

Marine Can't Recall His Lessons at For-Profit College (Update2)

By Daniel Golden



Dec. 15 (Bloomberg) -- Marine Corps Corporal James Long knows he's enrolled at Ashford University, one of at least a dozen for-profit colleges making money off active-duty military with subsidies from American taxpayers. He just can't remember what course he's taking.

The 22-year-old from Dalton, Georgia, suffered a brain injury that impaired his ability to concentrate when artillery shells hit his Humvee in Iraq in 2006, he said. Long signed up for the online college, a unit of Bridgepoint Education Inc., after its recruiter gave a sales pitch this year at a barracks for wounded Marines at Camp Lejeune in North Carolina. Under base rules, the barracks are off-limits to college recruiters, said Robert Songer, director of lifelong learning at Lejeune.

For-profit online colleges are taking over higher education of the U.S. military, lured by a Defense Department pledge of free schooling up to \$4,500 a year for active members of the armed services, costing taxpayers more than \$3 billion since 2000. The schools account for 29 percent of college enrollments and 40 percent of the half-billion-dollar annual tab in federal tuition assistance for active-duty students, displacing public and private nonprofit colleges, according to Defense Department and military data.

The shift is leading to educational shortcuts and over-zealous marketing, said Greg von Lehmen, chief academic officer of the University of Maryland University College in Adelphi, the adult-education branch of the state system and one of the earliest and biggest providers of military education.

Faster, Easier

"In these schools, the rule is faster and easier," von Lehmen said. "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?"

Some online schools offer free laptops or fast degrees. At Apollo Group Inc.'s University of Phoenix, the biggest for-profit college, active-duty military personnel can earn an associate's degree, which typically takes two years of study, in five weeks.

Apollo fell \$1.13, or 1.8 percent, to \$60.93 at 4 p.m. in New York in Nasdaq composite trading. The company's shares are down 21 percent this year.

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 Department statistics show. Any college degree provides a boost toward military promotion, said James Pappas, vice president for outreach at the University of Oklahoma. Credentials from online, for-profit schools are less helpful in getting civilian jobs, especially in a tight labor market, Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers in Washington, said in an e-mail.

Disappointed Grads

"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," Nassirian said.

Mike Shields, a retired Marine Corps colonel and human resources director for U.S. field operations at Schindler Elevator Corp., rejects about 50 military candidates each year for the company's management development program because their graduate degrees come from online for-profits, he said in an interview. Schindler Elevator is the North American operating entity of Schindler Holding AG in Hergiswil, Switzerland, the world's second-largest elevator maker.

Broader Experience

"We don't even consider them," Shields said. "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 non-leadership tracks, he said.

Several online for-profit schools have become a concern on military bases because of practices that exploit soldiers and the federal subsidies they are promised, said Songer at Camp Lejeune.

"Some of these schools prey on Marines," Songer said. "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."

Most online for-profits, such as American Public Education Inc.'s American Military University, "do a very good job taking care of students," Songer said.

Executives at for-profit colleges said they pay more attention to customer service than traditional schools do, and their online format suits military students who move frequently.

Flexibility, Options

"It's about flexibility and options," said Rick Cooper, vice president of military and corporate programs at Columbia Southern University in Orange Beach, Alabama. "You can enroll any day of the week, any week of the year."

Columbia Southern grants transfer credits to soldiers for courses in which they earned grades as low as D. Grantham University in Kansas City, Missouri, has handed out free laptop

computers and American Military in Charles Town, West Virginia, gives free textbooks as recruitment inducements.

Online schools such as American Military University 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 or find jobs at major corporations.

Salary Comparisons

Holders of master's degrees in business administration from for-profits Phoenix and American Intercontinental University earn less than graduates with the same degrees from Oklahoma or Maryland's University College, according to Payscale.com, 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. Recent bachelor's graduates from University College earn a higher median salary (\$55,200) than their counterparts at Phoenix (\$50,500) and American Intercontinental (\$43,100). Oklahoma, at \$41,100, trails Maryland and the two for-profit schools.

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 Corp., based in Hoffman Estates, Illinois.

Rigor, Challenge

"I was disappointed in the rigor and challenge of the courses," Daun said in an interview, 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 work, Daun said. "His MBA from Maryland definitely helped him a lot more than my AIU degree is helping me," he said.

Daun is working with 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," said Lee Cohen, an Irvine, California-based managing partner at Lucas.

