American Career College, Inc.

Introduction

American Career College, Inc. ("ACC") is a closely held, for-profit education company that offers Certificate and 2-year degrees in allied health fields. While private distributions to shareholders totaled $18 million in 2009, the company's student loan default rate was 21 percent for students entering repayment in 2008, calling into question whether graduates are able to secure good quality jobs. It is unclear whether the company delivers an educational product worth the rapidly growing Federal investment taxpayers are making in the company.

Company Profile

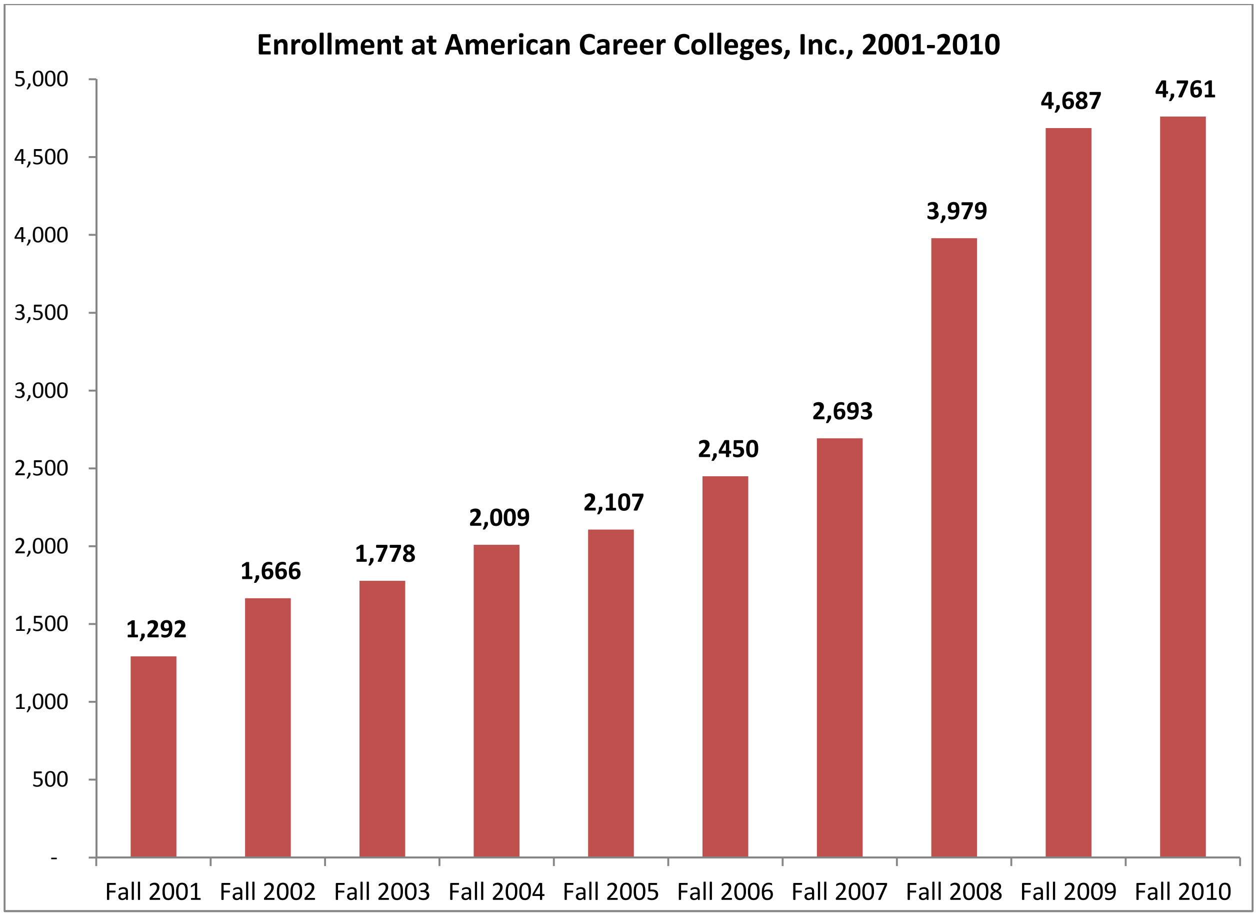
ACC is a privately held, for-profit educational institution headquartered in Irvine, CA. ACC operates three campuses in Southern California and exclusively offers Certificates and Associate degrees in healthcare programs. The company does not offer programs online.

ACC's campuses are accredited by Accrediting Bureau of Health Education Schools. The company's three campuses operate under two Department of Education OPEID numbers.[922]

American Career College was founded by David Pyle in 1979. Mr. Pyle currently serves as chief executive officer and is the sole stockholder in the company; he controls the company completely. Originally, the school was called American College of Optics and offered programs in eye-care assistance.

ACC experienced steady growth over the last decade. Enrollment grew from 1,292 students in fall 2001 to 4,761 students in fall 2010, 268 percent increase.[923]

[922] An Office of Postsecondary Education ID (OPEID) number is used by the Department of Education to identify and regulate institutions that participate in title IV student aid programs.
[923] Enrollment is calculated using fall enrollment for all unit identifications controlled by the company for each year from the Department of Education 's Integrated Postsecondary Data System (hereinafter IPEDS). See Appendix 7. The most current enrollment data from the Department of Education measures enrollment in fall 2010. In 2011 and 2012, news accounts and SEC filings indicated that many for-profit education companies experienced a drop in new student enrollment. This has also led to a drop in revenue and profit at some companies.



The growth in enrollment led to growth in revenue.[924] Revenue grew from $30 million in fiscal year 2005 to about $80 million in 2009, representing a 267 percent growth in revenue in 5 years.[925]

Federal Revenue

Nearly all for-profit education companies derive the majority of revenues from Federal financial aid programs.[926] Between 2001 and 2010, the share of title IV Federal financial aid funds flowing to for-profit colleges increased from 12.2 to 24.8 percent and from $5.4 to $32.2 billion.[927] Together, the 30

---

[924] Revenue figures for publicly traded companies are from Securities and Exchange Commission annual 10-K filings. Revenue figures for privately held companies are taken from the company financial statements produced to the committee. See Appendix 18.

