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For-Profit Colleges Target the Military

Online universities are raking in millions by signing up soldiers as students. But how valuable is the education they're delivering?

By [Daniel Golden](#)

U.S. Marine Corporal James Long knows he's enrolled at Ashford University. He just can't remember what course he's taking. The 22-year-old from Dalton, Ga., suffered a traumatic brain injury, impairing his ability to concentrate, when artillery shells hit his Humvee in Iraq in 2006. He signed up for Ashford, one of at least a dozen for-profit colleges making money off active-duty military with subsidies from American taxpayers, after its recruiter gave a sales pitch this year at a barracks housing the Wounded Warrior Battalion at Camp Lejeune in North Carolina.

Long isn't alone. Ashford ranked sixth in Marine Corps enrollment in the year ended Sept. 30, 2009, with 1,018 students. At Camp Lejeune, Ashford had 119 active-duty students, up from 25 the previous year, and 6 in fiscal 2007.

Since 1947 the Defense Dept. has subsidized college tuition for active-duty service members, a benefit intended to boost recruitment and retention. State universities, community colleges, and private nonprofit colleges have traditionally dominated the market. They provide classes on bases under agreements with the military services, and their programs undergo federal review.

Now for-profit colleges specializing in online degrees are making substantial inroads. Their online programs don't require federal contracts and aren't subject to the same scrutiny. Some of them feature easy courses and fast degrees, or entice service members to enroll with free textbooks or laptops. The for-profit schools account for 29% of college enrollments and 40% of the half-billion-dollar annual tab in federal tuition assistance for active-duty students, according to Defense Dept. and military data. The shift is leading to educational shortcuts and overzealous marketing, says Greg von Lehmen, chief academic officer of the University of Maryland University College, the adult-education branch of the state school and one of the oldest and biggest providers of education for military personnel. UMUC competes with the for-profits for active-duty students.

"In these schools, the rule is faster and easier," von Lehmen says. "They're characterized by increasingly compressed course lengths and low academic expectations. One has to ask: Is the Department of Defense getting what it is seeking?" At Apollo Group's ([APOL](#)) University of Phoenix, the biggest for-profit college in the U.S., some active-duty military personnel can earn an associate's degree, which typically takes two years of study, in five weeks.

Of the dozen colleges with the biggest active-duty enrollment, five are for-profits that conduct most or all of their courses online. Three—American Military University, Phoenix, and closely held Grantham—charge \$250 a credit, or \$750 a course, which allows them to receive the maximum reimbursed by U.S. taxpayers without service members having to pay any out-of-pocket tuition. Publicly funded community colleges offer classes on military bases for as little as \$50 a credit.

Taxpayers picked up \$474 million for college tuition for 400,000 active-duty personnel in the year ended Sept. 30, 2008, more than triple the spending a decade earlier, Defense Dept. statistics show. While degrees from any accredited college provide a boost toward military promotion, credentials from online, for-profit schools can be less helpful in getting civilian jobs, especially in a tight labor market. "I'm afraid that the ease with which these outfits hand out diplomas is matched only by the disappointment of their graduates when they find out how little their degrees are actually worth," says Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers in Washington, which includes members from both nonprofit and for-profit colleges.

Mike Shields, a retired Marine Corps colonel and human resources director for U.S. field operations for Schindler Elevator, the North American arm of Switzerland's Schindler Group, says he rejects about 50 military candidates each year for the company's management development program because their graduate degrees come from online for-profits. "We don't even consider them," Shields says. "For the caliber of individuals and credentials we're looking for, we need what we feel is a more broadened and in-depth educational experience." He does hire service members with online degrees for jobs on nonleadership tracks, he says.

Most online for-profits, such as American Public Education's ([APEI](#)) American Military University, "do a very good job taking care of students," says Robert Songer, director of lifelong learning at Camp Lejeune. American Military and its counterpart American Public University recently won a national award for quality in online education. But Songer says several schools have become a concern on military bases because of practices that exploit soldiers and the federal subsidies they are promised. "Some of these schools prey on Marines," he says. "Day and night, they call you, they e-mail you. These servicemen get caught in that. Nobody in their families ever went to college. They don't know about college."

Executives at for-profit colleges say they pay more attention to customer service than traditional schools do, and their online format suits military students who move frequently. "It's about flexibility and options," says Rick Cooper, vice-president for military and corporate programs at Columbia Southern University in Orange Beach, Ala. "You can enroll any day of the week, any week of the year." That's not the only allure. Columbia Southern allows soldiers to transfer credits from other institutions for classes in which they earned grades as low as D. Grantham University in Kansas City, Mo., has handed out free laptops, and American Military in Charles Town, W.Va., gives free textbooks as recruitment inducements.