American Intercontinental provides a high-quality education for adult students, said Jeff Leshay, a spokesman for Career Education. Leshay said the company doesn't track where graduates find jobs.

'No Problems'

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, which included courses in geography and history, helped him find a job teaching social studies in a middle school in Ardmore, Oklahoma.

"The state, when they saw my transcript from AMU, they had no problems with any of it," Brotherton, 42, said. "It was a respected school to them."

Brian Kilgore's quest for a college degree was set back in 2007. Then a petty officer first class in the Navy, Kilgore needed two more courses to earn an associate's degree from Grantham when the online for-profit college eliminated the software engineering program he was taking, he said in an interview. Kilgore switched to computer science and soon left school, still four classes short of that degree. "I was upset," said Kilgore, 38, who recently retired from the military and works in aviation maintenance. "Gosh, I was almost there." The program was eliminated due to lack of interest, Grantham said.

Career Disadvantage?

When service members do earn degrees from online for-profits, human resources executives at Fortune 500 firms are often reluctant to hire them, said Cohen, citing three where he has placed candidates. "There are some firms that are heavily credential-oriented," he said. "McKinsey & Co. is one of them. They might balk. Amazon might balk. Shell Oil is another one." McKinsey, Amazon.com and Shell declined to comment.

Bradford Rand, chief executive of Techexpo Top Secret in New York, which runs job fairs for defense contractors recruiting recent veterans, said a degree from an online for-profit is a disadvantage. "You have two people of the same caliber, one has a degree from a real college, one has a degree from a computer, I'm going to favor the one from the live college," Rand said. "It's more verifiable, more credible."

The Defense Department plans to subject online programs to review by the American Council on Education in Washington, which already monitors face-to-face classes on military bases, defense officials said. The new online standards, which the department began to develop in 2004, have taken longer than expected and are a year away from being implemented, Tommy Thomas, deputy undersecretary of defense for military community and family policy, said in an e-mail.

Maximum Reimbursement

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, Apollo's 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, according to their Web sites.

American Public Education fell 1 cent, or less than 1 percent, to \$34.40 at 4 p.m.

Government Inquiries

The expansion of online for-profit colleges into the military comes as the companies face U.S. government inquiries into their tactics in recruiting and educating civilians. The Obama administration is tightening scrutiny of for-profits, from the content of their pitches to prospective students to their increasing reliance on federal financial aid, Robert Shireman, deputy undersecretary of the U.S. Education Department, said in an interview.

In addition, the Securities and Exchange Commission's Enforcement Division has begun an informal probe into how Apollo Group books revenue. Apollo intends to cooperate fully with the inquiry, the company said.

By expanding its military business, Phoenix has been able to enroll more civilian students who are supported by grants and loans from the Education Department, without violating federal law that dictates how much revenue the school can receive from the government. Phoenix derived 86 percent of its \$3.77 billion in revenue in fiscal 2009 from the Education Department, according to its annual 10-K filing, up from 48 percent in 2001 and approaching the limit of 90 percent set by a 1992 law known as the 90/10 rule.

Military Market

Tuition payments to for-profit schools by the military don't count toward the 90 percent ceiling. One way that Phoenix plans to stay below the legal threshold is building its military business, Gregory 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 Department tuition assistance, Sarah Flanagan, who helped draft the law as the Senate's specialist in federal student aid, said in an interview. The law was intended to ensure that for-profit colleges offered an education good enough that some students were willing to pay for it, said Flanagan, now vice president of the National Association of Independent Colleges and Universities in Washington.

"Counting Defense Department 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 said.

Phoenix Recruitment

Apollo spokeswoman Sara Jones said in an e-mail that Phoenix began serving military students long before the advent of "the misguided 90/10 rule."

Phoenix ranks among the top five colleges serving military students, 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 said. Phoenix has 452 recruiters in its military division, up from 91 in 2003, said Scott McLaurin, its executive enrollment counselor at Camp Lejeune, the largest Marine Corps base on the East Coast.

Soaring Enrollments

Military enrollment at exclusively online for-profits is soaring. American Military has 36,772 active-duty students, up from 632 in 2000, it said. It has the most Air Force and Marine Corps students of any college. Closely held Columbia Southern has 9,582 service members, up from 649 in 2002, it said. Closely held TUI in Cypress, California, has more than doubled active-duty enrollment to 7,665 in the first quarter of 2009, from 3,661 in 2004, it said.