[925] American Career College, *ACC financial statements for the years ended December 31, 2009 and 2008*, (ACC-0000131); American Career College, *ACC financial statements for the years ended December 31, 2009 and 2008*, (ACC-0000065, at ACC-0000070) (full documents on file with committee).

[926] "Federal financial aid funds" as used in this report means funds made available through Title IV of the Higher Education Act, including subsidized and unsubsidized Stafford loans, Pell grants, PLUS loans and multiple other small loan and grant programs. See 20 U.S.C. §1070 et seq.

[927] Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Program Volume Reports by School*, http://federalstudentaid.ed.gov/datacenter/programmatic.html, 2000–1 and 2009-10. Figures for 2000–1 calculated using data provided to the committee by the U.S. Department of Education.

companies the committee examined derived 79 percent of revenues from title IV Federal aid programs in 2010, up from 69 percent in 2006.[928]

In 2010, ACC reported 79 percent of revenue from title IV Federal student aid programs.[929] However, this amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs or revenue the company was allowed to temporarily discount pursuant to the Ensuring Continued Access to Student Loans Act (ECASLA).[930] The committee estimates that ACC may have discounted approximately 14 percent of revenue, or $12 million, pursuant to ECASLA. Department of Defense Tuition Assistance and post-9/11 GI bill funds accounted for approximately 1.1 percent of ACC's revenue, or $917,445.[931] With funds from the Departments of Defense and Veterans Affairs included, 80.1 percent of ACC's total revenue was comprised of Federal education funds.[932]

---

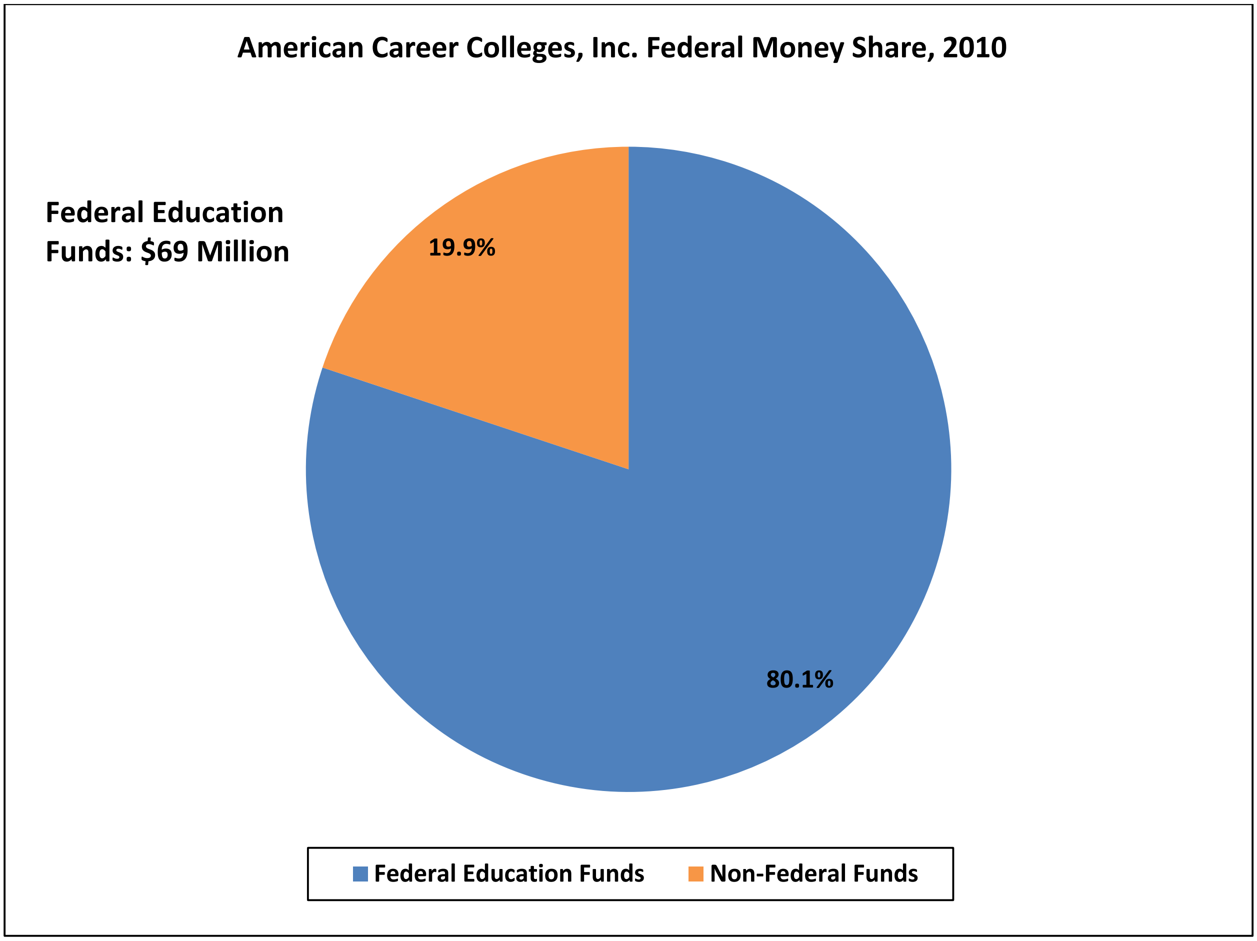
[928] Senate HELP Committee staff analysis of Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data for fiscal year 2006 provided to the committee by each company; data for fiscal year 2010 provided by the Department of Education on October 14, 2011. See Appendix 9.

[929] Senate HELP Committee staff analysis of fiscal 2010 Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data provided by the Department of Education on October 14, 2011. See Appendix 9.

[930] The Ensuring Continued Access to Student Loan Act (ECASLA) increased Stafford loan amounts by up to $2,000 per student. The bill also allowed for-profit education companies to exclude the increased amounts of loan eligibility from the calculation of Federal revenues (the 90/10 calculation) during fiscal years 2009 and 2010. However, the company opted not to take advantage of the provision, and did not exclude any Federal financial aid from the calculation of Federal revenues during this period.

