

### Introduction

Like many for-profit education companies, Walden LLC has experienced steady growth in student enrollment, Federal funds collected, and profit realized in recent years. However, the company's performance, measured by student withdrawal and default rates, is perhaps the best of any company examined, and it appears that students are faring well at this predominantly graduate degree-based for-profit college.

### Company Overview

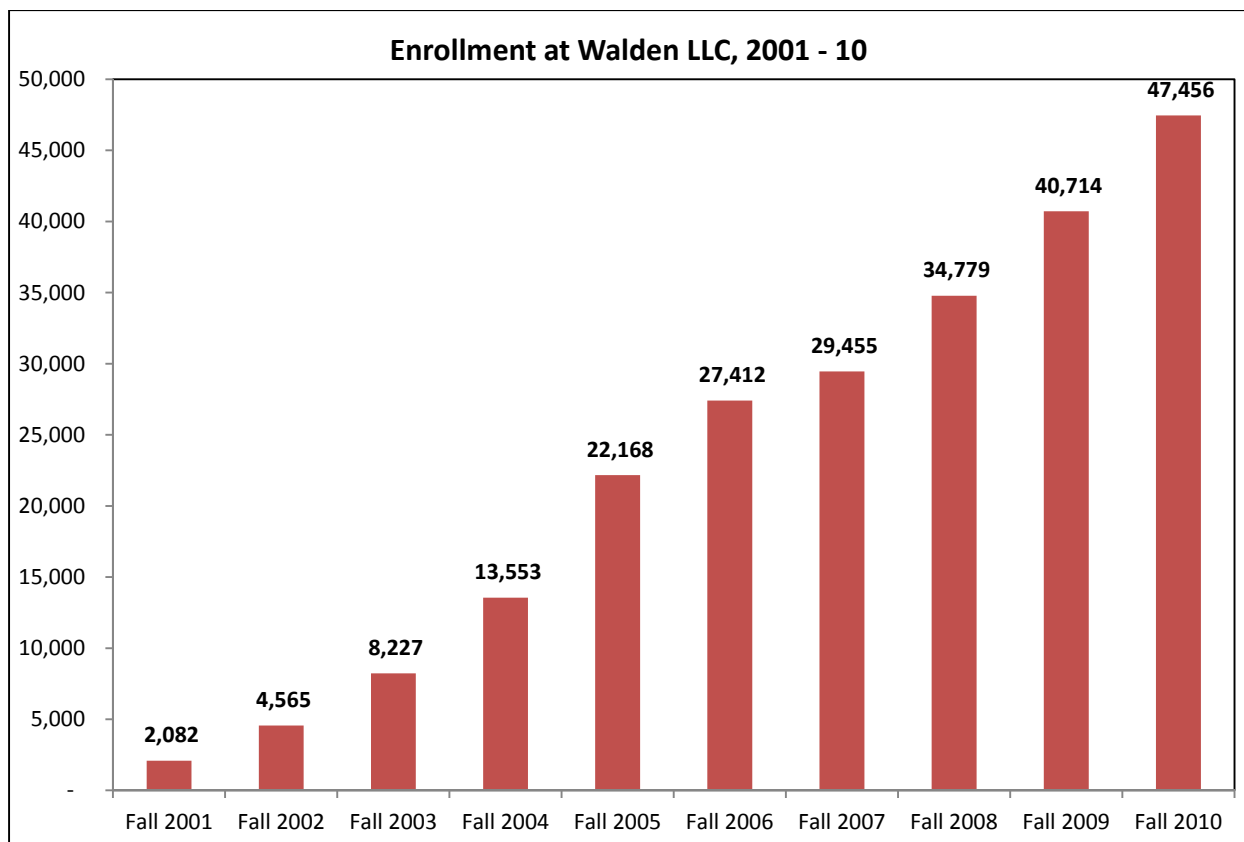
Walden LLC ("Walden") is a privately held, for-profit education company headquartered in Minneapolis, MN. Founded in Florida in 1970 by Bernie and Rita Turner, Walden originally awarded Doctoral degrees in school administration. After being licensed by Minnesota in 1979, Walden moved its headquarters to Minneapolis, and in 1995 began offering an online Master's program in education. In 2002, Baltimore, MD based Sylvan Learning Systems, Inc. gained a controlling interest in Walden, and in 2004, Sylvan Learning Systems became Laureate Education, Inc. In 2007, Laureate Education, Inc. was purchased by a consortium led by private equity firm KKR & Co. LP, which is currently the majority interest holder in the privately held company. Recent reports suggest that Laureate may be preparing an initial public offering.<sup>2911</sup> Jonathan Kaplan is the chief executive officer of Walden University after serving as president since 2007, and Douglas Becker is the chief executive officer of Laureate Education, Inc.

The majority of Laureate's for-profit college holdings are international. Walden is the primary domestic for-profit college owned by the company. Today, Walden University operates exclusively online and offers Bachelor's degrees, as well as a variety of Master's programs in education, health and business, post-baccalaureate Certificates, and Doctoral degree programs. The vast majority of Walden University students, more than 85 percent, enroll in graduate degree programs, and the majority of those graduate students enroll in Walden's education program.

Like more than half of the regionally accredited brands the committee examined, Walden University is regionally accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools (HLC). At the time HLC first accredited Walden in 1990, it enrolled 422 students.

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<sup>2911</sup> Olivia Oran and Soyoung Kim, "Laureate eyes IPO up to \$750 million, hires banks: sources," *Reuters*, April 9, 2012 <http://www.reuters.com/article/2012/04/09/us-laureate-ipo-idUSBRE8380VW20120409> (accessed June 22, 2012).



