

Statement of
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Reviving Our Economy: Supporting a 21st Century Workforce

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Chairman Kline, Representative Salmon, Representative Grijalva thank you for the opportunity to testify on behalf of University of Phoenix and its parent company, Apollo Education Group. I am honored to represent more than 1 million students, alumni, faculty, and employees.

I preface my testimony by stating that my perspective about the rapidly changing landscape of higher education and the critical need to immediately rationalize the federal regulatory framework, innovate delivery by effectively personalizing learning and more closely aligning areas of study with the needs of the global economy, is informed by 40 years of continuous work inside the academic community. Upon completing a master's degree and doctorate from Brown University, and prior to my appointment as President of the University of Phoenix, I served as a professor, department chair, regional dean and president at University of Delaware, Temple University, National University and University of Sarasota, known today as Argosy University.

Now at the helm of University of Phoenix for the past 8 years I can state unequivocally that the opportunities and challenges facing higher education today have never been more glaring.

Outlined in two reports released by Apollo Education Group CEO Greg Cappelli (*"Empowering America: Reinventing Pathways to College and the Workforce"* -and- *"Education, Jobs and the American Dream: How We Got Here"*), the industrial-age institutions that make up the foundation of America's secondary and postsecondary educational systems have not changed substantially since the 1960s. Yet the American population, which is supposed to be served by these systems, has shifted dramatically. By the end of the 20th century, California, Hawaii, New Mexico, and the District of Columbia had majority "minority" populations. By 2020, eight more states are projected to join the list: Arizona, Florida, Georgia, Maryland, Mississippi, Nevada, New Jersey and New York.

Related evolutions have occurred in the college-going population. The so-called "traditional" college student is no longer the majority of students. According to the National Center on Education Statistics, 73 percent of all undergraduates are considered non-traditional, representing the newly "typical" undergraduate. The "traditional" undergraduate—characterized as one who earns a high school diploma, enrolls full time immediately after finishing high school, depends on parents for financial support, and either does not work during the school year or works part time—is the exception rather than the rule.

The nature of the workforce has dramatically changed as well. As recently as 1970, a high school diploma was sufficient for most jobs and less than 40 percent of the labor force had completed any education beyond 12th grade. Over the next 40 years, the U.S. and global economy began to need, indeed demand, a different range of skills and a higher level of education. Between 1970 and 2007, the share of middle class jobs held by high school-educated workers decreased sharply, from 46 percent to 31 percent.

Economic isolation, stagnating wages and the trend of wealthier families investing more time and resources on their children have fueled a rising educational disparity. Unsurprisingly, these

disparities have directly affected college achievement. In the early 1980's, there was a 30 percent point difference in the proportion of prosperous versus poor Americans who earned Bachelor's degrees. The gap today is about 45 percent.

Furthermore, there are 3.7 million job openings not being filled by U.S. companies today due to a skills shortage. Fifty-two percent of American companies have difficulty filling "mission critical" positions – with many jobs going unfilled for years. By 2018, 63 percent of the workforce will need some college and the current system will fall short of this demand.

In 2010, President Obama set a goal for the country, that by 2020, America would once again have the highest proportion of college graduates in the world. The President also challenged every American to commit to at least one year of higher education or postsecondary training.

We applaud and embrace these goals. As a nation, however, we cannot ignore the significant level of investment and commitment it will take to reach these milestones. Our population and workforce gained, on average, about a year's worth of education per decade from 1940 to 1980. This was a time when, as a nation, we were out educating the world. But between 1980 and 2010, the nation's educational attainment rate stalled to about a half a year per decade. As a result, American workforce is short more than 100 million years of education as a society. Each missing year is represented by a decision not to finish high school, not to enter college, not to stay in college, or a decision not to return to college. Our nation's "missing years" of education have cost U.S. GDP as much as \$2.3 trillion, by one estimate, and continue to threaten America's ability to compete in a global economy. If we were to close the educational achievement gap from students from the poorest families, we would add \$400 billion to \$670 billion annually to U.S. GDP.

President Obama was correct when he said: "We know that education is everything to our children's future. We know that they will no longer just compete for good jobs with children from Indiana, but children from India and China and all over the world."