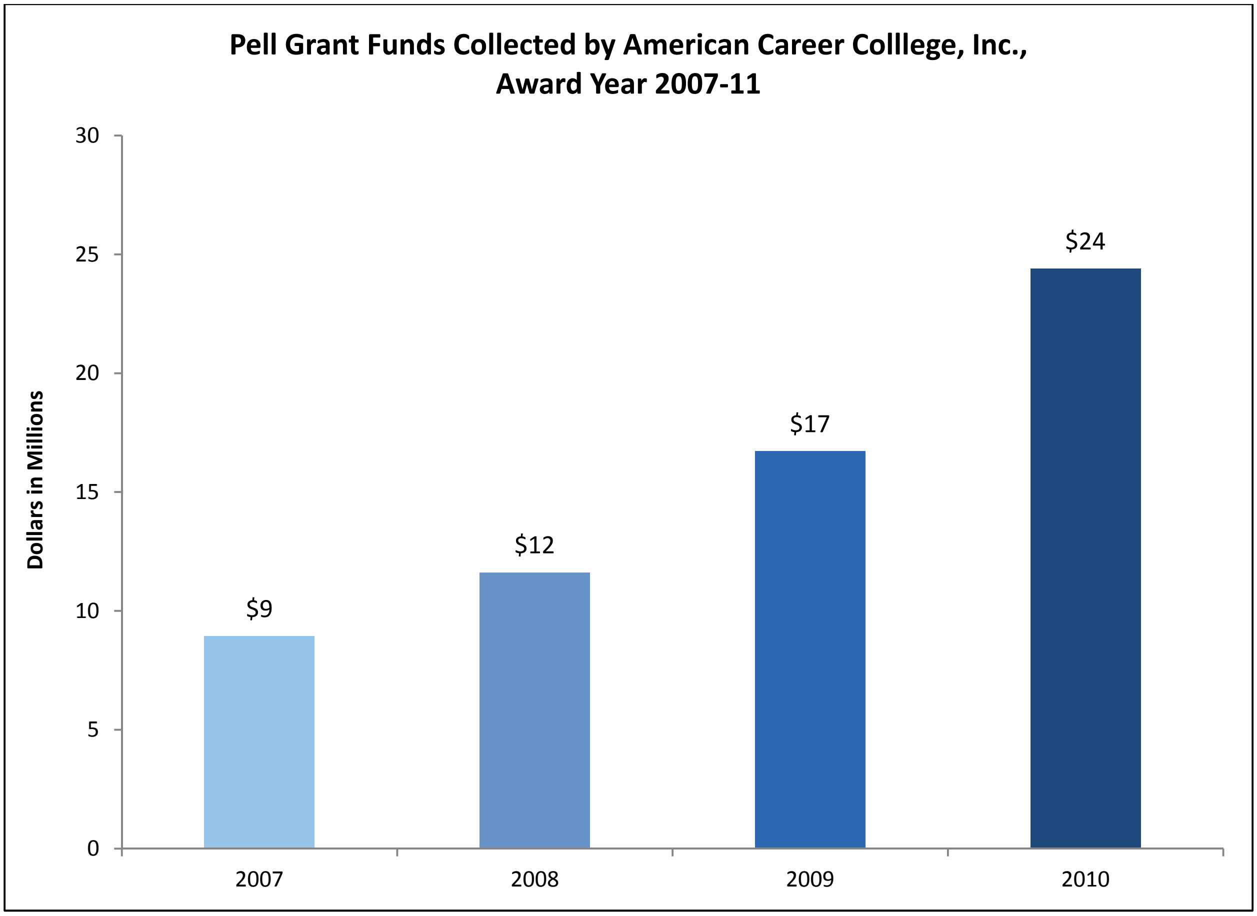
[931] Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via the Department of Veterans Affairs on July 18, 2011; Department of Defense Tuition Assistance Disbursements and MyCAA disbursements for fiscal years 2009-11 provided (by branch) by the Department of Defense on December 19, 2011. Committee staff calculated the average monthly amount of benefits collected from VA and DOD for each company, and estimated the amount of benefits received during the company's 2010 fiscal year. See Appendix 11 and Appendix 12.

[932] "Federal education funds" as used in this report means Federal financial aid funds combined with estimated Federal funds received from Department of Defense and Department of Veterans Affairs military education benefit programs. See Appendix 10.



The Pell grant program, the most substantial Federal program to assist economically disadvantaged students with college costs, is a significant source of revenue for for-profit colleges. Over the past 10 years, the amount of Pell grant funds collected by for-profit colleges as a whole increased from $1.4 billion to $8.8 billion; the share of total Pell disbursements that for-profit colleges collected increased from 14 to 25 percent.[933] Part of the reason for this increase is that Congress has repeatedly increased the amount of Pell grant dollars available to a student over the past 4 years, and, for the 2009-10 and 2010-11 academic years, allowed students attending year-round to receive two Pell awards in 1 year. Poor economic conditions have also played a role in increasing the number of Pell eligible students enrolling in for-profit colleges.

[933] Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2001-2 and 2010-11, http://federalstudentaid.ed.gov/datacenter/programmatic.html.



American Career College collected $8.9 million in Pell grant funds in 2007, and just 3 years later, in 2010, collected $24.4 million, an increase of 173 percent.[934]

Spending

While the Federal student aid programs are intended to support educational opportunities for students, for-profit education companies direct much of the revenue derived from these programs to marketing and recruiting new students and to profit. On average, among the 15 publicly traded education companies, 86 percent of revenue came from Federal taxpayers in fiscal year 2009.[935] During the same period the companies spent 23 percent of revenue on marketing and recruiting ($3.7 billion) and 19.7 percent on profit ($3.2 billion).[936]