Walden has grown significantly over the last decade, with enrollment increasing by more than 2,000 percent since 2001.<sup>2912</sup> Enrollment grew by more than 60 percent in the 4 years following the purchase by KKR and its private equity partners. The growth in enrollment led to growth in revenue. Revenue at Walden grew steadily, from \$190.7 million in 2006 to \$377 million in 2009.<sup>2913</sup>

## Federal Revenue

Nearly all for-profit education companies derive the majority of revenues from Federal financial aid programs. 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.<sup>2914</sup> Together, the 30

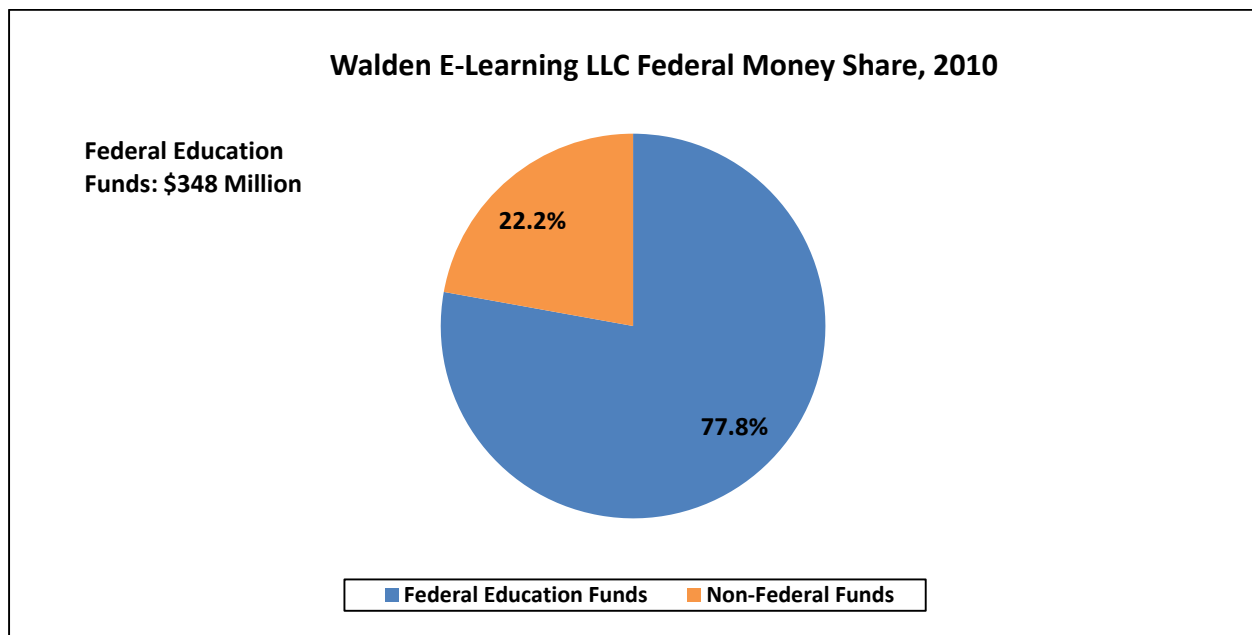
<sup>2912</sup> Enrollment is calculated using fall enrollment for all unit identifications controlled by the company for each year from the Department of Education’s Integrated Postsecondary Data System (hereinafter IPEDS). See Appendix 7. The most current enrollment data from the Department of Education 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 also led to a decrease in revenue and profit at some companies.

<sup>2913</sup> Revenue figures for publicly traded companies are from Securities and Exchange Commission annual 10-K filings. Revenue figures for privately held companies are from the company financial statements produced to the committee. See Appendix 18.

<sup>2914</sup> 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. “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.

companies the committee examined derived 79 percent of revenues from title IV Federal financial aid programs in 2010, up from 69 percent in 2006.<sup>2915</sup>

In 2010, Walden reported 76.4 percent of revenue from Federal financial aid programs.<sup>2916</sup> However, this amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs.<sup>2917</sup> Department of Defense Tuition Assistance and post-9/11 GI bill funds accounted for approximately 1.4 percent of Walden’s revenue, or \$6.2 million.<sup>2918</sup> With these funds included, an estimated 77.8 percent of Walden’s total revenue was comprised of Federal education funds.<sup>2919</sup>



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 the total Pell program that for-profit colleges

<sup>2915</sup> 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.

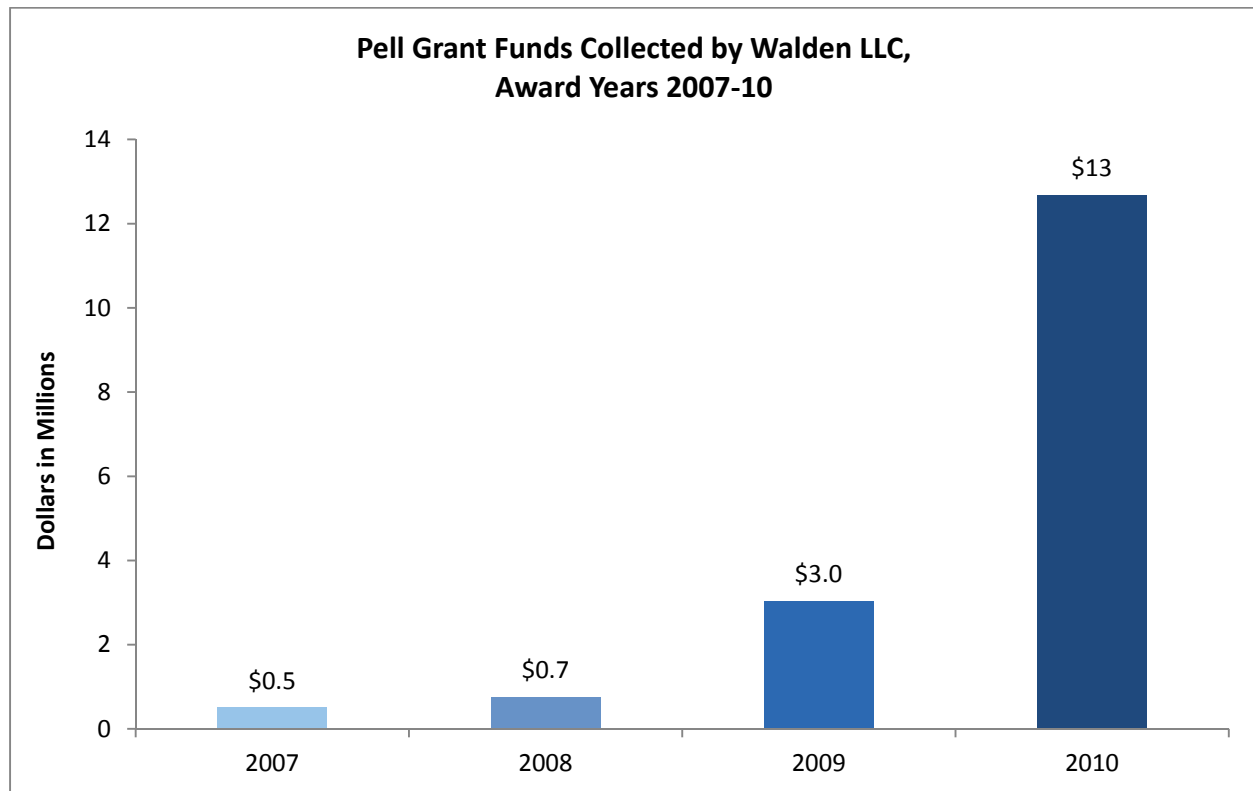
<sup>2916</sup> Id.

