

**Testimony of Kevin Gilligan,**  
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**House Education & the Workforce Committee Hearing:**  
**“Challenges and Opportunities in Higher Ed”**  
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INTRODUCTION

Chairwoman Foxx, Ranking Member Scott, and distinguished members of the Committee, my name is Kevin Gilligan and I am the Chairman and CEO of Capella Education Company.

I’m honored to be in front of this Committee as a voice for innovation in higher education and the American workforce. Before I discuss our work in the innovation space, I’d like to echo the comments of my fellow panelists around the challenges presented by the complexity and density of higher education regulation and the barriers they can present to new models and improving outcomes. We have a set of policy priorities that I’d like the opportunity to introduce to the Congressional record.

CAPELLA

Our strategic focus at Capella is to create the most-direct-path between learning and career advancement. That’s why we exist. We want to lead the way in closing the skills gap. We do this through two separate parts of our business. First, our post-secondary segment consisting of Capella University, which is an online, competency-based, adult-serving institution where our average student is 40 years old and more than 50% of our students are learners of color; and Sophia Learning, a social teaching platform which offers low-cost general education courses recommended for credit by the American Council on Education. The second segment of our business exists outside of the degreed education space and is focused on providing employers and individuals with job-ready skills needed to compete in the 21<sup>st</sup> century economy. This is made up of Capella Learning Solutions which creates innovative programs aimed at closing the skills gap; Hackbright Academy, a software engineering school for women in San Francisco; and DevMountain, a coding boot camp based in Provo, Utah with offices in Dallas and Salt Lake City.

Changing Landscape of Work and Learning

We are excited to be doing this work at a critical time for America when we see a changing landscape of both work and learning. While our current system of higher education is the envy of the world, it is struggling to keep up with the pace of change in our evolving economy. Simply put, it creates too much debt and isn’t creating a workforce with the skills required to drive economic growth and lift up the many Americans struggling for upward mobility. You all know the numbers better than anyone. According the Bureau of Labor Statistics, median weekly earnings of full-time wage and salary workers were \$784 in the first quarter of 2014, compared with \$787 in the first quarter of 2004.

More effective education models are a key to breaking loose from this crippling stasis. These conditions create a ripe environment for innovation and change.

There are four areas of innovation at Capella that I'd like to highlight in my testimony: our direct assessment program called FlexPath; the alignment of our programs to the needs of employers; a joint offering we have with CareerBuilder called RightSkill; and our software engineering and coding schools.

#### FlexPath/Direct Assessment

Three years ago, I came before this Committee to discuss our FlexPath program and I welcome the chance to update you on what we've learned. In 2013, Capella University became the first institution in the country to offer bachelor's and master's degree programs approved by the Department of Education that measure learning through the direct assessment of competencies instead of the accumulation of credit hours. We now currently offer eight programs within this competency-based education direct assessment model.

Direct assessment works by decoupling student learning from time. As you know, the credit hour is the current foundation of higher education, used to measure degree progress and around which federal financial aid is based. In some cases we do not believe that time-based tools constitute the best measurement of student progress, especially for the adult, contemporary student. Direct assessment measures student knowledge and learning, rather than focusing on seat time and grades. What matters is knowledge gained, not the amount of time it took to gain it. This decoupling allows students to move through their program without any wasted time or money, but poses complicated problems for federal financial aid policy.

In the almost four years since we first launched the FlexPath program, we have learned a lot. For example, though our hypothesis was that all students would move more quickly through their FlexPath program, what we have found is that this is true for some, but not all FlexPath students. Some FlexPath students move at about the same speed as their traditional online counterparts, but value the flexibility that is built into the model. Our students – around 40 years old, predominantly female and in the middle of their careers – are juggling families and professional responsibilities and for many of these learners, going to school is not an option unless they can find a program that truly works with their schedule. This is the case with FlexPath, which operates on a subscription period basis and provides students with an “all you can learn” model at a lower price point. For these students who value flexibility over speed, we hear consistently that higher education would not have been an option for them unless they were able to find a model like FlexPath.

