profit, respectively

Recruiting Tactics

- Recruiters trained in aggressive tactics, pushing prospective students to enroll by creating a sense of urgency —"Do not tell the student we have classes running every week unless you can agree on a start date…" or "it looks like I might be able to squeeze you into" the next start date.
- Undercover Government Accountability Office visits to campuses showed multiple incidents of deceptive and misleading recruitment tactics involving the cost of attendance.
- In 2004, the Department of Education alleged Apollo had violated rules regarding impact of the number of students a recruiter successfully enrolled on recruiters' pay
- 3 state Attorneys General are investigating the school's business practices, including use of "unfair or deceptive recruiting tactics" and "misrepresentations regarding financial aid"
- In 2004, agreed to pay $9.8 million to the Dept. of Education for threatening and intimidating its recruitment staff, pressuring them to enroll unqualified students, and covering up its practices to deceive regulators

Academic Quality and Student Outcomes

- 96% of faculty are part-time in 2010, much higher than the 80% average at the 30 schools surveyed, raising questions about their ability to exercise academic independence to balance the company's business interests
- Apollo's accreditor expressed concern about use of "independent" study, which has minimal instructor supervision and appears to be used to prevent withdrawals
- In 2008-9, 60.5% withdrew by mid-2010, with a median of only 4 months enrolled. Of those who withdrew, an estimated 75% were online students

- Across the 30 companies surveyed, Apollo accounted for more than a quarter of all withdrawals, with a higher withdrawal rate than other proprietary schools surveyed
- Default rates for students entering repayment in 2008 were 20.9%, nearly double the 2005 rate and was expected to increase to about 27% for 2009
- School projects lifetime default rates of 77.6% for those in Associate degree programs who enter repayment in 2006
- Apollo estimates that approximately 75 percent of its undergraduates who default are online students
- Contracts with General Revenue Corporation to manipulate default rate by shifting students at risk of default into forbearance, which is bad for students because interest on some loans continues to accrue
- Employed 1 recruiter for every 58 students but each student services staff responsible for 126 students
- Employs no career services staff, maintaining that its students are working adults and do not need career counseling or job placement services, but recently partnered with a company that provides such services
- In late 2010, began requiring students with less than 24 credits to successfully complete a 3-week orientation course before actually beginning classes. Student can withdraw before the end of orientation with no financial obligation

2015 Update

- Enrollment and earnings have dropped significantly—enrollment dropped from 471,000 in mid 2010 to 227,400 in late 2014 and revenue declined from $4.9 billion in 2010 to an estimated $2.8 billion for 2015
- In March 2014, the Department of Education Inspector General subpoenaed records relating to marketing, recruitment, enrollment, financial aid processing, fraud prevention, student retention, personnel training, attendance, academic grading and other matters
- It received $272 million in revenue from Post-9/11 benefits in 2012-13, more than triple the amount received in 2009-10
- According to a July 2014 Senate HELP Committee report: (1) 20% of programs of its campuses would fail or were at risk of failing the Department of Education's proposed Gainful Employment test; and (2) received $751 million in revenue from veterans using their Post-9/11 GI Bill benefits from 2009 through 2013, the most received by any for-profit school and almost a quarter of the $3.2 billion received by the top 10 schools, 8 of which were for-profit institutions

Summary of findings a report by the Senate Health, Education, Labor and Pensions (HELP) Committee: *For-Profit Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012). Find the full chapter on Apollo at: http://www.help.senate.gov/imo/media/for_profit_report/PartII/Apollo.pdf