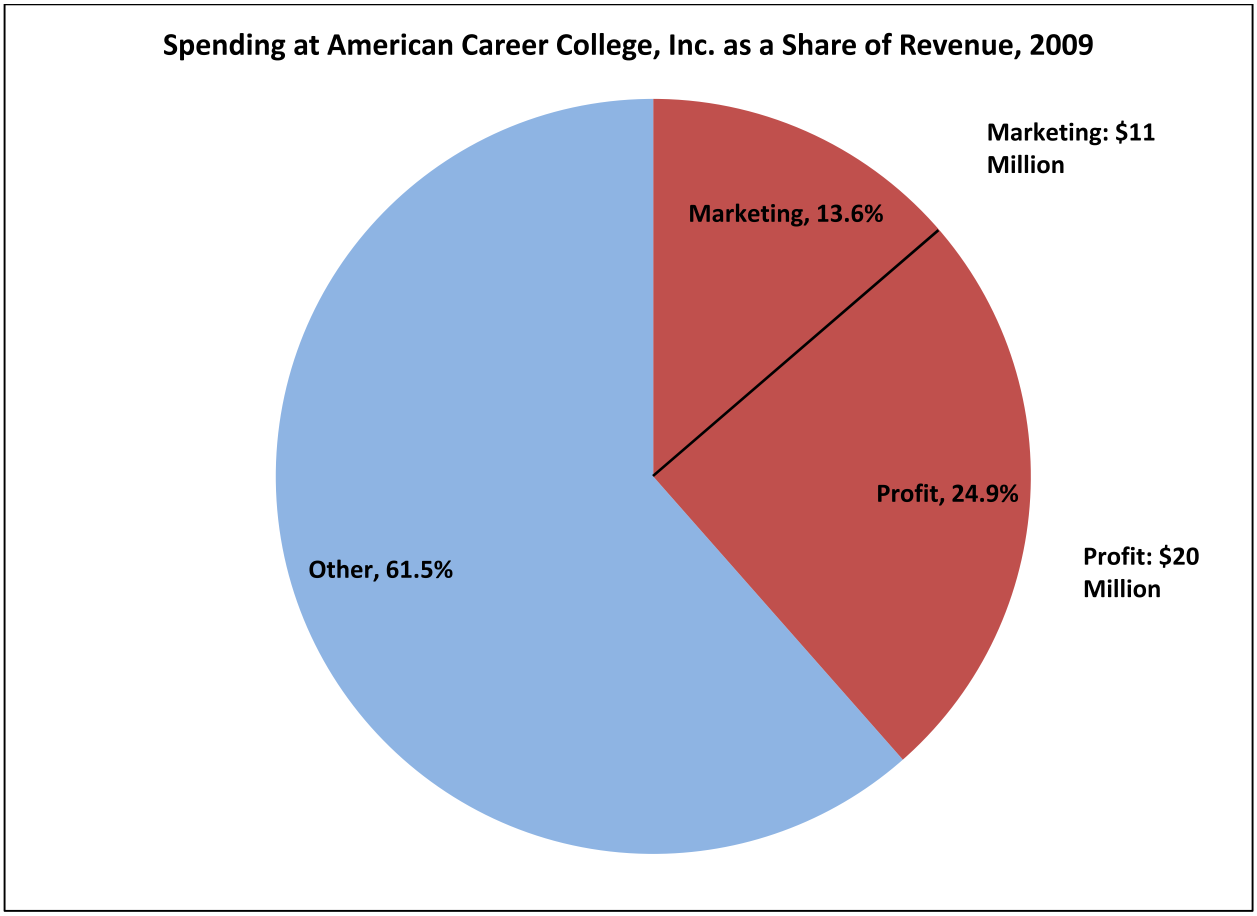
---

[934] Pell disbursements are reported according to the Department of Education's student aid "award year," which runs from July 1 through June 30 each year. Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2006-7 through 2009-10, http://federalstudentaid.ed.gov/datacenter/programmatic.html. See Appendix 13.

[935] Senate HELP Committee staff analysis of fiscal year 2009 Proprietary School 90/10 numerator and denominator figures plus all additional Federal revenues received in fiscal year 2009 provided to the committee by each company pursuant to the committee document request of August 5, 2010.

[936] Senate HELP Committee staff analysis of fiscal year 2009 financial statements. Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel. Profit figures represent operating income before tax and other non-operating expenses including depreciation. See Appendix 19. On average, the 30 for-profit schools examined spent 22.7 percent of revenue on marketing and 19.4 percent on profit.

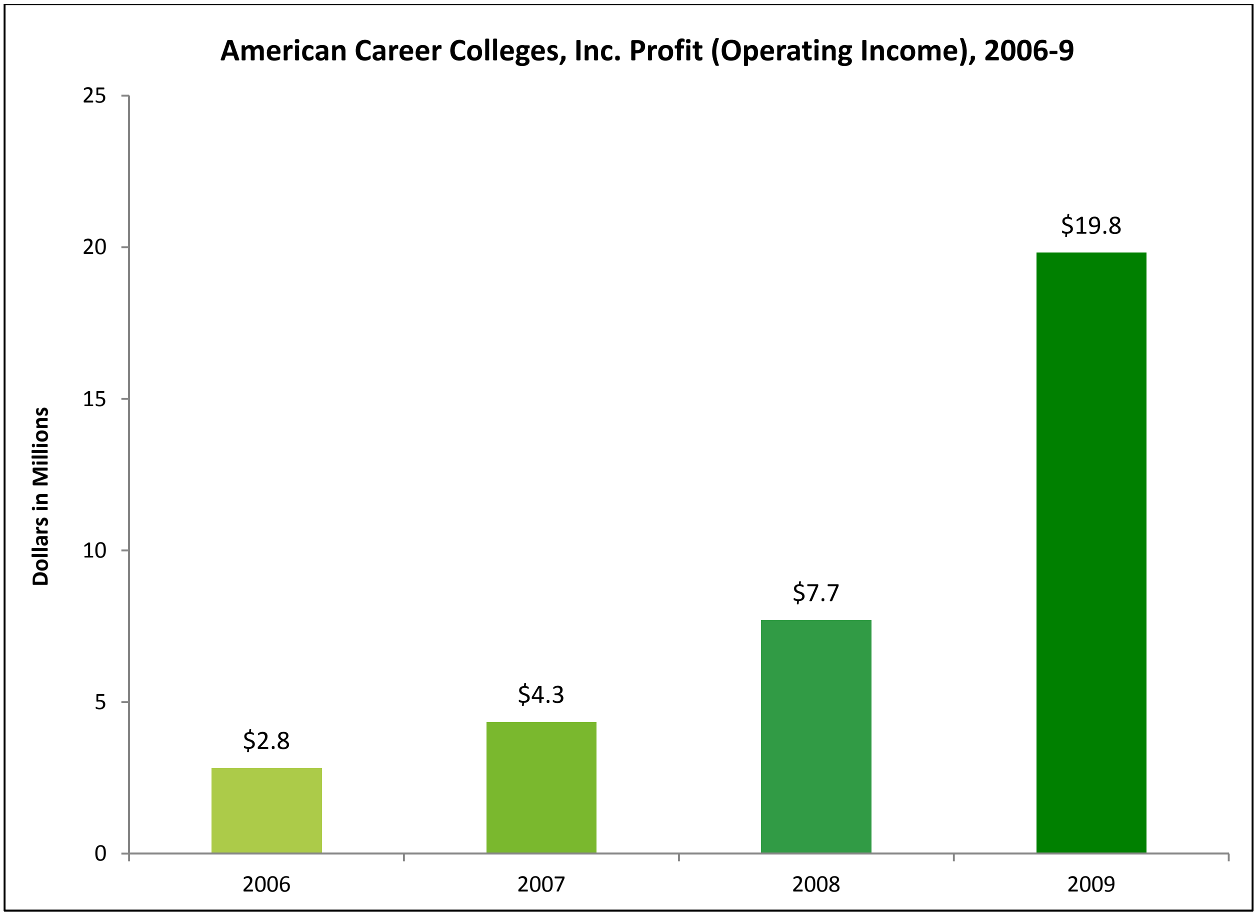
In 2009, American Career College allocated 13.6 percent, or $10.8 million, to marketing and recruiting and 24.9 percent of its revenue, or $19.8 million, to profit (operating income).[937]