Online schools such as American Military have relocated their headquarters to obtain certification from regional boards with less demanding standards, according to interviews with for-profit-college officials and accrediting agencies. Or they're approved by less established organizations, leaving students hard-pressed to transfer credits to other colleges.

UNEQUAL OPPORTUNITY

Even when graduates find employment, it's likely to pay less. Holders of master's degrees in business administration from for-profits Phoenix and American InterContinental University earn less than grads with the same degrees from the University of Oklahoma or Maryland's University College, according to PayScale, a provider of employee compensation data. Recent MBA graduates from University College and Oklahoma have median annual incomes of \$78,600 and \$68,400, respectively, compared with \$60,200 from Phoenix and \$54,600 from American InterContinental, the data show. Apollo spokesman Manny Rivera says students who worked full-time while earning master's degrees at Phoenix in 2008 received an average annual salary increase of 9.7%. "That is a solid indicator of the value of a University of Phoenix education," he says.

Travis Daun, a 33-year-old former Navy lieutenant commander who trained as a nuclear engineer on a submarine, left the service in August after receiving an online MBA from American InterContinental, a unit of Career Education ([CECO](#)), based in Hoffman Estates, Ill. One of the top 10 reasons for military personnel to enroll at American InterContinental is to "Earn your degree FAST," according to a pitch on its Web site. An MBA there can be finished in 10 months instead of the usual two years. "I was disappointed in the rigor and challenge of the courses," Daun says, adding that each course lasted five weeks, with at most two hours a week of class time. "I don't think I had a 4.0 effort, yet I had a 4.0 grade-point average."

Daun is unemployed. His college roommate, who also became a nuclear engineer in the Navy and earned an MBA from the University of Maryland's University College, did find a job, Daun says. "His MBA definitely helped him a lot more than my AIU degree is helping me," he says. Daun turned to Lucas Group, an executive search firm that specializes in placing former military personnel. "Does his master's from American InterContinental open a lot of doors for him? No, it doesn't," says Lee Cohen, a managing partner at Lucas based in Irvine, Calif.

Career Education spokesman Jeff Leshay defends American InterContinental, saying it provides a quality education for adult students. He says the company doesn't track where graduates find jobs.

Some online graduates do find rewarding jobs. While deployed in Iraq, Christopher Brotherton earned a bachelor's degree in homeland security from American Military in 2007. When the staff sergeant retired from the Army in June, his degree helped him land a job teaching social studies in a middle school in Ardmore, Okla. "The state, when they saw my transcript from AMU, they had no problems with any of it," says Brotherton, 42. "It was a respected school to them."

Still, when service members earn degrees from online for-profits, human resources executives at big companies are often reluctant to hire them, says Cohen. "There are some firms that are heavily credential-oriented," he says. "McKinsey & Co. is one of them. They might balk. Amazon ([AMZN](#)) might balk. Shell Oil is another one." McKinsey, Amazon.com, and Shell declined to comment.

The Defense Dept. plans to subject online programs to review by the American Council on Education, a higher-education policy and research group based in Washington, which already monitors face-to-face classes on military bases, Defense officials say. The new online standards, which the department began to develop in 2004, are still a year away from being implemented, says Tommy T. Thomas, Deputy Under Secretary for military community and family policy. "This is a new approach for DOD. We are moving forward with caution to ensure the implementation process goes smoothly," Thomas says.

The expansion of online for-profit colleges into the military comes as the companies face Obama Administration scrutiny over everything from the way they attract prospective students to their increasing reliance on federal financial aid, says Robert Shireman, Deputy Under Secretary of Education. In addition, the Securities & Exchange Commission's Enforcement Division has begun an informal probe into how Apollo Group books revenue. Apollo intends to cooperate fully, the company says.

By expanding its military business, Phoenix has been able to enroll more civilian students who are supported by grants and loans from the Education Dept. without violating federal law that dictates how much revenue the school can receive from the government. Phoenix derived 86% of its \$3.77 billion in revenue in fiscal 2009 from the Education Dept., according to its annual 10-K filing, up from 48% in 2001 and approaching the limit of 90% set by a 1992 law known as the 90/10 rule. Tuition payments to for-profit schools by the military don't count toward the 90% ceiling. One way that Phoenix plans to stay below the legal threshold is by building its military

business, Gregory W. Cappelli, co-chief executive of Apollo, which is based in Phoenix, said in a June 29 conference call with investors.

