**Grand Canyon Education, Inc.**

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

**Overview**

- Grand Canyon Education, Inc. (“Grand Canyon”), a publicly traded, Christian for-profit, is based in Phoenix, Arizona and offers primarily online (89%) 4-year and graduate degrees
- Offers degrees in business administration, education, health care administration, nursing, and public administration, among other subjects
- Enrollment grew rapidly from about 4,000 in 2001 to over 42,000 in 2010
- Its profit has grown dramatically since becoming publicly traded, from $4.3 million in 2007 to $58.1 million in 2010, a 1,250 percent increase
- In October 2013, it announced it was exploring the possibility of becoming a traditional nonprofit university

**Tuition**

- A Bachelor’s of Science in Business Administration is $55,950 compared to $44,200 for the same degree at University of Arizona
- Tuition disparities persist despite representatives stating that tuition would be competitive with local public universities due to the large influx of investor money following the company’s IPO in 2008

**Federal Revenue**

- 87.1% ($285 million) of its revenue came from federal student aid plus military and veteran educational benefits in 2010

**Expenditure Priorities**

- In 2009, it allocated 32.6% ($85 million) to marketing and recruiting, the 2nd highest of all the companies examined, and 17.8 percent ($47 million) to profit
- In 2009, CEO received $2.2 million in total compensation, over 3 times the $633,000 salary of the president of the University of Arizona
- It spent $2,177 per student on instruction in 2009, compared to $3,389 per student on marketing and $1,848 per student on profit

**Recruiting Tactics**

- Its recruiting documents emphasized methods to uncover prospective students’ pain and pleasure points; training encouraged recruiters to ask “probing questions, which slowly peel away pain layers.”
- Unlike many other for-profit colleges, Grand Canyon’s enrollment agreement does not include a binding arbitration clause
- Recruited students at “wounded warrior” units, which raises questions about veterans ability to make sound enrollment decisions
- In 2010, it employed 1 recruiter for every 40 students compared to 1 career counselor for 14,100 students, and 1 student services staffer for 88 students

**Academic Quality and Student Outcomes**

- It spent $2,177 annually on instruction in 2009 versus $4,305 at a comparable community college and $10,336 at a 4-year public school
- It had one of the highest proportions of part-time faculty at 96%, compared to 80% at the other 30 schools surveyed
- 52.7% withdrawal rate by 2010 for students who enrolled in 2008-09, slightly lower than the average rate at the 30 school examined; withdrawal rate for Bachelor’s degrees, its largest program, however, was 58.5%; students enrolled in online Bachelor’s programs withdraw at significantly higher rate than brick and mortar campuses.
- Gradual increase in defaults for students graduating in 2005 and 2008, from 3.0% to 7.4% respectively
- Although the default rate is significantly below the average default rate for the 30 schools examined by the committee, school expects rate to increase to 14-15% because of low enrollment in 2005 and subsequent adoption of an online enrollment strategy
• In 2008, the Department of Education Office of Inspector General initiated an investigation of enrollment
counselor salary adjustments and in 2010 settled a lawsuit for $5.2 million involving recruiter incentive
compensation payments, which are prohibited under federal law

2015 Update

• Although it announced in 2013 that it was exploring seeking nonprofit status, the school’s President announced
in March 2015 that shareholders had rejected an offer to accept buy-outs to convert the publicly-traded
company, reducing the likelihood of the conversion.

Summary of findings from 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