American Career College devoted a total of $30.7 million to marketing, recruiting and profit in fiscal year 2009.[938] The amount of profit American Career College generated has also risen rapidly, increasing sixfold from $2.8 million in 2006 to $19.8 million in 2009.[939]

---

[937] American Career College, *ACC financial statements for the years ended December 31, 2009 and 2008*, (ACC-0000131, at ACC-0000135); American Career College, *ACC financial statements for the years ended December 31, 2009 and 2008*, (ACC-0000065, at ACC-0000070) (full documents on file with committee). See Appendix 19.
[938] Id. "Other" category includes administration, instruction, executive compensation, faculty salary, student services, facilities, maintenance, lobbying and other expenditures.
[939] Senate HELP Committee staff analysis. See Appendix 18.



Executive Compensation

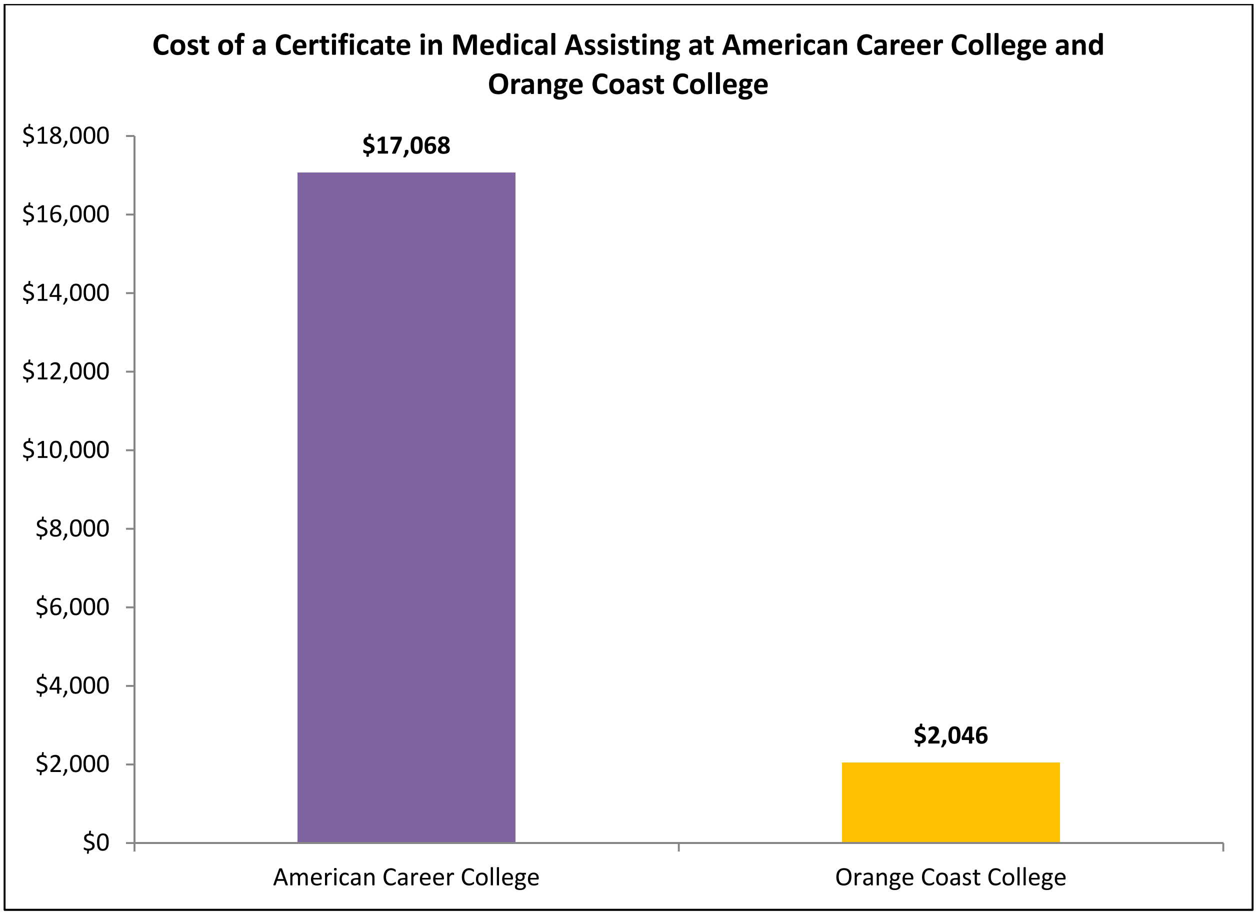
As a privately held company, ACC is not obligated to release executive compensation figures. Financial statements show that the CEO of the company, as the sole stockholder, received a distribution of the company's profit totaling at least $18 million in 2009.[940]

Tuition and Other Academic Charges

Compared to public colleges offering the same programs, the price of tuition is higher at American Career College. In the current 2011-12 school year, tuition for most of the Certificate programs cost $17,068.[941] The Certificate programs are designed to be 40 weeks long. The company's Certificate program in vocational nursing is 80 weeks and costs $34,000. Tuition for the Associate programs in surgical technology and health information technology are $35,000. Tuition for the Associate program in respiratory therapy is $45,000. These Associate degree programs are designed to be 80 weeks.