<sup>2917</sup> The Ensuring Continued Access to Student Loans 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, Walden officials informed committee staff that 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.

<sup>2918</sup> 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. As explained in Appendix 11 and 12, data provided by the Department of Defense and the Department of Veterans Affairs was provided on an award year basis for both 2009-10 and 2010-11. Committee staff calculated the average monthly amount of benefits collected from DOD and VA for each company, and estimated the amount of benefits received during the company’s 2010 fiscal year. See Appendix 11 and 12.

<sup>2919</sup> “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.

collected increased from 14 to 25 percent.<sup>2920</sup> 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.



Walden collected \$505,712 in Pell grant funds in 2007. Just 3 years later, in 2010, the company collected \$12.7 million; while the dollar amount remains small, this is an increase of more than 2,000 percent.<sup>2921</sup>

## Spending

While 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.<sup>2922</sup> During

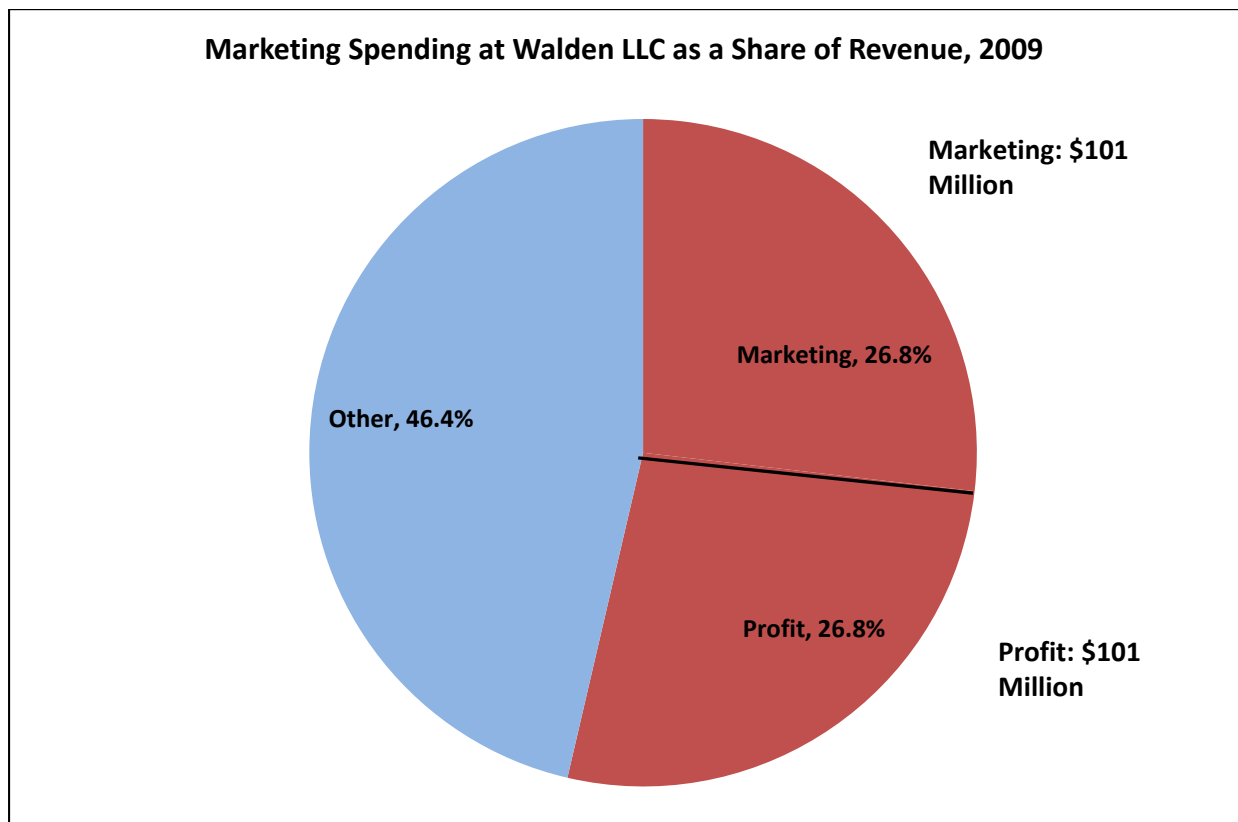
<sup>2920</sup> Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2001-2 and 2010-11, <http://federalstudentaid.ed.gov/datacenter/programmatic.html>

<sup>2921</sup> Pell disbursements are reported according to the Department of Education's student aid "award year," other revenue figures are reported according to the company's fiscal 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.

<sup>2922</sup> 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.