There are positive signs that key stakeholders are recognizing things must change. The traditional higher education model serves as the foundation for what is the greatest system in the world, but the longstanding process of educating only 10 to 20 percent of our nation at the college level – and then relying on that small group to build our companies and create our jobs – is distant history. Making up 100 million year deficit in workforce education appears to be a feat beyond reach. However, to put the challenge in perspective, it amounts to a single year of additional education attainment for each member of the current population ages 25 years and older. If each American found the time for one additional year of postsecondary education or training, the U.S. could largely offset four previous decades of slowing growth.

We commend the President for pushing for greater investment and achievement with support of new types of innovation, unfortunately, many of his Administration's policies focus on the traditional education establishment as the primary means of education delivery. Relying solely on the traditional model will cost more than \$800 billion in public investment, a significant amount made all the more significant by the trend of declining investment from the public

sector. Innovation, rapid capacity growth and greater collaboration between public and private institutions and business are essential to once again lead the world in educational attainment.

University of Phoenix, Apollo Education Group, and its subsidiaries are committed to working with Congress, the White House, and all higher education stakeholders to build flexible pathways from education and training to the workforce and back again, leveraging successful education technologies, new education delivery mechanisms and other innovations so that postsecondary education connects to employability. Indeed, supporting a 21st century workforce is the best way to revive and grow our economy.

University of Phoenix

Innovation, affordable capacity expansion, collaboration between public and private institutions and working closely with business needs is at the heart of the University of Phoenix. Since its founding in 1976, University of Phoenix has been guided by a singular vision to provide education to those underserved by the traditional higher educational establishment. Our founder, Dr. John Sperling, believed that education was the only utilitarian means by which individuals could proactively improve their socio-economic means. Dr. Sperling, a Cambridge-educated economist, set out to create degree programs for working adults while teaching at San Jose State University. His challenge: to offer convenient class times at local campuses, and to teach adults in ways that complemented their professional lives. Interestingly, his effort to establish an effective way to serve non-traditional students was rebuffed by traditional academia, but today, University of Phoenix is one of the largest private universities in North America, offering undergraduate, graduate, and doctoral degree programs at more than 100 locations nationally, and online world-wide.

University of Phoenix and Apollo Education Group's approach to providing high quality, affordable education to those who desire it the most – those willing to put in the time and effort to be educated – is the foundational basis for all of the innovations and approaches that we have developed and refined over the past 40 years.

In fact, many of the techniques first pioneered by University of Phoenix are now considered best practice by the larger educational community in general, including the use of online and blended-modality instructional approaches, the use of e-books, the reliance on faculty practitioners with both advanced degrees and industry specific experience to provide practical learning to students and our utilization of small learning teams to promote learning among classmates.

University of Phoenix has based its mission on serving the underserved of higher education; as a result, we currently boast an incredibly diverse student population. Nearly 20 percent [19.45%] of our students are African American, compared to a national average of only 13 percent. Additionally, female students make up nearly 70 percent [66.45%] of the total enrollment at the University of Phoenix, compared to just over half of the overall enrollment in colleges and universities nationwide.

Today's students rely on us to provide them with state-of-the-art technology, hands-on education with real-world experience, and a genuinely innovative approach to learning. Together we have changed the very nature of higher education. Our 845,000 alumni are a true testament to our impact and our dedication.

Career Connected Education

University of Phoenix and Apollo Education Group understand that by 2018, the U.S. will need 22 million new workers with postsecondary degrees. Higher education—whether private, public, for-profit, nonprofit, two-year community colleges or four-year, degree-granting universities—all must address a singular crisis—namely, that the U.S. workforce is short more than 100 million years of education.

We are working vigorously to learn from the pioneering role we have played to transform educational delivery and connect education more directly with high growth jobs. Much of this innovation is coming in the form of online platforms and learning advances, where cloud-based systems, adaptive learning technologies, and data-driven student learning analytics are changing the way students learn—and recapturing those missing years of education.

We have learned it is vital to intently listen to the business community and our students and understand that as working adults they need to acquire tangible skills to compete and achieve success today. They want a more personalized way to learn that leads to a better career path—whether they enroll in degree, non-degree or certificate-based programs. Our mission is to combine our education and career enhancement tools with our students' talents so they can move forward in life. Everything we do is centered upon that mission. It starts with a commitment to offering differentiated, career connected education at University of Phoenix and all our schools. As we create bridges between education and careers, improving student completion and career outcomes is a paramount objective. We are working to achieve this by providing a variety of pathways to support our students' career preparation, leveraging the latest technologies, new delivery models, and other innovations to provide education and training that connects more directly to graduates' employability. We are constantly reassessing our offerings, eliminating programs that don't fit workforce needs, and establishing new programs tied to in-demand jobs. This includes helping our students build competencies throughout their education journey and demonstrating their value in the marketplace before degree completion.

