

# Rasmussen Colleges, Inc.

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

### Overview

- Rasmussen, a privately-held company headquartered in Minnesota, has 22 campuses, along with an online division, and offers degrees and certificates in health sciences, business, education, justice studies, nursing, and technology and design
- Enrollment increased from about 2,000 in 2001 to over 17,000 in 2010 and revenue tripled between 2006 and 2009; over half of its students are enrolled online

### Tuition

- \$39,432 for an Associate degree in Business Management compared to \$7,264 for the same degree from a nearby community college and a Bachelor's is \$12,000 more than the University of Minnesota
- Its decision to transition all campuses from a per-course to a per-credit pricing structure increased tuition an average of 7 percent to 23 percent between 2008 and 2009

### Federal Revenue

- 80.6% (\$181 million) of its revenue was derived from federal student aid plus military and veterans educational benefits in 2010
- Employed various tactics to maintain compliance with the statutory requirement that no more than 90% of revenue can come from federal student aid, such as increasing tuition to create a gap that forced students to take out private loans or pay out of pocket

### Expenditure Priorities

- 26% (\$38.3 million) of its revenue was allocated to profit in 2009 and 18.1% (\$26.6 million) to marketing; the former is higher than the average across the 15 publicly traded schools examined but the latter is lower
- As a private-held company, Rasmussen is not obligated to release executive compensation data

### Recruiting

- It pays lead generation firms to identify potential students, which provide a candidate's name, mailing address, cell number, highest degree of education achieved, best time to contact, etc.
- As with many other for-profit education companies, it includes a binding arbitration clause in its standard enrollment agreement
- Employed 1 recruiter for every 38 students compared to 1 career counselor responsible for 570 students and 1 student services staffer responsible for 56 students
- Spent \$6,261 per-student on marketing and \$9,017 on profit compared to \$4,801 per student on instruction in 2009; its spending on instruction was about \$1,500 less than the maximum spent by other privately held companies examined

### Academic Quality and Student Outcomes

- It spent \$4,801 per student on instruction in 2009 compared to \$4,208 at a nearby community college and \$13,247 at the University of Minnesota
- 63.2% of student who enrolled in 2008-09 withdrew by 2010 after a median of 5 months, one of the highest withdrawal rates among the schools surveyed
- Default rate for students entering repayment in 2005 through 2007 grew from 14.7% to 17.9% but dropped to 11.6% for students entering repayment in 2008; 2008 rate was less than the average across all colleges
- Hired a contractor in 2005 to encourage student at risk of default to enter loan payment deferment or forbearance, which postpones default but not the continued accrual of interest on some loans
- More than 80% of its faculty was part time in 2010, in line with the average for the 30 schools surveyed
- Government Accountability Office undercover investigators repeatedly received credit for assignments when the material they submitted was clearly plagiarized

- One student complaint stated: “I wish to express to you my disgust and disdain for how this institution comports itself. It has been my experience that the few instructors who go above and beyond to assist their students are an anomaly.”

## 2015 Update

- In January 2015, it announced that it was cutting tuition for one of its most popular programs from \$26,850 to \$13,500. Officials said that the latest price cut will apply only to students who already have an associate degree, and enroll in a two-year “degree-completion” program to earn a bachelor’s in business management. The new rates, the company said, will make that program “one of the most affordable business degrees in the country.” It’s the second time in two years that the for-profit corporation has cut prices in the face of an industrywide slump in enrollment. In 2013, Rasmussen, which has 14,000 students in six states, cut its average tuition by 12 percent.