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).<sup>2923</sup>

In 2009, Walden devoted 26.8 percent of its revenue, or \$101 million, to marketing and recruiting, and 26.8 percent, or \$101 million, to profit.<sup>2924</sup> The percentage of revenue Walden allocates to both marketing and profit exceeds the for-profit sector average.<sup>2925</sup> On average, the 30 for-profit schools examined spent 22.7 percent of revenue on marketing and 19.4 percent on profit.<sup>2926</sup>



In 2009, Walden devoted 58 percent of its total revenue, or \$202 million, to marketing, recruiting and profit.<sup>2927</sup> Moreover, the amount of profit Walden generated increased rapidly, growing from \$33 million in 2006 to \$101 million in 2009, a 200 percent increase in just 3 years.<sup>2928</sup>

<sup>2923</sup> Senate HELP Committee staff analysis of fiscal year 2009 financial statements and information provided to the committee by each company pursuant to the committee document request of August 5, 2010. Profit figures represent operating income before tax and other non-operating expenses including depreciation. Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel as reported to the committee. See Appendix 19.

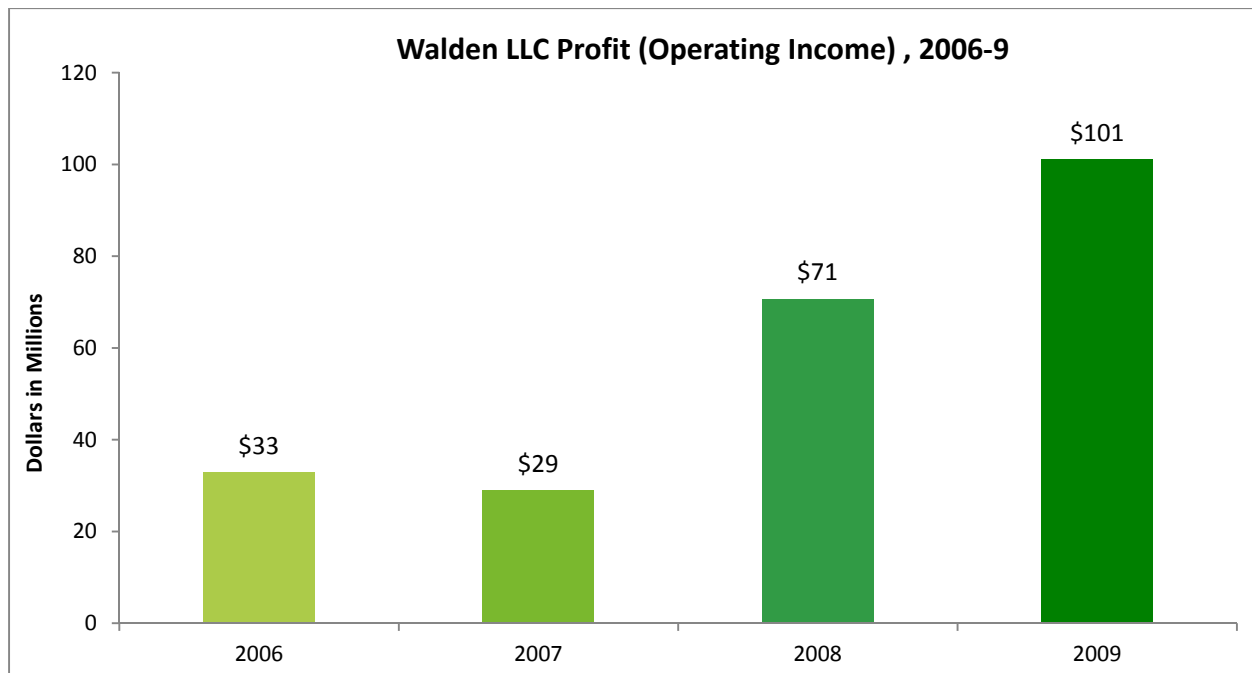
<sup>2924</sup> Id.

<sup>2925</sup> The higher percentage Walden spent on marketing may reflect a company decision to pursue higher quality student “leads.” Walden executives specifically note that they believe it is “more expensive to market well than not.” Letter from Walden University chief executive officer Jonathan Kaplan to committee staff, June 19, 2012.

<sup>2926</sup> Senate HELP Committee staff analysis. See Appendix 19.

<sup>2927</sup> Id. The “other” category includes administration, instruction, faculty salaries, executive compensation, student services, facilities, maintenance and other expenditures.

<sup>2928</sup> Senate HELP Committee staff analysis. See Appendix 18. In its original response to the committee Walden noted that “It is noteworthy for the Committee that a significant reinvestment of Walden’s profits each year are made back into the university’s program development, information technology systems, infrastructure, student services and other areas that support our students and institution.”



### Executive Compensation

As a privately held company, Walden is not obligated to release executive compensation figures.