This all supports our goal to provide an excellent academic experience for students that also supports employers in hiring qualified, engaged employees. We are broadening our relationships with more than 2,500 corporate partners, working directly with organizations such as Cisco, Microsoft, Adobe, NewellRubbermaid, Hitachi, Sodexo and the American Red Cross. By working directly with these partners and many others, we better understand what employers want so that we can tailor our academic programs to fit their requirements and help fill their critical employment needs.

Business leaders seek graduates who can help their companies thrive immediately, and our programs are a direct response to those human capital needs. To further deliver educational experiences that directly prepare students for their career field of choice, University of Phoenix is structurally realigning to focus on managing and operating its eight distinct colleges more individually to address the specific needs of the markets they each serve. With accountability for driving performance at the college and program level, our leaders are dedicated to academic quality, retention, leading product innovation, and creating an enhanced student experience within each college at the University of Phoenix.

The alignment by college is intended to improve student outcomes, since student retention and completion are our top priorities. We know that if students don't progress, if they don't complete their program and earn their degree, they likely will not achieve their career aspirations. To ensure that they do, we are redesigning our curricula, including modifying the structure of our entry courses and implementing improved support systems. We also are increasing our use of full-time faculty for first-year courses, making improvements in our orientation program, and expanding the use of adaptive learning. Significant change in retention and completion rates requires a long-term, sustained effort. We are completely committed to engaging and supporting our students throughout their progression to graduation, ensuring they have the support they need to succeed.

Innovative Student Support

We are aggressively pursuing targeted strategies within each program and modality to better serve our students and to meet the needs of our 2,500 business partners and the nation's workforce.

Working to ensure students have the support, guidance and tools needed to pick the right program and set the right career path, is a foundational focus for us. Students need to know if we are an appropriate educational match and what it will take to succeed. They need tools and guidance to make informed decisions by properly assessing their skills and interests and thoughtfully setting a course that includes a career plan and a financial plan.

One of University of Phoenix's transformative initiatives, which has generated similar efforts by other educational institutions, is our University Orientation program. University Orientation program is a three-week, non-credit-bearing, free orientation course required of prospective students who have had less than one year of college experience. We designed the program to help students understand fully the commitment necessary to complete a college degree while meeting family and professional obligations. The curriculum emphasizes time management, computer skills, financial literacy and responsible financing and prepares students for what they can expect in their coursework.

A comprehensive strategy at Western International University has also recently been launched, which involved changes to virtually every aspect of the university. At West, the academic and service models have been revamped to increase flexibility and offer students a more self-directed approach, and lowered tuition by half. The cost of traditional higher education is an

important topic, and Apollo Education Group is committed to delivering the best value proposition possible across all of its institutions and programs of study. West offers a unique entrance into the university with its new student Start Smart program, allowing a student to test drive online education and West by taking their first two credit-bearing courses for \$200 each. These specific courses for all new students are not eligible for federal or state financial aid, but will apply to all West degrees (or other accredited university based on the acceptance of transfer credit) should the student continue on with the university as a degree-seeking student. An undergraduate student needs a 2.0 cumulative grade point average to enroll and a graduate needs 3.0 or better. Start Smart gives prospective students full transparency into the online academic experience as well as the commitment of time and money to ensure that a student can be successful at West.

Beyond ensuring the right students enroll and they understand the commitment it will take to graduate, *Phoenix Career Services* features a career guidance system to help prospective students and job seekers make more informed decisions regarding their career path and their education options. The system does this by helping them assess their interests and careers related to them as well as the demand for those careers in their market and the typical education and skills required by employers for those careers. The Phoenix Career Guidance System helps prospective students start developing their career plan even before they enroll, which they will continue to build upon once enrolled with additional career tools, resources, and services. A specialized military skills translator tool is also available for military service members and veterans, helping them to make the link between the skills they developed in the armed forces with job skills needed for civilian occupations.