We have also seen first-hand that FlexPath can be a powerful tool for saving students time and money. We analyzed comparable undergraduate populations of FlexPath and traditional Capella students who enrolled between October 2014 and December 2015. Of the graduates from those two populations, on average, FlexPath graduates paid 58% less for their bachelor's degrees than the graduates from our traditional online programs, and FlexPath graduates borrowed 40% less in federal student loan funds than the traditional graduates. And, comparing those populations, FlexPath graduates on average completed more courses per academic session than graduates from our traditional online programs.

With over 3,000 FlexPath students, and more than 500 FlexPath graduates, Capella University is a pioneer in competency-based education and we believe in the model because we have seen the ways it can revolutionize higher education for the adult, contemporary student.

Competency-based direct assessment programs like FlexPath are a powerful example of how seemingly minor changes to policy can create the space for innovation to help eliminate a barrier to access while providing the potential for significant cost savings to the student and the federal government. But there is work to do to make sure this model is available to students in a way that allows for innovation without lowering the bar on quality or creating the conditions for a race to the bottom.

During your important work on reauthorizing the Higher Education Act, we hope you will take the opportunity to develop smart, responsible policy around competency-based direct assessment. Existing federal financial aid rules are structured around the traditional credit hour format and those rules stifle the opportunity to fully realize the power of the direct assessment model. Often, schools have to retrofit a direct assessment program into Title IV requirements that are still based on time and credits. This creates confusion for students, institutional burden, and ultimately means that these flexible programs just can't be as flexible as they need to be to meet the needs of the contemporary student. Additionally, it limits the number of institutions that will be able to offer flexible options.

To address this issue, we recommend the following policy priorities, in order to fully decouple direct assessment from time and credit hour constraints:

- Eliminate the requirement that direct assessment programs must be offered solely through the direct assessment format and allow for “hybrid” programs which would permit students to take credit-bearing courses and direct assessment courses within the same program. We believe the current requirement is limiting access to students who may benefit from an educational experience that draws on both more traditional and more innovative formats.
- Eliminate the qualitative measurement requirement from the Satisfactory Academic Progress (SAP) rules for direct assessment programs, relying instead on a single quantitative measure based on 150% of the expected time to complete the program. Competency-based direct assessment programs are built on a mastery model, ensuring that every student demonstrates each competency upon which the program is built, and thus negating the need for a qualitative measure. The current SAP requirements are confusing to students who are asked to meet a grade-based requirement within programs that do not use a traditional grading methodology.
- Allow self-paced direct assessment programs offered on a subscription period basis to be considered standard term programs for the purposes of administering Title IV aid. Opportunities for an absolutely flexible model for students are stymied by a requirement that truly flexible programs must be offered in a non-term federal financial aid model, which has the effect of creating artificial time and credit hour requirements in a model that seeks to operate wholly separate from seat time and credit hours.

- Work to update the “regular and substantive faculty interaction” requirement for innovative learning models should take care to ensure that an institutional focus on student support and success is maintained while accounting for personalized, flexible delivery formats. We know that you all have heard a lot of talk about competency-based education and the role of faculty. At Capella, faculty is at the center of our FlexPath model, from course and competency creation through formative feedback and the assessment process. We believe this has helped support student success and ensure program quality.

Last week, Capella University released a white paper outlining the history of the direct assessment provision and opportunities for smart policy making, which we have entered into the record and invite you to review. Most important to the work and future of competency-based education is that a high quality standard is upheld to ensure that these programs operate in the best interest of students and provide a high caliber education.

### Aligning to Employers

The second area of innovation I’d like to discuss with you is the dialogue between employers and learning institutions about how we better meet the needs of the American workforce. This is critical to our students; it’s critical to the broader conversation about American competitiveness; and it’s critical to us as a company. Our competency-based infrastructure allows Capella University to assess against the competencies required in specific employment verticals, and map the progress of employees against those competencies. This puts us in position to form strategic partnerships where Capella degree programs are helping to drive improved performance that employers can measure.