While six public and private non-profit colleges hold face-to-face classes on Camp Lejeune, none has the highest active-duty enrollment there. That distinction belongs to American Military, with 1,623 students, up from 11 in 1999. Phoenix's enrollment there has risen to 296 from 15 over the same period.

Active-duty enrollment at public and nonprofit schools has slumped. The University of Oklahoma, once the leading provider of graduate degrees to service members, has lost half of its military enrollment in a decade, said Pappas, the vice president for outreach.

"A decade from now, you may not find traditional national public and private universities in military education," Pappas said. "That's one of the real dangers."

Curriculum Control

Faculty members at online for-profit colleges, usually part-timers with practical experience in their fields, have less control over curriculum than in conventional academia, said Benjamin Bolger, who has taught at the University of Phoenix and the College of William & Mary in Williamsburg, Virginia. Professors assign reading and writing and discussion topics prescribed by the school. Students don't have to log on at a specific time. At their convenience, they complete weekly coursework and respond to classmates on discussion boards.

While many colleges adopt what are known as "military-friendly" practices, the online for-profits go further than most. They accelerate course 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 one five-week online class, "Written Communication." They can make up for the other 19 courses required for an associate's degree with credits for classes taken elsewhere, military experience including basic training, and passing grades on tests that gauge knowledge of a subject area.

Fast Track

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 of the required load, from the school that awards their degrees, so it can vouch for their training, Nassirian said.

Only a handful of active-duty students choose Phoenix's one-course option, called the Associate of Arts Degree Through Credit Recognition, said Mike Bibbee, the university's director of military programs.

At Columbia Southern, students can finish courses 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, according to its catalog. All exams are open-book.

'Quite Unorthodox'

"It would be quite unorthodox for traditional institutions to grant transfer credit to coursework completed below a grade of C," Nassirian said. Columbia Southern's academic quality is comparable to a state or nonprofit university, Cooper said. The University of Alabama, in Tuscaloosa, also accepts D's for transfer courses, according to its Web site.

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 and Hyunwoo Kim. Lazarre, 19, of Orlando, Florida, and Kim, 20, of Leonia, New Jersey, joined the Marines in 2008 and are roommates at Lejeune, they said.

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."

"If we can cut it down, that's really good," Kim said.

Accreditation Conflicts

Conflicts with accrediting associations that certify academic quality have dogged several online for-profits. American Military, founded in Virginia in 1991 by a former Marine Corps officer, applied in 1998 for accreditation by the Commission on Colleges of the Decatur, Georgia-based Southern Association of Colleges and Schools. The southern association is one of six regional bodies that approve public and nonprofit institutions and represent the gold standard in accreditation.

In June 1999, the commission denied American Military a candidacy visit, an early step in the accreditation process, said Ann Chard, commission vice president. The university didn't meet the requirements of having full-time professors and a library, instead relying on part-time faculty and a lending library network, said James Herhusky, a trustee.

American Military then shifted its headquarters to West Virginia to seek regional accreditation by the Higher Learning Commission of the North Central Association, according to the minutes of a July 2002 meeting of the Virginia Council of Higher Education, based in Richmond. In 2006, North Central approved American Military, which offers degrees in fields including homeland security, counter-terrorism studies and weapons-of-mass-destruction preparedness.

'More Accommodating'

"At the time, North Central was the only region we knew that was accrediting totally online institutions," Herhusky said. "We found their criteria to be less prescriptive and more accommodating."

American Military now has 160 full-time professors and an online library, Herhusky said. The school has almost quadrupled active-duty enrollment since 2005, when it hired James Sweizer, former head of education for the Air Force, to run its military programs.

"I came to AMU with the philosophy of relationship marketing," Sweizer said in an interview. "You cater to the needs of key influencers."

Sweizer said he's seen "dramatic improvement" in how American Military manages courses and faculty.

Probationary Period

American Intercontinental, which ranked 20th in tuition assistance from the Marine Corps in fiscal 2009, also didn't meet the standards of the Southern Association of Colleges and Schools. It was placed on probation from 2005 to 2007 for academic and administrative shortcomings, including an inadequate number of full-time professors, according to accreditation records. The school addressed the association's concerns, and the improvements it made during those two years have strengthened the university, Career Education spokesman Leshay said in an e-mail.

American Intercontinental moved its headquarters this year from Atlanta to Chicago and was accredited by North Central. American Intercontinental relocated because its online campus is based there, Career Education spokesman Leshay said.

