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 students
● 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.