### **Tuition and Other Academic Charges**

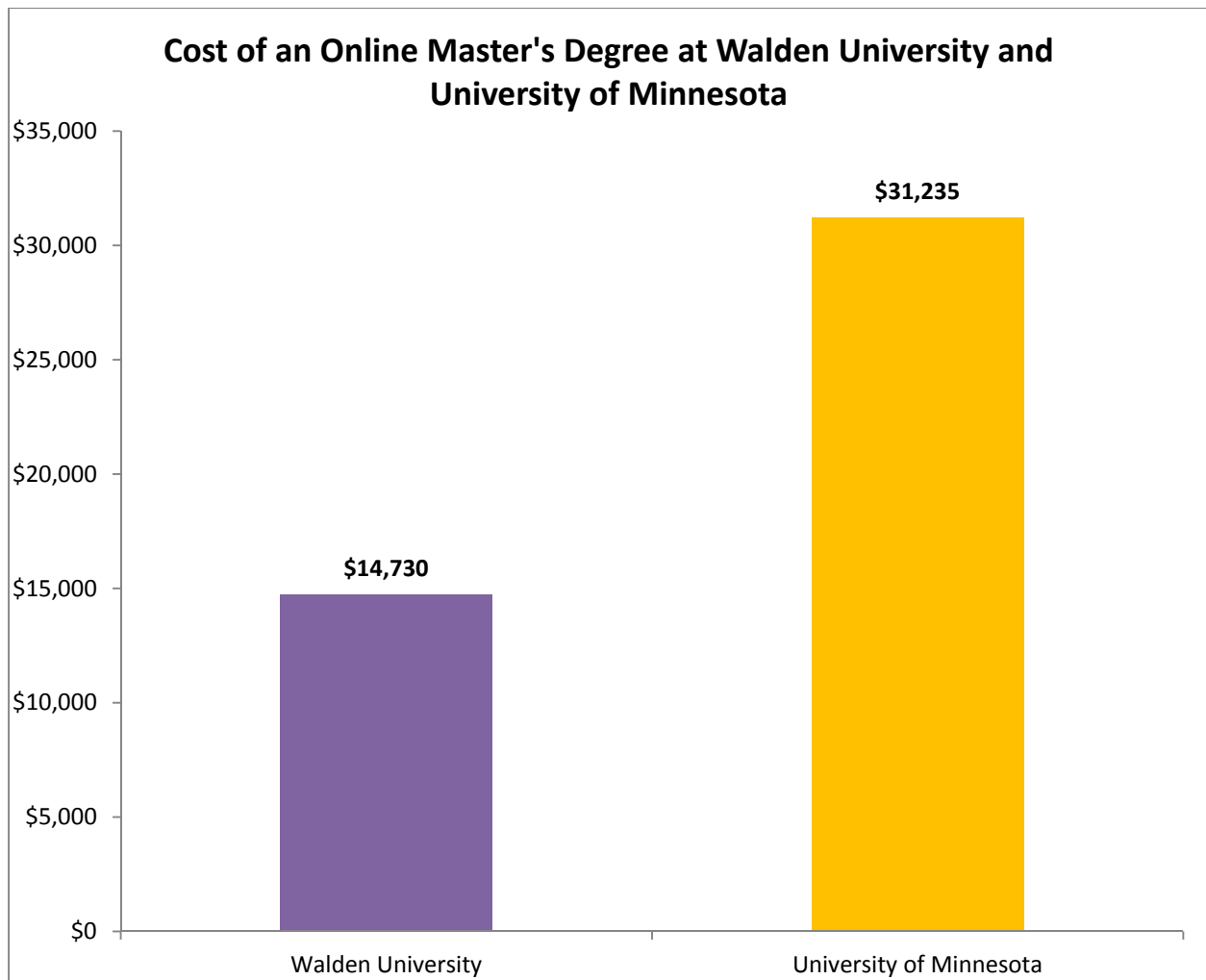
Unlike many of the for-profit colleges the committee examined, when compared to its online public and non-profit counterparts, Walden is competitively priced. A Master's in Education at Walden University costs \$14,730.<sup>2929</sup> The same online degree at University of Minnesota costs \$31,235.<sup>2930</sup> An online Bachelor of Science in Business Administration degree at Walden University costs \$56,800.<sup>2931</sup> The same degree at the University of Minnesota costs \$56,240.<sup>2932</sup>

<sup>2929</sup> See Appendix 14; See also, Walden University, *Program Data*, <http://www.waldenu.edu/Degree-Programs/Masters/41574.htm> (accessed June 22, 2012). Walden offers a range of Master's degrees in the education field. In addition to an M.S. in Education, they offer an M.S. in higher education, adult learning, early childhood studies, and instructional design. The cost of these other degrees is greater than the M.S. in Education, making the \$14,730 30-credit M.S. in education the most conservative estimate of degree cost.

<sup>2930</sup> See Appendix 14; See also, University of Minnesota, *University of Minnesota*, <http://onestop.umn.edu/> (accessed June 22, 2012).

<sup>2931</sup> See Appendix 14; See also, University of Minnesota, *University of Minnesota*, <http://onestop.umn.edu/> (accessed June 22, 2012).

<sup>2932</sup> *Id.*



From 2009–11, Walden spent an average of \$9,824 to train veterans eligible for post-9/11 GI bill benefits, compared to an average of \$4,642 per veteran spent by public colleges.<sup>2933</sup> While Walden collects more than average for each veteran it enrolls, the public college average includes students attending less expensive 2-year degree programs which are not offered by Walden.

## Recruiting

Enrollment growth is critical to the business success of for-profit education companies. In order to meet revenue and profit expectations, for-profit colleges recruit as many students as possible to sign up for their programs.

During the period examined, and prior to the July 2011 ban on paying recruiters based on the number of students enrolled, documents produced by the company reveal an enrollment-driven culture that may have influenced the recruiting tactics employed by the enrollment staff. For example, Walden’s sales staff employed “overcoming objections” scripts that anticipate and rebut the types of

<sup>2933</sup> See Appendix 11. 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.

objections prospective students have.<sup>2934</sup> The objections covered include cost, time to completion, time commitment, third party concerns, credibility, school support services, lack of face-to-face instruction, and other school shopping.<sup>2935</sup>

The company also closely monitors “talk time,” the amount of time recruiters spend on the phone with prospective students and hold weekly “talk time challenges.”<sup>2936</sup> In mid-2008, a mid-level enrollment manager also developed an initiative to increase the amount of talk time expected of each enrollment advisor with the objective of “defining and strengthening our sales culture.”<sup>2937</sup> While company officials state that the initiative was never implemented, it was envisioned as a two-stage process to increase the time enrollment advisors were expected to spend on the phone by 3 to 4 hours each day.<sup>2938</sup> Other internal emails announce and discuss additional employee contests and recognition events.<sup>2939</sup>

While the majority of student responses to Walden’s 2007 enrollment advisor scorecard survey indicate that students were satisfied with the recruiting process, some students complained that recruiters misled them in order to induce their enrollment.<sup>2940</sup> While student complaints are not representative of the experience of the majority of students, they do provide an important window into practices that appear to be occurring. One such complaint included in the survey reads:

