Large For-Profit Schools Remain Dependent on Recruiting GI Bill Students Despite Overall Enrollment Declines

Highlights

- Enrollment of GI Bill students at schools owned by six of the largest, publicly traded, for-profit companies declined by 30 percent from 2013 to 2016;[1] this decrease was greater than the 26 percent drop in their *overall* student enrollment for the same period.
- GI Bill students, however, still represent more than 10% of students enrolled in these companies' schools in both years, underscoring their dependence on recruiting this population.
- 2016, GI Bill enrollment at these six companies' schools represented 35 percent of all GI Bill enrollment at about 5,000 GI Bill participating, for-profit schools.[2]

Introduction

For several years, the media has reported on the decline in for-profit schools' student enrollment. Missing in these articles are data on a key subset of students who are specifically targeted by for-profits—GI Bill students.[3]

For-profit schools have a financial incentive to recruit GI Bill students because of their guaranteed educational benefits and because those benefits are excluded from the 90% cap on proprietary school revenue from federal student aid. The Defense Department's Tuition Assistance benefit for active-duty servicemembers are also excluded. Even though these benefits are federal revenue, they are counted as part of the 10% of revenue from "private" payers—individuals and employers who reach into their own wallets to pay tuition. A school's ability to attract private payers was adopted as a proxy for quality but has never been tested because of this 90/10 loophole.[4]

Methodology

Our analysis focused on six, publicly traded, for-profit education companies because a 2014 Senate HELP Committee report found that they were among the top recipients of both tuition and fee payments and enrollment from the Post-9/11 GI Bill educational benefit program in 2012-13.[5]

To analyze enrollment changes we used data from two federal databases: (1) the Education Department's Integrated Postsecondary Education Data System (IPEDS) and (2) the Department of Veterans Affairs (VA) GI Bill College Comparison Tool. Our analysis covered enrollees using any available GI Bill program, not just the new Post-9/11 benefit, which was implemented in 2009. We used 2013 as our baseline rather than 2009 to capture the significant increase in the use of the GI Bill after implementation of this new benefit program.[6] VA provided the historical data for 2013. We downloaded Comparison Tool data in September and October 2017.

Both IPEDS and the Comparison Tool report a cumulative, unduplicated headcount of students who enrolled during a 12-month period. For the Comparison Tool, the headcount is only GI Bill students using benefits.[7] Twelve-month enrollment is larger than enrollment on any particular date because it captures individuals who withdraw or graduate. Using cumulative enrollment data is important because the 2012 Senate HELP Committee report found that for-profit schools excel at recruiting, not retaining students.[8]

IPEDS and Comparison Tool data reporting periods are not identical. IPEDS reports enrollment data on an academic year basis (e.g., 2013-14), while the Comparison Tool provides enrollment data on a calendar year basis.

Launched in 2014, VA's Comparison Tool began reporting on GI Bill enrollment by sector as of 2013. It is intended to help GI Bill students make an informed choice when they decide to use their educational benefits. As a result, the data reflect *currently* participating institutions. For example, we were unable to include ITT Tech in our analysis because it closed in 2016 and is no longer included in the Comparison Tool dataset.

Trends in Overall Student and GI Bill Enrollment

Overall student enrollment at the schools we examined declined by 26 percent from academic year 2013-14 to 2015-16 (table 1). The decline from 2009-10 to 2015-16 was far larger—47 percent.

TABLE 1: Total Student Enrollment Schools Owned by Six Publicly Traded For-Profit Companies, Academic Years 2009-10, 2013-14, 2015-16

Company	Total student enrollment			
	2009-10	2013-14	2015-16	Percentage decline 2013-14 to 2015-16
Apollo	638,053	421,499	287,656	(32)
Bridgepoint	120,152	122,613	102,427	(16)
Career Education Corp.	203,565	108,275	88,590	(18)
DeVry	169,776	143,324	127,513	(11)
Education Management Corp. (EDMC)	238,032	204,230	146,236	(28)
Kaplan	195,424	125,605	75,113	(40)
Total	**1,565,002**	**1,113,197**	**827,535**	**(26)**

Source: IPEDS, downloaded September 2017. Calculations by authors.
Note: DeVry, Career ED, and EDMC operate schools under different brand names. For example, EDMC owns Argosy, the Art Institute, and other brands.

The 2008 recession, which led to a surge in college enrollment, was followed by enrollment declines during the economic recovery. According to for-profit company press releases, declining enrollment and revenue losses resulted in sector consolidation, including campus closures and the sale of some campuses. For example, in 2015, Kaplan sold 38 campuses to the

Education Corporation of America and EDMC and Career Education Corporation announced broad restructuring plans that included both campus closures and sales. Numerous federal and state Attorney General investigations, lawsuits, and settlements likely also had a negative impact on enrollment.[9] Thirty percent fewer GI Bill students were attending schools owned by these six for-profit companies in 2016 than in 2013 (table 2).