[940] American Career College, *ACC financial statements for the years ended December 31, 2009 and 2008*, (ACC-0000131, at ACC-0000135); American Career College, *ACC financial statements for the years ended December 31, 2009 and 2008*, (ACC-0000065, at ACC-0000070) (full documents on file with committee).
[941] See Appendix 14; see also, American Career Colleges, *Federal Disclosures*, http://americancareercollege.edu/general/disclosures.html (accessed April 4, 2012).

In comparison, the approximate cost for a similar healthcare Certificate program at Orange Coast College, located close to ACC's campuses, is $2,046.[942]



Outcomes

Because 98 percent of students who enroll in a 2-year degree program at a for-profit college, and 96 percent who enroll in a 4-year degree program, take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.[943]

Two metrics are key to assessing student outcomes: (1) retention rates based on information provided to the committee, and (2) student loan "cohort default rates." An analysis of these metrics indicates that many students who enroll at ACC are not achieving their educational and career goals.

Retention Rates

Information provided to the committee by the company indicates that out of 5,246 Certificate students who enrolled at American Career College in 2008-9, 27 percent, or 1,396 students, withdrew by

942 See Appendix 14; see also, Orange Coast College, *Orange Coast College*, http://www.orangecoastcollege.edu/ (accessed June 21, 2012).
943 Patricia Steele and Sandy Baum, "How Much Are College Students Borrowing?," *College Board Policy Brief*, August 2009, http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf (accessed June 12, 2012).

mid-2010.[944] Compared to the average withdrawal rate of 54.1 percent for the 30 schools examined by the committee, ACC performed better than average.[945] The company's Certificate students had a withdrawal rate of 26.6 percent.

Status of Students Enrolled in American Career Colleges, Inc. in 2008-9, as of 2010						
Degree Level	Enrollment	Percent Completed	Percent Still Enrolled	Percent Withdrawn	Number Withdrawn	Median Days
Certificate	5,246	69.6%	3.8%	26.6%	1,396	100

The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model. The analysis also does not account for students who withdrew after mid-2010 when the data was produced.

Student Loan Defaults

The number of students leaving American Career College with no degree correlates with the high rates of student loan defaults by students who attended American Career College. The Department of Education tracks and reports the number of students who default on student loans (meaning that the student does not make payments for at least 360 days) within 3 years of entering repayment, which usually begins 6 months after leaving college.[946]

Slightly more than 1 in 5 students who attended a for-profit college (22 percent) defaulted on a student loan, according to the most recent data.[947] In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.[948] On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions.[949] The consequence of this higher rate is that almost half of all student loans defaults nationwide are held by students who attended for-profit colleges.[950]

The default rate across all 30 companies examined increased each fiscal year between 2005 and 2008, from 17.1 percent to 22.6 percent.[951] This change represents a 32.6 percent increase over 4

---

944 Rates track students who enrolled between July 1, 2008 and June 30, 2009. For-profit education companies use different internal definitions of whether students are "active" or "withdrawn." The date a student is considered "withdrawn" varies from 10 to 90 days from date of last attendance. Two companies provided amended data to properly account for students that had transferred within programs. Committee staff note that the data request instructed companies to provide a unique student identifier for each student, thus allowing accurate accounting of students who re-entered or transferred programs within the school. The dataset is current as of mid-2010, students who withdrew within the cohort period and re-entered afterward are not counted. Some students counted as withdrawals may have transferred to other institutions. See Appendix 15.

945 It is not possible to compare student retention or withdrawal rates at public or non-profit institutions because this data was provided to the committee directly by the companies. While the Department of Education tracks student retention and outcomes for all colleges, because students who have previously attended college are excluded from the data set, it fails to provide an accurate picture of student outcomes or an accurate means of comparing for-profit and non-profit and public colleges.

946 Direct Loan Default Rates, 34 CFR 668.183(c).

947 Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-2008, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default by sector.