Phoenix Career Services, which currently has more than 70,000 jobs posted in the system, also offers enrolled students additional tools and support to help them translate their education into their career of interest. A personalized Career Plan is created and mapped to the student's academic program. This plan provides job search actions that students conduct during their academic journey. The plan also includes four assessments (Competencies, Work Environment, Interests, and Reasoning Aptitude) that help students become more self-aware of their strengths and weaknesses and how these relate to their career goals. Resume development services are available to students and alumni as well as interview preparation services. A dynamic online source is available where students and alumni can access current career opportunities available with leading companies across the U.S. Also, career coaches are available to alumni, military students and students close to graduation with a need for more specialized assistance with their education and career journey.

In addition to offering students career services and education to help develop the skills and competencies required to pursue their desired career, we understand that a successful student experience must not only be about their academic commitment and career goals, but also a clear understanding of the financial investment they are making. All students have an opportunity to build out a personal financial plan detailing how they are going to pay for their entire degree program, not just for a course or semester.

The University of Phoenix Financial Plan is a comprehensive service designed to help prospective students estimate tuition and fees for their entire degree program and build a personal plan for how they will pay for it. With the goal of minimizing or eliminating loans, the Financial Plan displays the estimated monthly payment for any loans built into the plan, so that the student understands the implications of his or her borrowing prior to enrolling.

The Financial Plan has also been integrated directly into the University's curriculum to emphasize the critical decisions that are inherent in students' choices.

The ability to create individualized financial plans before applying to the University allows students to be fully aware of their potential future financial commitments and make more informed decisions as to whether attending University of Phoenix is the right choice, a process we believe is not common among other postsecondary institutions that normally only discuss or show costs for one year at a time.

To further assist prospective students, we have developed tools and resources that present to prospective students national average salary information alongside their expected future monthly payments. The combination of tools, resources and financial counselors allow students to identify possible employer discounts or tuition reimbursement programs. For example, if the employer is in the system—and we have relationships with more than 2,500 public and private employers—a discount will be modeled in the student's Financial Plan. This is important because we have found that students who enroll in a program while employed—and with support from their employer—graduate at higher rates and are less likely to default on future debt associated with the costs of education.

Universities cannot guarantee salary or career outcomes, just as they cannot prohibit students from borrowing more than they need based on statutorily set loan amounts prescribed in the law. Still, at University of Phoenix, we provide more localized salary data through the Phoenix Career Guidance System (CGS), a system we created that is not only a salary database, but a central portal containing job availability information in a student's geographic location with more than 70,000 jobs posted in the system.

Degree Programs With Certificate Options

One of the foundational components of the traditional higher education model that must change is the fact that a student enrolled in a degree program must wait the 2 or 4 or 6 years it takes to earn an Associate's, Bachelor's or Graduate degree. Students, particularly working adult students, should be better positioned to realize a return on their investment earlier. University of Phoenix is embracing this paradigm shift with new undergraduate programs that will allow students to receive stackable credits enabling students to get a certificate prior to completing their degree. Not only does the new academic format allow students earlier return on their investment, we believe that it may be an important factor in boosting retention by allowing students to take increased numbers of career-relevant courses up front in their programs and giving students a tangible University of Phoenix certificate that can help them market themselves to employers at an earlier stage on their journey towards graduation.

Providing flexible pathways to immediate skills and relevant degrees is a key way to respond to the dynamic needs of the business community. Another Apollo Education Group subsidiary, Apollo Lightspeed, has built important online experiences led by some of the world's leading experts on business innovation. The newly launched *Balloon* initiative is another robust initiative designed to address the growing skills gap. *Balloon* is an online career skills and learning marketplace featuring many of the world's leading technology companies and education providers. *Balloon* seeks to address the growing gap between career-seekers' skills and employers' talent needs by helping users identify customized career paths, understand the knowledge and skills sought by employers along that path, and, then learn from the right courses to improve their chances in a competitive labor market. *Balloon*'s initial focus is on providing a course and skills marketplace to support the \$3 trillion global technology industry, with plans to expand into additional career fields. With a growing catalogue of more than 14,000 technology courses and training programs from a variety of education providers, and a database of more than 146,000 current and recent job listings, *Balloon* connects individuals seeking specific skills valued by leading technology companies to online learning offerings aimed at delivering those skills to learners. It includes online learning offerings from technology industry leaders – including Adobe, Amazon Web Services, EMC and Microsoft.

As Lightspeed's initial offering, *Innovator's Accelerator* allows business executives and managers to develop and apply innovation skills, encourage disruptive thinking, and create fresh ideas within their organizations. Since its launch in early 2013, business leaders from across many leading industries, including companies such as Cisco Systems and Kimberly-Clark, have signed on to accelerate innovation in their organizations with this tool.