[My enrollment advisor] told me that I would be allowed to double my classes after I had completed the first course. I then petitioned to do this. I was told that this is not true. The ability to double up was one of the main reasons I chose Walden. I am VERY UPSET that I was LIED to ... Unfortunately, I have already invested a great deal of money and time into this program. If this were not the case, I would reevaluate my choice.<sup>2941</sup>

The most frequent complaint lodged by Walden students was that enrollment advisors misrepresented the time commitment required. One student writes:

I think the advisor need to be more honest about the online time and requirements ... I think advisors should be honest about the required dedication and time it will take to pursue an online degree.<sup>2942</sup>

Indeed, the results of the 2010 student satisfaction survey published on Walden’s Web site indicate that approximately 50 percent of students responded that the amount of time required for their program was above what they expected when they first started.<sup>2943</sup>

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<sup>2934</sup> See Walden E-Learning LLC, *Overcoming Objections* (WALDEN-HELP-0006443) [NOTE: Internal training document with title, no date]; Walden University, *Overcoming Objections* (WALDEN-HELP-0006290) [NOTE: Internal training document with title, no date].

<sup>2935</sup> Id. at WALDEN-HELP-0006443.

<sup>2936</sup> Walden University, *Spirit Day Winners!!*, June 13, 2008 (WALDEN-HELP-0039862). While Walden continues to use and monitor talk time, it plays no role in setting compensation. A focus on the time spent speaking to prospective students is in many ways a more appropriate policy than tracking the number of calls recruiters are required to make as is the practice at many other for-profit colleges.

<sup>2937</sup> Walden University, *Re: Talk Time Initiative*, July 1, 2008 (WALDEN-HELP-0039869 at WALDEN-HELP-0039871).

<sup>2938</sup> Id. See also Walden E-Learning LLC, *Talk Time Initiative*, (WALDEN-HELP-0037558). [NOTE: Internal training document, no date].

<sup>2939</sup> Walden University, *Spirit Day Tomorrow!*, June 26, 2008 (WALDEN-HELP-0039868); Walden University, *Talk Time contest tomorrow...*, December 11, 2008 (WALDEN-HELP-0035955); Walden University, *Spirit Day Winners!!*, June 13, 2008 (WALDEN-HELP-0039862); Walden E-Learning LLC, *Types of Recommended Recognition Events* (WALDEN-HELP-0037384) [Note: document is a draft not implemented].

<sup>2940</sup> Walden E-Learning LLC, *Enrollment Advisor Scorecard, Q3 2007* (WALDEN-HELP-0037400).

<sup>2941</sup> Id., at WALDEN-HELP-0037432.

<sup>2942</sup> Id., at WALDEN-HELP-0037428.



## Outcomes

Committee staff analysis shows that tremendous numbers of students leave for-profit colleges without a degree. At for-profit colleges, 98 percent of students who enroll in a 2-year degree program and 96 percent who enroll in a 4-year degree program take out loans, and as a result, hundreds of thousands of students leave for-profit colleges with debt but without a diploma or degree each year.<sup>2944</sup>

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 while some people who enroll in Walden are not achieving their educational and career goals, overall, the company is doing a much better job of serving students than many of the companies examined.

### Retention Rates

Information Walden provided to the committee indicates that relatively few students who enrolled in the company’s Master’s degree program in 2008–9 withdrew by mid-2010: 3,309 of 11,770 students, or 28.1 percent.<sup>2945</sup> Students who enrolled in Walden’s Bachelor’s degree programs, however, had a significantly higher rate of withdrawal, with 51.4 percent, or 1,659 students, withdrawing by mid-2010.<sup>2946</sup> These students also withdrew within a median of 3 months.<sup>2947</sup> Compared to the sector-wide Bachelor’s withdrawal rate of 54.3, fewer students withdrew from Walden.<sup>2948</sup>

Status of Students Enrolled in Walden E-Learning LLC in 2008-9, as of 2010						
Degree Level	Enrollment	Percent Completed	Percent Still Enrolled	Percent Withdrawn	Number Withdrawn	Median Days
Bachelor’s Degree	3,230	1.4%	47.3%	51.4%	1,659	91
Masters	11,770	14.4%	57.5%	28.1%	3,309	173
Doctoral	5,325	.6%	59.8%	39.6%	2,108	174
All Students	20,325	8.7%	56.5%	34.8%	7,076	154

The dataset does not capture some students who withdraw and subsequently return, which is one of the flexibility 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.

<sup>2943</sup> Walden University. *Demonstrating Accountability, Transparency, and Assessment (DATA) project, Time Commitment Expectations*, <http://www.waldenu.edu/About-Us/33560.htm> (accessed July 9, 2012).

<sup>2944</sup> Patricia Steele & 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](http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf) (accessed June 22, 2012).

<sup>2945</sup> Senate HELP Committee staff analysis. See Appendix 15. 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.

<sup>2946</sup> Id.

<sup>2947</sup> Id.

<sup>2948</sup> 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.

Moreover, according to the company, while the Bachelor's degree program was initiated in the winter of 2007–8, 1 year prior to the period requested and analyzed by the committee, by the time of the committee's request, Walden executives had themselves noted the disparities in student persistence rates between the graduate and undergraduate programs.<sup>2949</sup> A July 2010 email exchange between Walden's then-president and the national director of financial aid illustrates this internal concern regarding Walden's undergraduate program. The president asks: "Can we project what CDR will look like for 2009, for example, which will account for a larger population of undergrad than we had ever had before?," and later responds, "We can't be flying blind particularly with the issues we are seeing with undergrad."<sup>2950</sup> To address these concerns, in December 2010 Walden instituted a conditional admission policy for undergraduate students, the Adequate Academic Progress policy.<sup>2951</sup> The AAP requires that students adequately complete assignments for the first 3 weeks of class, or the student is automatically withdrawn without any tuition obligation.<sup>2952</sup>

### Student Loan Defaults

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.<sup>2953</sup>

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.<sup>2954</sup> In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.<sup>2955</sup> On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions.<sup>2956</sup> 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.