When the law was enacted, for-profits hadn't yet moved into the military market, so the legislation's sponsors weren't focused on Defense Dept. tuition assistance, says Sarah A. Flanagan, who helped draft the law as the Senate's specialist in federal student aid. The law was intended to ensure that for-profit colleges offered an education good enough that some students were willing to pay for it, says Flanagan, now vice-president of the National Association of Independent Colleges and Universities, a Washington-based lobbying group. "Counting Defense Dept. funding for servicemen's education as part of the money that's supposed to come out of consumers' pockets violates the purpose of the original legislation," Flanagan says. Apollo spokeswoman Sara Jones says Phoenix began serving military students long before the advent of "the misguided 90/10 rule."

ENROLLMENT SURGE

Phoenix ranks among the top five colleges in enrollment of service members, including about 5,000 in the Army and 2,700 in the Navy, according to the two services. While Phoenix offers campus-based graduate programs in education and management at Air Force bases in the Pacific, most of its active-duty students take classes online, school officials say. Phoenix has 452 recruiters in its military division, up from 91 in 2003, says Scott McLaurin, its executive enrollment counselor at Camp Lejeune, the largest Marine Corps base on the East Coast.

Military enrollment at exclusively online for-profits is soaring. American Military has 36,772 active-duty students, up from 632 in 2000, it says. It has the most Air Force and Marine Corps students of any college. Closely held Columbia Southern says it has 9,582 service members, up from 649 in 2002. Closely held TUI in Cypress, Calif., has more than doubled active-duty enrollment to 7,665 in the first quarter of 2009, from 3,661 in 2004, it says. Six public and private nonprofit colleges hold face-to-face classes on Camp Lejeune, but none has the highest active-duty enrollment there. That distinction belongs to online-only American Military, with 1,623 students, up from 11 in 1999. Phoenix's online enrollment there has risen to 296 from 15 over the same period.

J.B. Beavers, a retired Marine colonel who headed educational services at Camp Lejeune from 2001 to 2006, rejected requests from online for-profits for office space in the base's education center. "I had a jaundiced eye on all of the online for-profits," he says. Beavers' successor, Songer, changed course and gave offices to American Military and Phoenix, which together receive 47% of all the tuition assistance for Camp Lejeune students. "If I have a problem, I can call the school at a very high level," says Songer. "If they weren't on the base, I wouldn't have that leverage."

The active-duty enrollment surge at for-profit schools has led to a slump at public and nonprofit schools. The University of Oklahoma, once the leading provider of graduate degrees to service members, has lost half its military enrollment in a decade, says James Pappas, the university's vice-president for outreach. "A decade from now, you may not find traditional national public and private universities in military education," Pappas says. "That's one of the real dangers."

While many colleges adopt what are known as "military-friendly" practices, the online for-profits go further than most. They accelerate courses and degrees for service members, trimming requirements and granting abundant transfer credits. At Phoenix, members of the armed forces can earn an associate's degree by taking as little as one five-week online class, "Written Communication." They can make up for the other 19 courses required for the degree with credits for classes taken elsewhere, military experience including basic training, and passing grades on tests that gauge knowledge of a subject area.

Civilians seeking the same degree must take at least six Phoenix courses and can use credits from outside sources for no more than 14. Traditionally, two-year students must take 10 courses, or half the required load, from the school that awards their degrees, so it can vouch for their training, says the registrar association's Nassirian. Only a handful of active-duty students choose Phoenix's one-course option, called the Associate of Arts Degree Through Credit Recognition, says Mike Bibbee, the university's head of military programs.

At Columbia Southern, students can finish a course in three weeks and gain credit for as many as three classes taken at other colleges in which they received grades as low as D. All exams are open-book. "It would be quite unorthodox for traditional institutions to grant transfer credit to coursework completed below a grade of C," Nassirian says. There are public universities—the University of Alabama, in Tuscaloosa, for example—that do accept Ds for transfer credits. Columbia Southern's Cooper says academic quality is comparable to a state or nonprofit university.

At American Military, most students take eight-week classes. On Oct. 16 several Marines waited their turn on benches outside American Military's office in the education center at Camp Lejeune. Inside, AMU education coordinator Brian Miller made his pitch to Jyher Lazarre, 19, of Orlando, and Hyunwoo Kim, 20, of Leonia, N.J. Of 20 courses needed for a two-year degree, they could satisfy eight through basic training and other military experience, Miller said. They could test out of seven more, leaving them to take five classes. "I can cut the time of this degree literally in half," Miller told them. "It's going to make you competitive toward promotion as well."