Two other for-profits in the military market, Grantham and Columbia Southern, have a status known as national accreditation. Newer than the regional groups, the seven national bodies mostly approve for-profit colleges, including vocational and distance-education programs. Only 14 percent of colleges accept credits transferred from nationally accredited institutions, according to a 2006 study by the University Continuing Education Association in Washington.

Expanding Market

Three policy changes in the past decade opened the military market to for-profit colleges. The Defense Department, which had paid tuition assistance mainly to regionally accredited schools, began in 1999 to reimburse nationally accredited colleges as well. It increased funding in 2002 from 75 percent to 100 percent of tuition up to the \$250-per-credit ceiling. In 2006 and 2007, the Army cut 233 counselors who used to guide soldiers through college choices, replacing them with interactive Web sites that offer information, said Army spokesman Wayne V. Hall.

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. In fiscal 2008, the first year that the Defense Department collected such data, 64 percent of active-duty students took distance-education classes.

War Zones

Soldiers even take online classes in war zones. While 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, said in an interview. After studying counter-terrorism at AMU, Peake said, he told friends in Army intelligence about terrorist groups in the region. “This dumb grunt helped them out a little,” he said.

Unlike most traditional schools, for-profits vie to offer inducements to students. American Military gives textbooks for free to undergraduates, who may resell them to the school’s vendor after use for \$30 to \$50 per book, Miller said. Columbia Southern is considering a similar buyback program, according to Cooper.

Grantham, the seventh-biggest recipient of undergraduate tuition money from the Army in fiscal 2008, gave new laptop computers made by Dell Inc., from March to July to active-duty students who had completed at least four courses with grades of C or better. The free laptops were part of a pilot research project on student retention, said Tim Arrington, Grantham director of military programs.

Laptop Largesse

Michael Lambert, executive director of the Distance Education Training Council, which accredits Grantham, advised the school to stop the laptop largesse, he said.

“The concern is, schools will outdo each other and we’ll have an arms race,” he said. “Free laptops, free Kindles, free iPods, all coming out of taxpayers’ pockets.”

Servicemembers Opportunity Colleges, a Defense Department Washington-based contractor that develops policies for 1,800 colleges involved in military education, is also considering guidelines to limit laptop giveaways and other inducements. “I don’t think it’s out of hand, but the potential is there,” said Kathy Snead, the group’s director.

Former Marines

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 said. 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.

Career Blazers charged \$4500 -- the maximum that the military reimburses in a year -- for self-paced lessons on how to perform basic computer applications or balance checkbooks. Much of the material was available for less expense at workshops or community college classes on bases, education specialists said.

“The military overpaid for laptops,” said Johanna Rose, an education technician at Camp Lejeune.

Relocated to Martinsburg, West Virginia, 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, Viboch said. “I was too successful, too quickly,” he said.

'Underhanded' Techniques

Unauthorized marketing pitches by for-profit recruiters have become widespread on military bases.

"Some of these schools are a little underhanded," said Pat Jeffress, branch manager of lifelong learning at Camp Pendleton, a Marine Corps base in California, said. "They try to backdoor me. They come onto the base when they don't have permission and they set up shop."

One recruiter for Ashford University recently ignored the anti-solicitation rule at Camp Lejeune, said Songer, the base's lifelong learning director. Bridgepoint, based in San Diego, has climbed 57 percent since the company went public on April 14. Bridgepoint fell 21 cents, or 1.2 percent, to \$17.37 at 4 p.m. today.

Songer said 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, said Brad Drake, a corporal who attends Ashford.

'Attractive' Recruiter

"It helped she was really attractive," said 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 commanding officer, Bridgepoint spokeswoman Shari Rodriguez said in an e-mail. "We keep our students' needs at the forefront of all we do."

Unit commanders are often unfamiliar with educational rules, Songer said. He told the recruiter, "If you cross that line again, you'll never be allowed on this base," he said.

Ashford's Enrollment

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 in the previous year, and six in fiscal 2007. About eight to 10 wounded Marines signed up for Ashford after the recruiter's presentation, among them Corporal Long, the brain-injured soldier, who also walks with a cane.

Long is pursuing a bachelor's degree in organizational management through Ashford. In his first class, students could retake the final test until they passed, he said.

"I took it 10 times," he said. "I kept getting the same answers wrong."

Long, who aspires to be an occupational or physical therapist, said he wonders if he can graduate. He is married and says he needs to provide for his family.

"I got my doubts," he said. "My family's more important than my doubts. That keeps me going."

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