

Money & Management

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The Military Market

As more colleges pursue service members as students, concerns grow about overly aggressive tactics

By GOLDIE BLUMENSTYK

For more than 35 years, Central Michigan University has been providing college-degree programs to military personnel. Today, the institution counts on them for some 4,000 enrollments a year at 23 bases across the country and online around the world.

The military program "is a very deep part of our history, and it's not something that we want to let go of," says D. Terry Rawls, executive director of the university's off-campus programs.

Holding on to that market, however, has become harder and harder.

Despite Central Michigan's foothold, upstart colleges and other online rivals are cutting into its market share. Six years ago, Offutt Air Force Base, in Nebraska, paid tuition to Central Michigan and five other institutions that operated there. Today, Mr. Rawls says he has been told, the base pays about 70 higher-education providers: "The pie gets sliced thinner and thinner."

Those competitive pressures are hitting far beyond Central Michigan.

The military is now spending nearly half a billion dollars a year in tuition assistance for the members of its active-duty force, more than double the amount it spent in the 2002 fiscal year. Military students can use this money from the Voluntary Education Program at any accredited college that they choose, and since 2001, tuition reimbursement has often been at 100 percent of students' costs.

This spike in spending led to the opening of scores of new college sites near bases, prompted colleges to add profitable academic programs that serve military employees, and inspired new pricing strategies intended to increase military enrollment.

A group of colleges that works with military personnel, the Servicemembers Opportunity Colleges consortium, has grown from 1,200 members in 1997 to nearly 1,900 today. The rush to make money, as it often does in higher education, has also resulted in a backlash of concern about the quality of programs and the high-pressure tactics some colleges are using to sell them.

"The competition is fierce and it's extensive," says James R. Anderson, chancellor of Central Texas College. It, along with University of Maryland University College, is a major longtime player in the military market in the United States and overseas. "We've got competitors we've never heard of."

For-Profit Newcomers

The military-education scene looks far different than it did even a decade ago. Newcomers include all-online, for-profit institutions like American Military University, Capella University, and Grantham University, which depend heavily on Internet advertising to get their "military-friendly" message onto the search-engine pages of prospective students.

The University of Phoenix, the biggest for-profit institution of them all, is also now a major player in the military market, due in part to its high visibility on the Internet, and to its winning a piece of two Department of Defense contracts in 2003. The contracts give it exclusive status as the on-base provider of graduate business and education degrees on every military installation in Europe, the Middle East, and the Pacific Rim.

Several entrepreneurial nonprofit institutions — like Saint Leo, Troy, and Webster Universities — are also stepping up their profiles, with splashy online marketing campaigns and tuition-pricing strategies tailored to the military's reimbursement rates.

For military personnel, the dynamic market creates greater choice and, thanks to the growth of online education, far greater flexibility, particularly at a time when so many military personnel are being deployed. It is also turning some little-known colleges into online giants. In a mere four years, for example, Grantham's enrollment has grown from a few hundred students to nearly 11,000, about half of whom pay for their courses through the military's tuition-assistance program.

Along with a fresh robustness, the increasingly competitive market has introduced some anxiety in the military-education arena.

The colleges offering courses today vary widely in quality. The little oversight the military is able to exercise on behalf of its service members — through an accreditation-like program called the Military Installation Voluntary Education Review — doesn't cover most of the new institutional entrants because it only applies to colleges that operate on bases. Meanwhile the military itself has been forced by budget constraints to cut back on its education counseling.

The service members are left "trying to negotiate this sea of institutions in a way they didn't have to 10

years ago," says J.J. Jones, a 26-year veteran of the Air Force who now directs military programs at University of Maryland University College.

Colleges with long experience in the field are not the only ones raising alarms.

Education chiefs at the military services and the educational organizations that work with them — using words like "egregious," "predatory," and "duplicitous" — are becoming increasingly unhappy with the high-pressure marketing tactics that some colleges are using.

These include Internet come-ons that require prospective students to provide personal data before the site lets them see information about the college's programs. Often, officials note, immediately after the students submit the data they are bombarded by recruiters' e-mail messages and even, sometimes, telephone calls.

