

# American Public Education, Inc.

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

### Overview

- American Public Education, Inc. (APEI), a publicly traded company that operates under the American Military University brand, only offers online classes
- It was founded to instruct students affiliated with the military but in 2002 established American Public University, which serves civilians
- Offers 87 degree and 68 certificate programs
- Enrollment increased rapidly from 15,500 in 2006, to 77,700 in 2010, and 105,000 in 2011

### Tuition

- Bachelor's degree in Business Administration costs \$30,350 vs. \$28,936 at West Virginia University but an Associates degree is about twice as expensive as at a local community college
- Hadn't increased tuition in 11 years
- The company "appears to be having success in expanding its long-time model of low-cost online programs for military students to a general student population."

### Federal Revenue

- 77.4% (\$153 million) of its revenue was derived from federal student aid plus military and veteran education benefits in 2010
- Unlike many for-profits, the majority of its federal revenue comes from the latter (51.4%) rather than from federal student aid
- Even with revenues received from military students and veterans factored in, the company has well diversified sources of revenue, such as a partnership with Wal-Mart that helps pay employees' tuition

### Expenditure Priorities

- APEI spent \$1,784 per student on instruction in 2009, compared to \$832 on marketing and \$1,619 on profit
- Allocated 26.8% of revenue to profit and 13.7% for recruiting and marketing in 2009
- Paid CEO \$1.7 million in 2010—more than 3 times the salary of West Virginia University's president

### Recruiting Tactics

- Recruiters expected to pursue prospective students, maintain control of the conversation, ask leading questions, and focus on overcoming "fear and doubt" to gain enrollment
- Like many for-profit education companies, APEI has a binding arbitration clause in its enrollment agreement, so students are left with little ability to address any complaints in court
- Performs better than others in the industry as the number of recruiters is far lower than the total number of student and career services employees: 80 recruiters in 2010 versus 28 career services and 205 student services staff

### Academic Quality and Student Outcomes

- Spent \$1,784 per student annually on instruction in 2009 versus \$2,296 at a comparable community college and \$9,862 at a 4-year state school
- 80% of faculty are part-time, comparable to the 30 for-profit schools surveyed
- 35.1% withdrawal rate among Bachelor's candidates and 46.4% among Associate candidates (lower than sector average of 54.3% but markedly higher than public institutions)
- Spike in defaults between 2008 and 2009 from 3.3% to 11.1%, about half the rate at other for-profits
- Partnered with a third-party to lower default rate by getting students temporary forbearances and deferments

### 2015 Update

- No updates to report

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 APEI at: [http://www.help.senate.gov/imo/media/for\\_profit\\_report/PartII/APEI.pdf](http://www.help.senate.gov/imo/media/for_profit_report/PartII/APEI.pdf)