

Capella Education Company, Inc

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

Overview

- Capella, headquartered in Minnesota, is a publicly traded company that operates exclusively online and offers Doctoral, Master's, Post-baccalaureate Certificates and Bachelor's degree in business, information technology, education, psychology, public health, public safety and human services
- Enrolling students from all 50 States and 59 other countries, it offers 143 graduate and undergraduate specializations, 17 Certificate programs and over 1,690 online courses
- Enrollment grew from about 3,700 students in 2001 to over 38,000 in 2010, and revenue has more than doubled since it became publicly traded in 2006
- Based on withdrawal and default rates, outcomes for its graduate students is better than many companies examined, but students in its undergraduate programs (about 25% of enrollment) are faring less well
- 2013 lawsuit filed against Capella for misleading doctoral student about potential to graduate

Tuition

- Bachelor's of Science in Business ranges from about \$56,000 to \$57,000 at Capella, University of Minnesota, and Walden, another Minnesota based online school
- However, a Master's of Education is \$20,210 compared to \$31,235 at the University of Minnesota
- For the last 4 years, it has had annual tuition increases ranging from 2.4% to 5%.

Federal Funding

- 80.8% (\$338 million) of its revenue was derived from federal student aid plus military and veterans educational benefits in 2010

Expenditure Priorities

- It devoted 29.8% (\$99.6 million) of its revenue to marketing and recruiting, and 19.1% (\$63.9 million) to profit; the former is higher than the average for the 30 schools surveyed while the later is close to the average
- Its CEO received \$3.8 million in compensation in 2009, almost six times as much as the president of the University of Minnesota

Recruiting Tactics

- It spent \$4,538 on marketing, \$2,912 on profit, and \$1,650 per student on instruction in 2009
- Its recruiter training material state that "selling education is unique" and as such it sells, "opportunity" and "possibly a better life."
- Recruiters encouraged to dig deep to discover the "why" of potential students, focusing on their dreams, aspirations, and motivations
- Student complaints illustrate the sometimes aggressive recruiting tactics employed by the third party lead aggregators it employs—repeated phone calls after being told not to call anymore
- However, it appears to have better controls on recruiting practices than the other companies examined

Academic Quality and Student Outcome

- It spent \$1,650 per student on instruction, compared to \$13,247 by the University of Minnesota and \$11,361 by the University of Saint Thomas; its expenditures on instruction are at the low end for the publicly traded schools examined
- Overall, 47.8% of students who enrolled in 2008-09 had withdrawn by 2010 but the withdrawal rate for students pursuing Bachelor's degrees was 60.3%; overall withdrawal rates were somewhat lower than the average for the other schools examined but undergraduate rates were higher
- Default rate rose from 4.5% of students entering repayment in 2005 to 6.5% in 2008, well below the average for the schools examined
- About 10% of its students are in forbearance or deferment, which only serves to delay default beyond the period measured by the Department of Education
- It employed 1 career counselor and 1 student services staff for every 1,430 and 91 students, respectively, but 1 recruiter for every 77 student
- 86% of its faculty are part time, higher than the 80% average across the 30 schools examined

- Several complaints to its accreditor indicate dissatisfaction with the instructional quality at Capella and a reluctance on the part of the school to address those complaints
- In 2006, the Department of Education found that it failed to return all funds to the government that had been disbursed on behalf of students who had withdrawn

2015 Update

- 2013 lawsuit alleges that its staff repeatedly told a doctoral student that she was close to finishing her doctoral degree so that she would keep paying tuition