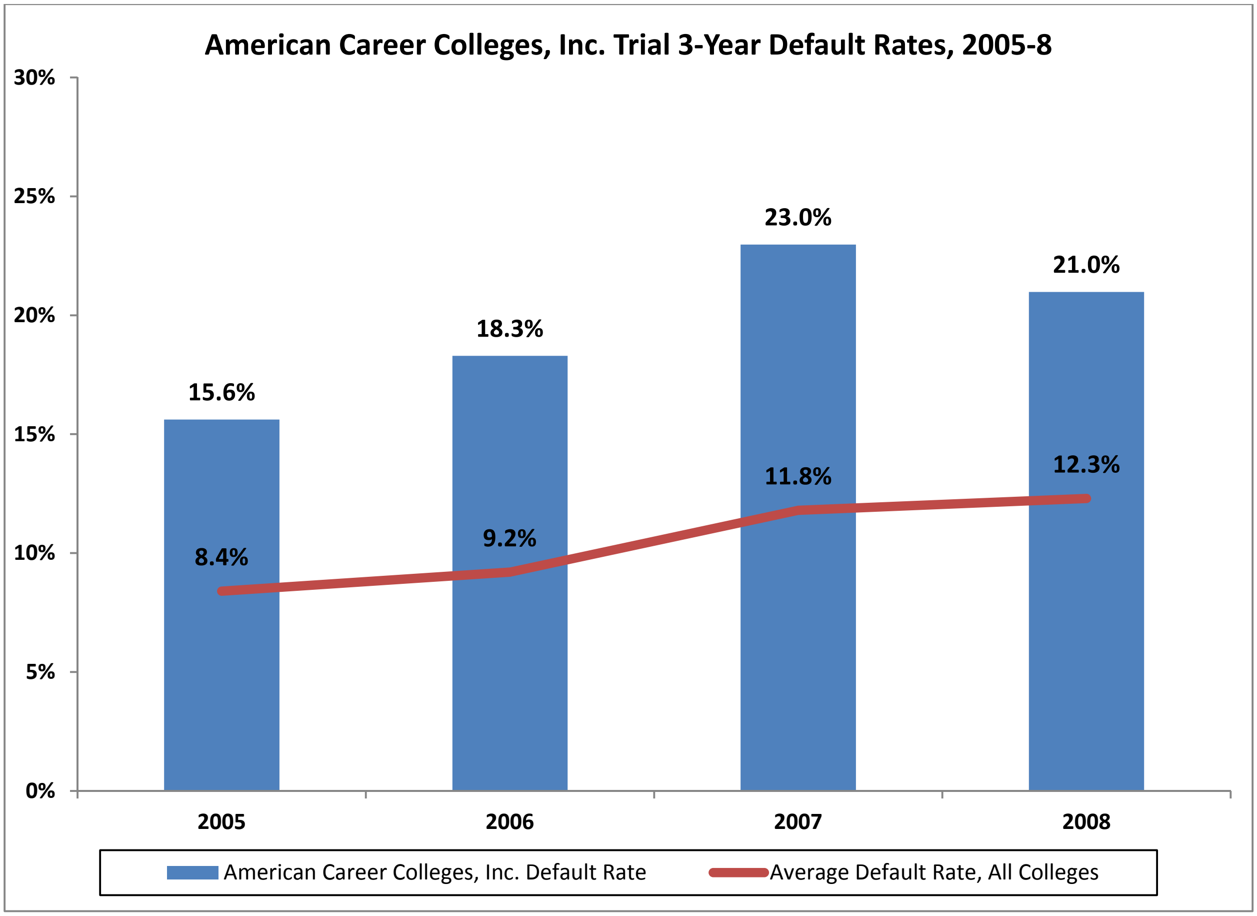
948 Id.

949 Id.

950 Id.

951 Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-8, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default for all OPEID numbers controlled by the company in each fiscal year. See Appendix 16.

years.[952] American Career College's default rate has similarly increased, growing from 15.6 percent for students entering repayment in 2005 to 23 percent for students entering repayment in 2007, before falling to 21 percent in the most recent cohort.



Instruction and Academics

The quality of any college's academics is difficult to measure. However, the amount that a school spends on instruction per student compared to other spending and what students say about their experience are two useful measures.

American Career College spent $4,455 per student on instruction in 2009, compared to $2,168 per student on marketing, and $3,949 on profit.[953] In total, ACC spent $20.6 million on instruction in 2009, equal to about 26 percent of revenues, only slightly more than the amount that the company distributed to Mr. Pyle in profit. The amount that privately held companies the committee examined

---

[952] Id.

[953] Marketing figures provided by company or Securities and Exchange filings, instruction figure from IPEDS. IPEDs data for instruction spending based on instructional cost provided by the company to the Department of Education. According to IPEDS, instruction cost is composed of "general academic instruction, occupational and vocational instruction, special session instruction, community education, preparatory and adult basic education, and remedial and tutorial instruction conducted by the teaching faculty for the institution's students." Denominator is IPEDS "full-time equivalent" enrollment. See Appendix 20, Appendix 21, and 22.

spend on instruction ranges from $1,118 to $6,389 per student per year.[954] In contrast, public and non-profit 4-year colleges and universities, generally spend a higher amount per student on instruction while community colleges spend a comparable amount but charge much less money than for-profit colleges. Other California-based colleges spent, on a per student basis, $3,272 at Orange Coast College, and $15,039 at University of California, Irvine.[955]

A large portion of the faculty at many for-profit colleges is composed of part-time and adjunct faculty. While a large number of part-time and adjunct faculty is an important factor in a low-cost education delivery model, it also raises questions regarding the academic independence they are able to exercise to balance the colleges' business interests. Among the 30 schools the committee investigated, 80 percent of the faculty is part-time, higher in some companies.[956] Likely reflecting its emphasis on bricks and mortar classes, American Career College has a more even division between full-time and part-time faculty.[957] In 2009, the company employed 108 full-time and 114 part-time faculty.[958]

Complaints that students posted at Consumer Affairs suggest that some students are not satisfied with the quality of the training they received or their job prospects after leaving school. One student wrote,:

> I attended this school in 2007 and graduated in 2008. I had joined the Medical Assistants program which promised a career in the medical field. Unfortunately, with all my hard work, this did not happen. My instructor had informed me that if I get good grades and perfect attendance she will help me get into Kaiser [hospital]. I work hard every day, never missed a day and was never late. I was Valedictorian of my class and received honor roll and perfect attendance on graduation. A month prior to graduation, the instructor informs me they had become unaccredited and Kaiser or any other hospital will not hire anyone from American Career College. Then I was told for internship, I will go to a great place and be hired on there. Again a lie! They sent me to a Spanish speaking facility. I speak English and my instructor knew this. I couldn't get that job either because I am not bilingual! I tried a few different places myself and again couldn't get hired because I am not bilingual. So now I work in a garden supply store and owe thousands of dollars to this crappy company.[959]

Another student wrote:

> Before signing up, I was promised big money, job guarantee program, lifetime job placement and etc. The only resource for jobs they have for students, is a big binder full of job posting, but the majority of jobs are for 5+ experienced assistants, or old posting [sic]. I graduated in 2004. I only had one job I found on my own, and was fired because, I

---

954 Id. Drake College of Business (low end) and Chancellor University (high end) have been excluded from this calculation due to unreliability regarding the data.

955 See Appendix 23. Many for-profit colleges enroll a significant number of students in online programs. In some cases, the lower delivery costs of online classes–which do not include construction, leasing and maintenance of physical buildings–are not passed on to students, who pay the same or higher tuition for online courses.

956 Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 24.