The administrators are also concerned that some of the colleges that are most actively pursuing military students do not provide clear enough information about their accreditation. That, they say, could mislead students into wasting years taking courses, financed with taxpayer money and perhaps some of the service member's own savings or loans, only to discover that the credits will not be transferable to other colleges or recognized by a graduate school.

"We saw an awful lot of institutions coming out of the woodwork" when the military raised its reimbursement rates in 2001, says Thomas H. Beebe, director of military programs at Southern Illinois University at Carbondale. "I'm not necessarily sure that a lot of them have the best interest of the soldier, sailor, airman, or Marine at heart."

Mr. Beebe and seven colleagues have recently completed work on recommendations designed to curtail the marketing abuses. The recommendations were commissioned by the leaders of the Servicemembers Opportunity Colleges consortium, in response to complaints from the military services.

Participants in the drafting of the recommendations say they are designed to encourage colleges to be more forthcoming about their prices and offerings.

The proposals could also give the consortium more teeth for enforcement. Now, its officials must depend mostly on friendly coercion to keep colleges in line, as they did recently after receiving complaints from the military services about the high-pressure recruiting practices of Phoenix and of another for-profit institution, American InterContinental University.

(Officials from Phoenix, who were visited in person by the head of the consortium and by a top Department of Defense education official last fall, said they considered the conversation confidential. American InterContinental officials said they have resolved the problems.)

Additional scrutiny, intended to ensure that online colleges are marketing and serving students

appropriately, is on the way. This month, at a convention of colleges that work with the military, the Defense Department Task Force on Distance Learning is expected to release its own "principles" for improving distance-education.

Michael P. Lambert, a member of that group and executive director of the Distance Education and Training Council, a national accrediting body, said the principles will focus on such issues as student services and the qualifications of faculty members.

When the principles "hit the street, there's going to be screaming and railing," Mr. Lambert predicts. Some of that noise could very well come from institutions regulated by his own organization. But he says the higher standards are necessary.

The military market, he says, "merits our attention and protection."

Tuition Assistance

The online education boom and the military's own emphasis on education, with such programs as the Army's distance-education effort, eArmyU are among the factors that have set the military-education market humming. College degrees are also increasingly becoming a prerequisite for promotion in the military. Last August, for instance, the Navy put in place a rule that, beginning in 2011, will require all sailors to hold at least an associate degree to qualify for promotion to senior enlisted ranks.

At the same time, the military is spending more money to make courses more affordable. In October 2001, the Department of Defense raised its reimbursement rate so that it would cover 100 percent of a student's tuition costs, up to \$250 per credit hour. Previously, it covered 75 percent. Students can use the reimbursement for up to 16 credits a year. The overall value of tuition reimbursement of \$4,000 a year is now the same for all four branches; until a change this June, the Navy had maintained a 12-credit limit.

The tuition assistance provided in the Voluntary Education Program is separate from the benefits of the GI Bill, which was designed for veterans. But some active-duty personnel can tap into those GI Bill tuition benefits even before they leave the service if they need them.

Prospecting for Students

Many of the same market forces that are now driving colleges to be more competitive in general are also changing the military-education landscape.

As has been the case for decades, most military bases still have an education center where a director chooses six to 10 colleges to provide a variety of courses on-site, based on the needs and interests of the base personnel and an assessment of offerings proposed by colleges.

Although perhaps susceptible to some good-old-boy influence, the process has given military personnel

some guarantees that the college providers receiving the service members' taxpayer-financed tuition reimbursements have been vetted. It has also given the colleges a clear-cut way to find military students.

But in the new environment, colleges are employing a range of strategies to find their military students, including the use of third-party services and Internet sites to locate prospects, or "leads," as the recruiters refer to them.

One of the more popular such sites is Military.com, which uses some of the same tactics — requiring visitors to provide information about themselves before they can readily see listings of colleges — that the consortium may soon discourage. It is also one of the places where submitting information can prompt a near-immediate e-mail response from an online college recruiter, often a representative who works for a marketing company that the college or a group of colleges has hired.