Adaptive Learning

Career success is directly linked to educational success. Educational success is directly linked to retention and graduation. One of the key implications for retention and graduation is the level of remediation a student needs. Adaptive learning takes a data-driven approach to instruction and remediation, adjusting to a student's interactions and performance, anticipating what types of content and resources learners' need at a specific point in time to make progress. According to the Gates Foundation, rigorous adaptive learning solutions leverage various strands of academic research in areas such as intelligent tutoring systems, machine learning, knowledge space theory, memory, and cognitive load theory. Apollo Education Group subsidiary, Carnegie Learning, is a leader in adaptive learning and employs an approach acknowledged to be one of the most sophisticated tools in the space. Carnegie Learning uses a "cognitive tutor" model to break down mastery into component skills at a detailed level. Thoughtful integration into University of Phoenix math curriculum is well underway and work has begun on a grammar module since math and writing are two of the largest opportunities for retention improvement across most postsecondary institutions.

Early results of Carnegie Learning's cognitive tutor Adaptive Math Practice (AMP) technologies integration are encouraging. University of Phoenix conducted a large-scale controlled randomized study involving tens of thousands of general education mathematics students. As

compared to an industry-leading, non-adaptive math service previously licensed by the University of Phoenix, AMP produced major gains for students.

- Lower student course fail rates
- Higher end-of-course grades
- Better student retention, persistence and improved academic performance in subsequent mathematics courses

At current enrollment levels, more than 100,000 University of Phoenix students will use AMP each year, and with general education mathematics courses required to earn a degree, essentially all students will use this technology in their tenure at the university. AMP benefits students of all backgrounds, by adapting to individual student needs and responding with a truly unique learning experience.

Rationalized Framework

University of Phoenix and Apollo Education Group welcome the opportunity to engage in a balanced examination of the laws and regulations that govern our higher education system. Congress has a systematic process in place to perform oversight and make necessary adjustments to address the changing needs of today's students. Generally, this regular legislative and regulatory process works well when it is performed as Congress designed it, with higher education stakeholders working together to identify problems, make adjustments to the law and regulatory framework as necessary, and address the needs of students as those needs evolve and change.

At every opportunity we earnestly seek to work with Congress and the White House in a bipartisan, collaborative, transparent manner. However, the politically-charged environment over the past several years is hurting students. Hardworking students are having their degrees tarnished by vitriolic, indiscriminate attacks on one segment of the higher education system. The longstanding bipartisan support for critical higher education programs is being eroded by political gamesmanship. All postsecondary institutions must be accountable for the sizeable taxpayer investment made to make college affordable and accessible to all students no matter their socioeconomic status, age, or geographical location. The only way to accomplish this is by working together to put the interest of students first. Today's new traditional students, most of them working adults, must be afforded the respect they so rightfully deserve by policymakers, politicians and the educational establishment.

For example, University of Phoenix welcomes a meaningful and balanced debate over the Department of Education's gainful employment regulations. But that has not occurred. The process used to develop the proposed regulations, unfortunately, has been less than optimal and has produced a deeply flawed draft proposal that will hurt students and lead to other unintended consequences. We believe regardless of what is released by the Department of Education, substantial revisions and enhancements must be made by Congress to the existing statutory and regulatory framework in order to produce an effective measure of return on investment for all postsecondary institutions and all students.

We remain committed to working with the Congress, the Department of Education, and the White House to ensure the right protections are in place to protect the federal investment in higher education. We agree the significant investment this country makes in higher education must be protected and enhanced in order to serve the next generation of American students. The challenge facing us requires a comprehensive, collaborative approach or the educational achievement gap will grow and economic prosperity will decline for a growing proportion of Americans.

In closing, despite the political environment in Washington, DC, there are many exciting and promising innovations taking root throughout higher education. And leaders in Congress are working on important legislation to help clear the way for even more progress. Representative Salmon's bipartisan legislation on competency-based learning is an excellent example of the type of reforms that are needed as Congress moves forward to reauthorize the Higher Education Act of 1965. University of Phoenix and Apollo Education Group are eager to work with all Committee members and will continue to be at the forefront of adapting our programs to meet the needs of our students; helping to revive the economy through supporting the 21st century workforce.