Two policy changes opened the military-education market. In 1999 the Defense Dept. broadened eligibility for reimbursement to include more for-profit colleges. Then it increased funding in 2002 from 75% to 100% of tuition up to the \$250-per-credit ceiling.

These moves coincided with the rise of Internet courses. For-profits were ahead of most traditional colleges in online education, which helps service members deployed worldwide keep up their studies. While public schools such as Maryland now offer online courses, they often have stricter requirements. In fiscal 2008, the first year that the Defense Dept. collected such data, 64% of active-duty students took distance-education classes. Soldiers even take online classes in war zones. In Afghanistan, Army Sergeant Patrick Peake earned a bachelor's degree in criminal justice from American Military, enrolling in as many as four online courses at a time. Cavalry scouts "set up a wireless connection at the mud-brick building we were at," Peake, 29, says. After studying counter-terrorism, Peake says, he told friends in Army intelligence about terrorist groups in the region. "This dumb grunt helped them out a little," he says.

Unlike most traditional schools, for-profits vie for students by offering freebies. American Military undergraduates may sell the free textbooks they're given to the school's vendor after use for \$30 to \$50 per book, Miller says. Columbia Southern's Cooper says the school is considering a similar buyback program.

Grantham, the seventh-biggest recipient of undergraduate tuition money from the Army in fiscal 2008, gave new Dell ([DELL](#)) laptops from March to July to active-duty students who had completed at least four courses with grades of C or better. The free computers were part of a pilot research project on student retention, says Tim Arrington, Grantham director of military programs. Michael Lambert, executive director of the Distance Education & Training Council, which accredits Grantham, advised the school to stop the laptop largesse. "The concern is, schools will outdo each other and we'll have an arms race. Free laptops, free Kindles, free iPods, all coming out of taxpayers' pockets," says Lambert.

Career Blazers Learning Center, a New York-based vocational school, gave away laptops loaded with

instructional software to Marines about to be deployed to combat zones, owner Paul Viboch says. It also hired former Marines as recruiters and paid referral fees to students for signing up other service members. Entire units enrolled, and Career Blazers received \$4.5 million in tuition assistance from the Marine Corps in 2006, the most of any post-secondary provider.

UNAUTHORIZED PITCHES

Career Blazers charged \$4,500—the maximum that the military reimburses in a year—for self-paced lessons on how to perform basic computer applications or balance checkbooks. Because much of the material was available for less expense at workshops or community college classes on bases, "the military overpaid for laptops," says Johanna Rose, an education technician at Camp Lejeune. Relocated to Martinsburg, W.Va., and renamed Martinsburg Institute, Career Blazers stopped giving away laptops three months ago. Its tuition assistance from the Marine Corps slipped to \$616,000 in fiscal 2009 as education officials on some Marine bases discouraged service members from enrolling. "I was too successful, too quickly," Viboch says.

Unauthorized marketing pitches by for-profit recruiters have become widespread on military bases. "Some of these schools are a little underhanded," says Pat Jeffress, branch manager of lifelong learning at Camp Pendleton, a Marine base in California. "They try to backdoor me."

One recruiter for Ashford University, a unit of Bridgepoint Education, recently ignored the anti-solicitation rule at Camp Lejeune, says Songer. He says he told the recruiter, whose husband is in the military, that she could only meet students at the base's education center. Instead, she pitched the online for-profit in the recreation room of a barracks for wounded Marines. About 30 Marines showed up, says Brad Drake, a corporal who attends Ashford. "It helped she was really attractive," says Drake, 23, who suffered a traumatic brain injury in Afghanistan when a rocket hit his truck. "That got everyone's attention."

The recruiter spoke at the barracks with the approval of the unit's commander, says Bridgepoint spokeswoman Shari Rodriguez. "We keep our students' needs at the forefront of all we do." Songer says unit commanders are often unfamiliar with educational rules, and that he told the recruiter: "If you cross that line again, you'll never be allowed on this base."

About 8 to 10 wounded Marines signed up with Ashford after the recruiter's presentation, among them Corporal Long. Besides his brain injury, he has nerve damage and walks with a cane. Long is pursuing a bachelor's degree in organizational management at Ashford. In his first class, students could retake the final test until they passed, he says. "I took it 10 times," he says. "I kept getting the same answers wrong."

Long is married and says he needs to provide for his family. Still, he wonders if he can graduate. "I got my doubts," he says. "My family's more important than my doubts. That keeps me going."

Golden is a reporter for Bloomberg News .