Christopher Michael, the founder of the site's parent company, Military Advantage, says the site includes news and features that are of interest to military personnel and helps them to find colleges with "military-friendly attributes."

To help find those leads for its clients, Military.com lists some institutions as "Featured Schools" on its education page, without indicating that they were put there for advertising reasons. After acknowledging to the *The Chronicle* in June that this practice could create some confusion, it has since added an "Advertisement" label to that section.

Even for traditional face-to-face instruction, setting up shop on a base no longer guarantees an overflow of students. On-base colleges are increasingly facing competition from other institutions that woo military students by opening up education centers near bases.

Troy University, which is based in Alabama, has been opening sites near bases as well as on them. Troy operates on more than 35 bases but hasn't opened a new on-base location in five years.

At first, the strategy made sense because the military itself was getting smaller in the 1990s. David M. White, the interim vice chancellor of Troy's extension arm, called University College, says the institution couldn't afford to maintain its far-flung base operations as enrollments shrank. Now, he says, with heightened security in the post-9/11 world, on-base operation often can be more of a detriment than a benefit, because civilian students who help fill classes cannot easily get on base to attend them.

Sometimes, says Mr. White, "you're better off opening up across the street."

For Troy, the strategy appears to be working. Mr. White's arm of the university receives no support from the state of Alabama, and the university leadership expects it to return 14 percent of its revenue to the parent institution. The university uses some of the money to pump up the raise pool for the institution as a whole. Mr. White says the military market, which accounts for 45 percent of University College enrollments, is a big part of that success in raising revenue.

Opportunities and Risks

Central Texas has also benefited financially from its long history of working with the military.

Along with its operations at nearby Fort Hood and about two dozen other domestic bases, Central Texas is a prime provider under two Department of Defense contracts of two-year technical and occupational degrees on bases throughout Europe and the Pacific.

It also operates the Navy College Program for Afloat College Education, which provides college courses on ships, and a distance-education program. Nearly 63,000 students from around the world take online or on-base courses from Central Texas; about 74 percent of them are active-duty military.

The college readily acknowledges that its military business has brought in helpful revenue. "You wouldn't do it if it didn't pay for itself," says Mr. Anderson, the chancellor.

Thanks to the military programs, he says, the college has "no taxpayer debt," and about six years ago was able to use some of the profits from its military operations as backing for the revenue bonds that financed a new planetarium. It has also broadened its course offerings. "Doing this has afforded us opportunities that we otherwise wouldn't have had," says Mr. Anderson.

Yet, as Mr. Anderson is quick to point out, its military relationship isn't all one-way. It requires a big commitment on the institution's part, and no small amount of risk.

For the Navy college afloat program, for example, Central Texas has had to hire instructors and put them onto ships, but "if no sailors enrolled, then you've made no money." It must also manage thousands of staff members and faculty members it sends around the world, including some who work in such inhospitable environments as Afghanistan.

For other colleges, the challenges are a bit more prosaic.

Late last year, for example, the Army announced that it would be using a new computerized system and Internet portal, GoArmyEd, for processing tuition-assistance payments automatically and to provide online educational counseling.

The announcement caught colleges off-guard and sent many of them scrambling for the money and the workers to make the necessary upgrades on a tight deadline. For some colleges, costs topped several hundred thousand dollars. The GoArmyEd portal went live on April 1, with several dozen institutions: New ones have since signed on, and others are being added each month.

The Discount Dynamic

The military's higher tuition-reimbursement rates have also introduced a new competitive dynamic for colleges seeking military students. Some can and do offer courses at or below that rate — or offer "military discounts" that do the same thing. But many cannot.

Saint Leo University, a nonprofit institution whose headquarters is near Tampa, Fla., typically charges about \$200 a credit for its off-campus courses, but offers them on military bases for about \$130 per credit. At Grantham, regular tuition runs to as much as \$350 per credit, but the institution provides scholarships for its military students so they end up paying only \$250.

Tom Macon, the chief executive at Grantham, says his institution can afford the tactic because it operates on "thin margins."