TABLE 2: GI Bill Enrollment at Schools Owned by Six Publicly Traded For-Profit Companies, 2013 and 2016

Company	2013	2016	Percentage decline
Apollo	55,619	36,766	(34)
Bridgepoint	11,619	9,459	(19)
Career Education	12,512	10,100	(19)
DeVry	19,618	14,543	(26)
EDMC	18,445	13,904	(25)
Kaplan	10,121	4,188[a]	(59)
Total	**127,934**	**88,960**	**(30)**

Source: Comparison Tool, October 30, 2017. Calculations by the authors.
[a]In September of 2015, Kaplan sold 38 campuses to Education Corporation of America, resulting in an enrollment reduction of roughly 1,600 veterans. The new owner rebranded the former Kaplan campuses as Brightwood.

Despite the decline in GI Bill enrollment at these six for-profit schools, the overall number of GI Bill students using their educational benefits was relatively stable over this timeframe. For example, from 2014 to 2016, the number of GI Bill students declined by about 4%. Because GI Bill educational benefits are intended to help veterans transition to the civilian workforce, an improving economy may have less of an effect on their decision to enroll and use their benefits.

Trends in the Proportion of GI Bill Students

Compared to overall student enrollment, the share of GI Bill students at these six schools was relatively stable from 2013 to 2016. Only DeVry and Kaplan experienced a significant reduction in their share of veterans. DeVry voluntarily committed to reducing its dependence on federal revenue to 85% and Kaplan sold a significant proportion of its campuses in 2015. These data demonstrate that most of the six schools are still targeting GI Bill students in order to evade the cap on Title IV revenue. For every dollar received from the GI Bill, these companies can earn $9 from students who depend on Title IV. Our analysis understates these companies' dependence on military educational benefits because it excludes enrollment from the Defense Department's Tuition Assistance Program, for which 2013 data was not available. Including FY 2016 Tuition Assistance recipients increases Ashford's enrollment of military-related students from 9.2% to 24% and Kaplan's from 5.6% to 13.6%, but has a negligible effect on the extent of other companies' dependence.

TABLE 3: GI Bill Enrollment as a Percentage of Overall Student Enrollment at Schools Owned by Six Publicly Traded For-Profit Companies, 2013 and 2016

Company	2013[a]	2016[a]
Apollo	13.2%	12.8%
Bridgepoint	9.5%	9.2%
Career Education	11.6%	11.4%
DeVry	13.7%	11.4%
EDMC	9.0%	9.5%
Kaplan	8.1%	5.6%
Total	11.4%	10.7%

Source: IPEDS and Comparison Tool.
[a]Numerator—College Comparison Tool CY 2013 and CY 2016 veteran enrollment; Denominator—IPEDS 2013-14 and 2015-16 overall student enrollment.

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[1]Throughout this report, we use the term "GI Bill student" to refer to any eligible individual using GI Bill benefits including veterans, dependents to whom benefits were transferred, survivors of servicemembers killed on active duty, and servicemembers using their benefits while on active duty.
[2]GI Bill College Comparison Tool data set.
[3]EDMC ceased to be publicly traded in 2014 and Apollo, which operates the University of Phoenix, also became privately owned in 2017. Many of the six companies operate under a variety of campus brands. For example, Bridgepoint's schools operate as Ashford University and Career Education owns Colorado Technical University and American Intercontinental University.
[4]Holly Petraeus, the former Assistant Director for Service Member Affairs at the Consumer Financial Protection Bureau, wrote in 2011 that this loophole "gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in."
[5]Two of the eight for-profit schools subsequently closed and declared bankruptcy—Corinthian (2015) and ITT Tech (2016).
[6]See p. 5 of hyperlinked document.
[7]Not all veterans pursuing a postsecondary degree use the GI Bill. Some are ineligible, have exhausted their benefits, or initially pursue a certificate or associates degree, saving their benefits to earn a bachelor's degree at a later point.
[8]On average, 54.4 percent of students who enrolled in the 30 for-profit schools profiled by the Senate HELP Committee during 2008-09 withdrew without a certificate or degree by mid-2010. Replacing revenue from students who drop out after a short time isn't a problem at for-profits schools because their business model is based on churn, which is why they employ large recruiting staffs; in fiscal year 2009, these 30 schools spent 22.7 percent of all revenue on marketing, advertising, recruiting, and admissions staff but only 17.2 percent on instruction.
[9]See Appendix I of hyperlinked document.