957 Id.

958 Id.

959 Consumer Affairs complaint, "April of Riverside, CA on Sept. 8, 2011," http://www.consumeraffairs.com/education/american_career_college.html (accessed May 12, 2012).

> was inexperienced. The tools, and material used in dental office is quite different than what I was trained to use, so I looked pretty dumb on the job site.[960]

Another student posted a complaint regarding quality problems due to instructor turnover:

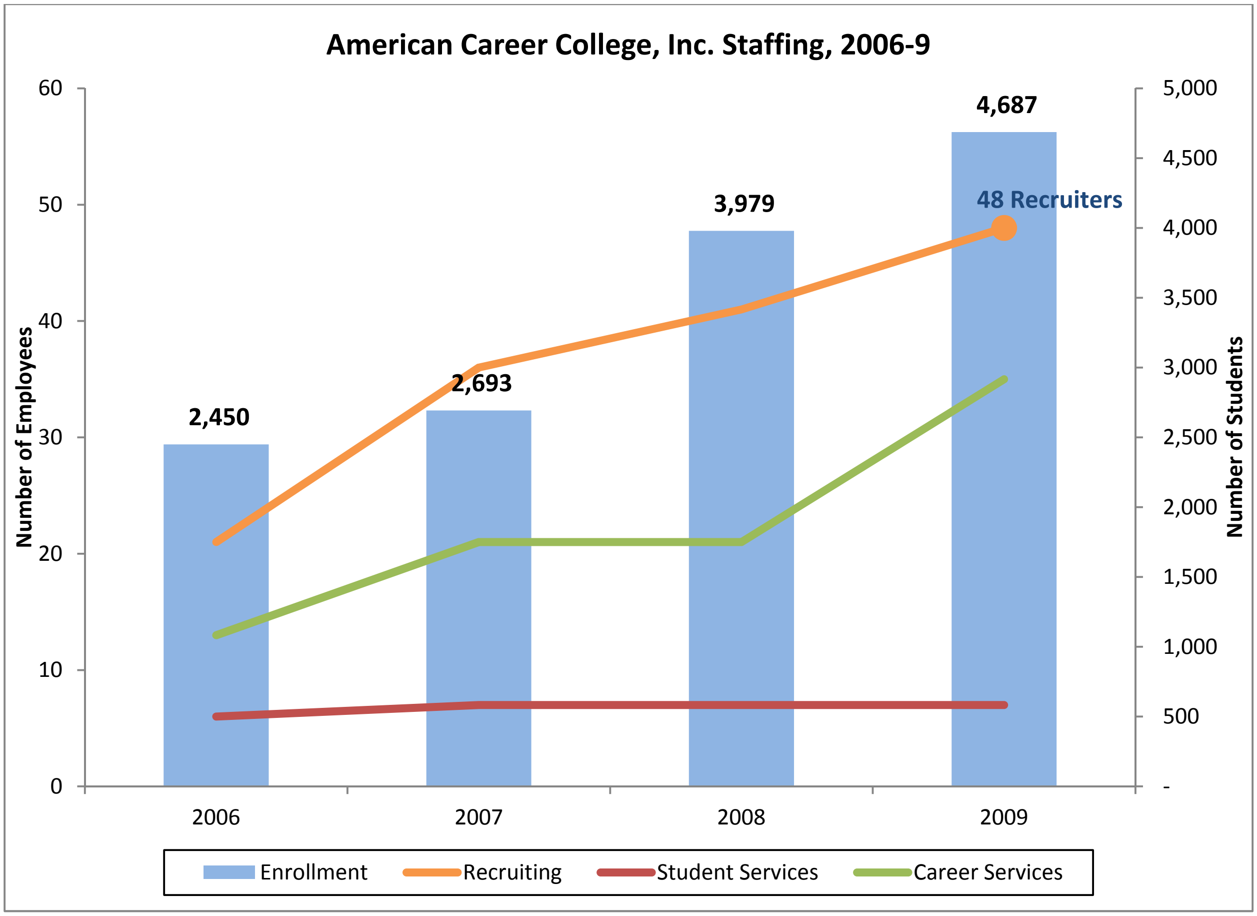
> I graduated from American Career College in September of 2009. I have not been able to find a job as a Medical Assistant. The school had not trained me in any medical software. This causes a big problem in trying to find a job. . . . While in school, we changed instructors 4 times, which made it hard to learn the new instructors [sic] teaching methods, along with the materials. I didn't feel I was learning very much. Some days, no instructor would show up and we would be in the classroom waiting. We would go to the front desk, they never knew what was going on.[961]

While student complaints may not be representative of the experience of the majority of students, these complaints do provide an important perspective on ACC's academic quality.

Staffing

While many for-profit companies employ large numbers of recruiters to enroll new students, these same companies frequently employ far less staff to provide tutoring, remedial services or career counseling and placement. In 2009, with 4,687 students, ACC employed 48 recruiters, 35 career services employees and 7 student services employees.[962] That means each career counselor was responsible for 133 students and each student services staffer was responsible for 669 students. Meanwhile, the company employed one recruiter for every 98 students.

[960] Consumer Affairs complaint, "jessica of pomona, CA on Aug. 28, 2010," http://www.consumeraffairs.com/education/american_career_college.html (accessed May 12, 2012).
[961] Consumer Affairs complaint, "JULIE of Ontario, ca on March 22, 2010," http://www.consumeraffairs.com/education/american_career_college.html (accessed May 12, 2012).
[962] Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 7 and Appendix 24.



Conclusion

ACC is a small but highly profitable education company. Nearly all of the company's revenue is derived from Federal taxpayer funds, and most of the company's profits are funneled to the company's sole shareholder, David Pyle. ACC's Certificate program tuition is approximately six times higher than tuition at nearby community colleges. The company's enrollment growth—the number of students enrolled nearly doubled between fall 2007 and fall 2009—and complaints from students also present cause for serious concern. While ACC's retention rates are higher than those at many companies examined, the company's high student loan default rates suggest that students completing its programs may not be able to obtain employment or salaries that enable them to repay the student loan debt they incur. Taken together, these issues cast serious doubt on the notion that ACC's students are receiving an education that affords them adequate value relative to the cost, and calls into question the $85.5 million investment American taxpayers made in the company in 2010.