Mr. Jones, of Maryland, says the pricing technique is becoming more common: "Some schools certainly use that approach to gather enrollments."

But many public institutions, including Maryland, are not allowed to do that. Maryland's price for graduate courses is above \$250 per credit. Mr. Jones says its reputation as a longtime provider and its contracts on overseas bases help the institution to attract students despite the price premium some of them have to pay. Other institutions have a cost of education that simply doesn't allow them to offer courses for less than \$250 per credit.

"It's a problem for us," says Martin A. Smith, chancellor of the extended campus of Embry-Riddle Aeronautical University. The institution operates at 90 installations around the world and enrolls about 10,000 active-duty personnel.

While undergraduate-course prices fall below the cap, its price for graduate courses is about 20 percent higher than the cap (and nearly 50 percent higher for graduate online courses).

The institution's focus on programs that appeal to military personnel have helped sustain growing military enrollments. But even with that specialization, competing is tough, so much so that Embry-Riddle is now considering a tiered pricing schedule for the first time. Mr. Smith said the approach would allow the institution to keep its military prices competitive, while recovering some of its higher costs from other, nonmilitary students.

For Central Michigan, meanwhile, the idea of civilians subsidizing military students has been a fact of life for several years. It still charges \$250 per credit for military personnel (and for their spouses and dependents) for all of its graduate courses, even though the price for other students has now climbed to \$365 per credit.

University leaders recognize that the policy results in civilian students helping to subsidize their military counterparts. But as Mr. Rawls, the off-campus programs director, explains, the institution does it because "we want to give them the best rate we can."

The tuition break isn't a marketing ploy, says Mr. Rawls. It is part of the institution's overall 35-year commitment to the people of the armed forces. Of course, if it also happens to help keep his institution competitive, that's all the better, says Mr. Rawls.

The tuition break is an important part of Central Michigan's tradition, he says, and, like its military program as a whole, "we going to do it as long as we can."

INSTITUTIONS WITH CONTRACTS FOR OVERSEAS MILITARY EDUCATION

To earn one of the desirable opportunities to offer courses on overseas military bases, colleges compete for Department of Defense contracts through a process that evaluates institutions on price and service, among other criteria. The most recent contracts were awarded in 2003:

European contracts (including the Middle East), through 2013

- **Central Texas College:** high-school-completion courses, and technical and occupational two-year degrees
- **Embry-Riddle Aeronautical U.:** certificate, associate, bachelor's, and master's degrees in aeronautics
- **U. of Maryland University College:** undergraduate degrees in liberal arts, business, computing, and other programs
- **U. of Oklahoma:** graduate degrees in human relations and international relations
- **U. of Phoenix:** graduate degrees in education and business

Far East and Asian contract, through 2009

- **Central Texas College:** high-school-completion courses, and technical and occupational two-year degrees
- **Troy U.:** graduate degrees in international relations
- **U. of Maryland University College:** undergraduate degrees in liberal arts, business, computing, and other programs, and graduate degrees in counseling
- **U. of Oklahoma:** graduate degrees in economics, human relations, and public administration
- **U. of Phoenix:** graduate degrees in education and business

SOURCE: U.S. Department of Defense

WHO MAKES THE MOST FROM THE ARMY

These are the 10 institutions that received the most tuition money in the 2005 fiscal year from the

Voluntary Education Program for active-duty personnel in the U.S. Army. The Army accounts for nearly half of all military tuition assistance paid.

Figures in parentheses show how the institutions ranked based on the number of students enrolled in courses covered in whole or in part by the tuition-assistance program.

1. U. of Maryland University College (1)
2. Central Texas College (2)
3. U. of Phoenix (3)
4. Webster U. (5)
5. Grantham U. (7)
6. American Military U. (6)
7. Touro U. International (not available)
8. Park U. (4)
9. Embry-Riddle Aeronautical U. (10)
10. Saint Leo U. (8)

Note: Columbia College (Mo.) ranked ninth in overall enrollments but was not among the 10 biggest recipients of tuition assistance. The Army declined to provide dollar figures for each institution.

SOURCE: U.S. Army

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