The default rate across all 30 companies examined increased each fiscal year between 2005 and 2008, from 17.1 percent to 22.6 percent.<sup>2957</sup> This change represents a 32.6 percent increase over 4 years.<sup>2958</sup> Although Walden's default rate has gradually increased, growing from 1.7 percent for students entering repayment in 2005 to 3.0 percent for students entering repayment in 2008, the default rate is significantly lower than the average, not just for for-profit colleges but for all colleges.<sup>2959</sup>

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<sup>2949</sup> Letter from Walden University chief executive officer Jonathan Kaplan to committee staff, June 19, 2012.

<sup>2950</sup> Walden University, *Re: CDR*, July 17, 2010 (WALDEN-HELP-0040024 at WALDEN-HELP-0040025).

<sup>2951</sup> Letter from Walden University chief executive officer Jonathan Kaplan to committee staff, June 19, 2012.

<sup>2952</sup> *Id.*

<sup>2953</sup> 34 CFR § 668.183(c).

<sup>2954</sup> 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 by sector.

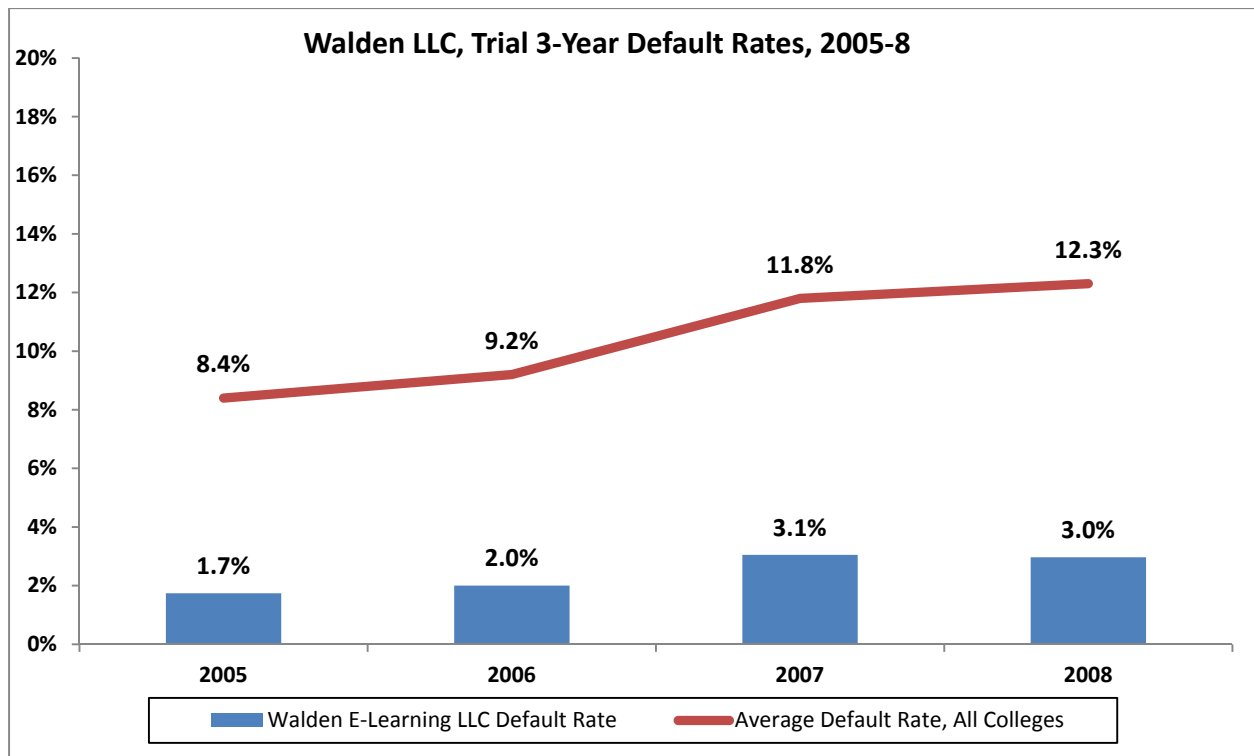
<sup>2955</sup> *Id.*

<sup>2956</sup> *Id.*

<sup>2957</sup> 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.

<sup>2958</sup> *Id.*

<sup>2959</sup> *Id.*



While Walden produced a September 2009 email that indicates the company had not yet initiated a comprehensive default management plan, executives raise the possibility that they would do so in the future.<sup>2960</sup>

## Instruction and Academics

The quality of any college’s academics is difficult to quantify. However, the amount that a school spends on instruction per student compared to other spending is a useful indicator.

Walden spent \$1,574 per student on instruction in 2009, compared to \$2,230 per student on marketing and \$1,915 per student on profit.<sup>2961</sup> The amount Walden spent on instruction per student is the second lowest of the privately held companies the committee examined; the amount that the privately held companies spent ranges from \$1,118 to \$6,389 per student per year.<sup>2962</sup> By comparison, public and non-profit schools, generally spend a higher amount per student on instruction. On a per

<sup>2960</sup> Walden University, *Fw: FY 2007 Official Cohort Default Rate*, September 15, 2009 (WALDEN-HELP-0040057).

<sup>2961</sup> Senate HELP Committee staff analysis. See Appendix 20, Appendix 21, and Appendix 22. Marketing and profit 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. Walden notes that IPEDS instructional spending figures reflect that responsibility for course development and revision is included in instructor salaries for traditional colleges, while it is generally reported by for-profit colleges as a capital expenditure. Capital expenditures totaled \$23.3 million for Walden in 2009, and included both technology investments and program and course development.

<sup>2962</sup> *Id.* Drake College of Business (low end) and Chancellor University (high end) have been excluded from this calculation due to unreliability regarding the data.

student basis, the University of Minnesota spent \$13,247 per student on instruction and University of Saint Thomas spent \$11,361 per student.<sup>2963</sup>

While per student instruction expenses should be expected to be lower in an exclusively or majority online program, the savings generated by these models do not appear to be passed on to students in lower tuition costs. Similarly, the higher per student instruction costs in public and non-profit colleges may reflect a failure to embrace online models or embrace more efficient spending. However, taken as a whole, these numbers demonstrate that for-profit colleges spend significantly less on instruction than similar programs in other sectors.