One example is a healthcare organization that had a desire to advance the education of its nursing workforce by increasing the number of nurses with bachelors and masters degrees throughout their organization. We created a scalable, high-quality, cost-effective program for their nurses to advance their education, with little to no out of pocket cost, while also overcoming geographic location constraints. We worked with the organization to align their leadership competencies to our program and measured the achievement of these competencies throughout the program. The program demonstrated how an advanced degree could help these nurses lead change, advance health and transform the health system.

Another example of our ability to align to the needs of employers that I think will resonate with this committee is Capella University’s designation by the National Security Agency and the Department of Homeland Security as a National Center for Academic Excellence in Information Assurance and Cyber Defense. The designation is intended to help address critical shortages of professionals with needed skills in these areas. Part of the reason we were able to obtain this designation is that our competency-based systems allowed us to demonstrate that we can provide the content and outcomes needed for success in this field.

Additionally, we’re working with employers to significantly lower the cost of a degree. Today we have several employers that are participating in a program called Workforce Edge which creates opportunities for highly motivated employees to earn their degree with low to no out-of-pocket costs if they leverage employer tuition reimbursement. Workforce Edge is a tool to

help employers attract, support, and retain more productive employees with a competency-based learning solution that is a tool to drive business return-on-investment. We can offer this by using FlexPath, Sophia, and our credit hour programs to allow employers to set themselves apart with a solution that fits their learning objectives and provides reporting to track employees' academic progress.

I've just offered a few examples of how Capella is engaging with employers, but I can tell you it is happening across the country. We don't need federal policy for these conversations to happen, but an important role that this Committee can play is highlighting these partnerships when they take place. A more direct alignment between learning institutions and employers is critical to improving outcomes, driving down costs and strengthening the American workforce.

### RightSkill

One innovation outside the degreed space taking place at the nexus of learning and employment is our RightSkill program, a key component of our Capella Learning Solutions business. RightSkill is a partnership formed with CareerBuilder to build a net-new supply of job-ready candidates for positions where significant supply/demand imbalances exist. CareerBuilder provides real-time labor data to identify hard-to-fill roles in the labor markets, recruit candidates for those jobs and we take them through a Capella-designed competency-based education, assessment, and career coaching program to upskill and prepare the candidate for success in their new job. Once the candidate is job ready, CareerBuilder leverages their relationships with employers to place the candidate in a job. Today, we have eight programs in market across a range of 21<sup>st</sup> century job skills along the employment value chain.

We're only one year into the program but we like the results we've seen so far. Essentially, we're combining CareerBuilder data with Capella's competency-based expertise to create a program aimed at closing the skills gap at scale. It's an example of the innovation that can come from the private sector.

### Software Engineering and Coding Schools

A final area of innovation I'd like to highlight for the Committee today is around our software engineering and coding schools, Hackbright Academy and DevMountain. These are both examples of programs that, while very different, provide job-ready skills to learners in high demand employment fields. This is an emerging and exciting sector because it is a high-growth employment field. Salaries are rising and these types of programs provide a pathway to valuable jobs for adults who did not study computer science in college or, in some cases, even complete college. One area of focus where we're seeking to provide leadership is around the measurement of outcomes in this emerging space. If the sector is to grow and establish strong relationships with regulators, we're going to need a standard set of outcomes measurements that give consumers and employers critical data that allows them to make smart choices about the right programs for them. We are currently partnering with others in the sector to push this work forward.

### Moment of Opportunity

These examples of innovation are just a few in a crowded landscape of exciting new models. As policy-makers, you are gathering at a moment of unique opportunity to craft federal policy

to remove barriers to innovation, strengthen outcomes, simplify our system of education financing and highlight innovations in the private sector.

### CONCLUSION

Let me close, Chairwoman Foxx, by thanking you and Ranking Member Scott for the opportunity to come here and engage in a conversation about innovation and new models. Thank you for your national leadership and commitment to strengthening American education and competitiveness. I'm honored to be here representing Capella's workforce which is committed to revolutionizing adult education and I look forward to answering your questions.

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