

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.