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 examined, 80 percent of the faculty is part-time.<sup>2964</sup> Walden, however, has more than 90 percent of its faculty employed part-time.<sup>2965</sup> In 2009, Walden employed 153 full-time and 1,848 part-time faculty.<sup>2966</sup>

## Staffing

While for-profit education companies employ large numbers of recruiters to enroll new students, the companies often have far less staff available to provide tutoring, remedial services, or career counseling and placement. Walden, however, employs a relatively large student services staff. In 2009, with 40,714 students, Walden employed 579 recruiters and marketing staff, 3 career services and placement employees, and 471 student services employees. The number of student services representatives is well above the industry average.<sup>2967</sup> That means each career counselor was responsible for 13,572 students and each student services staffer was responsible for 87 students. Meanwhile, the company employed one recruiter for every 71 students.

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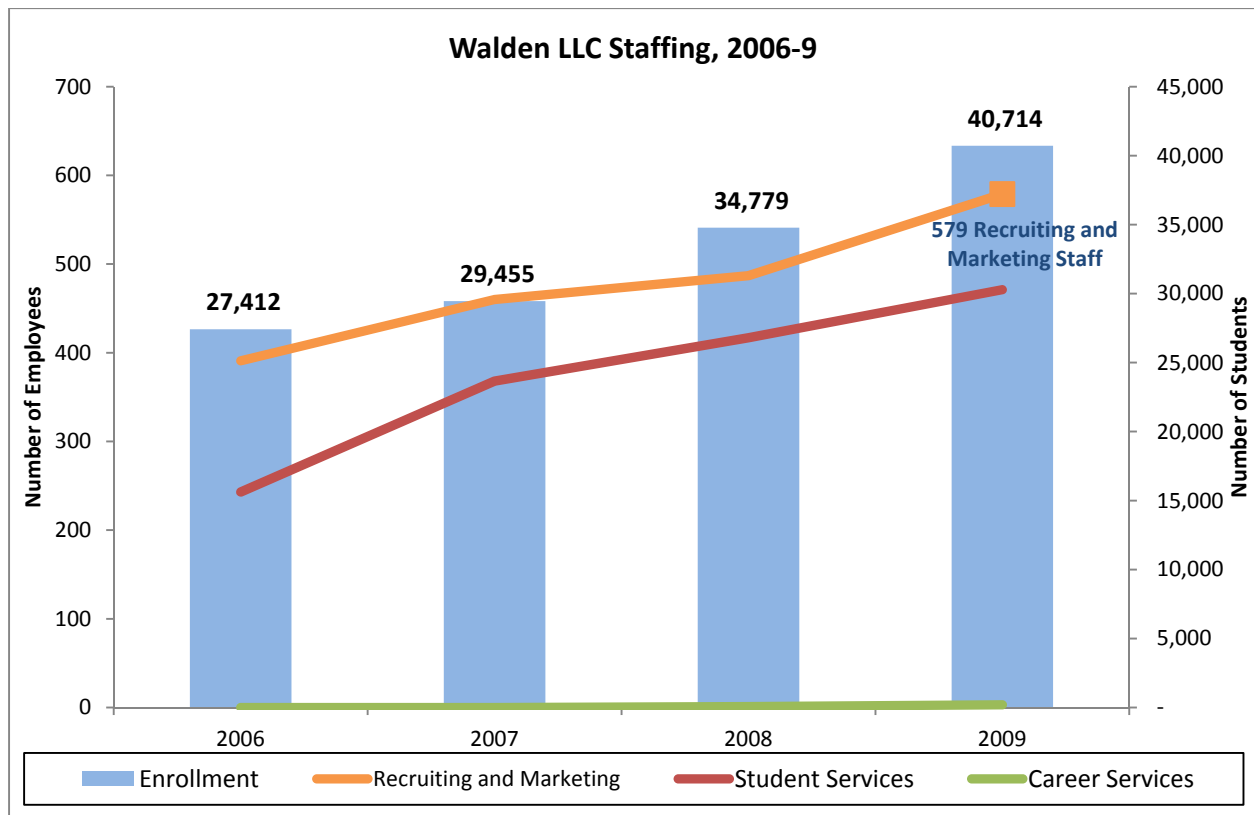
<sup>2963</sup> Senate HELP Committee staff analysis. See Appendix 23. Many for-profit colleges enroll a significant number of students in online programs. In some cases, the lower delivery costs of online classes — which do not include construction, leasing and maintenance of physical buildings — are not passed on to students, who pay the same or higher tuition for online courses.

<sup>2964</sup> 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.

<sup>2965</sup> *Id.*

<sup>2966</sup> *Id.*

<sup>2967</sup> *Id.* See Appendix 7 and Appendix 24.



## Conclusion

Students attending Walden have significantly better rates of retention than other companies of comparable size. While Walden spends a high portion of revenue on marketing and on profit, and a relatively small amount on per student instruction, the students that it enrolls appear to be faring much better than at many companies the committee examined. Like other companies analyzed, Walden maintains aggressive enrollment goals and employs more than 500 recruiters, however, Walden invests more in student services than many companies reviewed. The instructional spending on its exclusively online programs is low, and with most of the faculty serving in part-time positions there may be concerns regarding the academic independence of the faculty.

Walden's 51.6 percent withdrawal rate for its 4-year Bachelor's degree program is considerably worse than for its graduate programs, however, the company appears to have acted quickly to address this issue by instituting a free orientation program. Walden's basic model of offering graduate level degrees to teachers and nurses already employed in the field suggests that neither the job placement rates of its students nor their enhanced earning power is a particular concern in the graduate degree programs. As the company increases the size of the undergraduate enrollment and prepares for the possibility of a public stock offering, these issues could become a more serious concern.

