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Improving For-Profit Higher Education: A Roundtable Discussion of Policy Solutions

The Education Trust has contributed to the national discussion about for-profit colleges and has closely followed the investigation, led by the U. S. Senate Health, Education, Labor, and Pensions (HELP) committee, into the sector's professional performance and practices. As a research and advocacy organization that promotes high academic achievement for all students — pre-kindergarten through college — we are deeply troubled by the sector's aggressive and questionable marketing and recruitment practices, low student retention and student outcomes, high cost and student debt burden, and soaring default rates, all of which have been uncovered during these proceedings.

Our November 2010 report, "Subprime Opportunity," examined the graduation rates and debt burdens incurred by students who entrust their futures to for-profit college companies. Our examination revealed that, too often, for-profit institutions enroll students in high-cost degree programs that saddle the most vulnerable ones with more debt than they can reasonably manage to pay off, even if they do manage to graduate.

Our March 2011 Senate testimony before the HELP committee stressed that for-profit college companies demand new attention and a new approach to regulation, that oversight is badly needed for an industry that makes billions from taxpayer subsidies, and that inaction is certainly not an option.

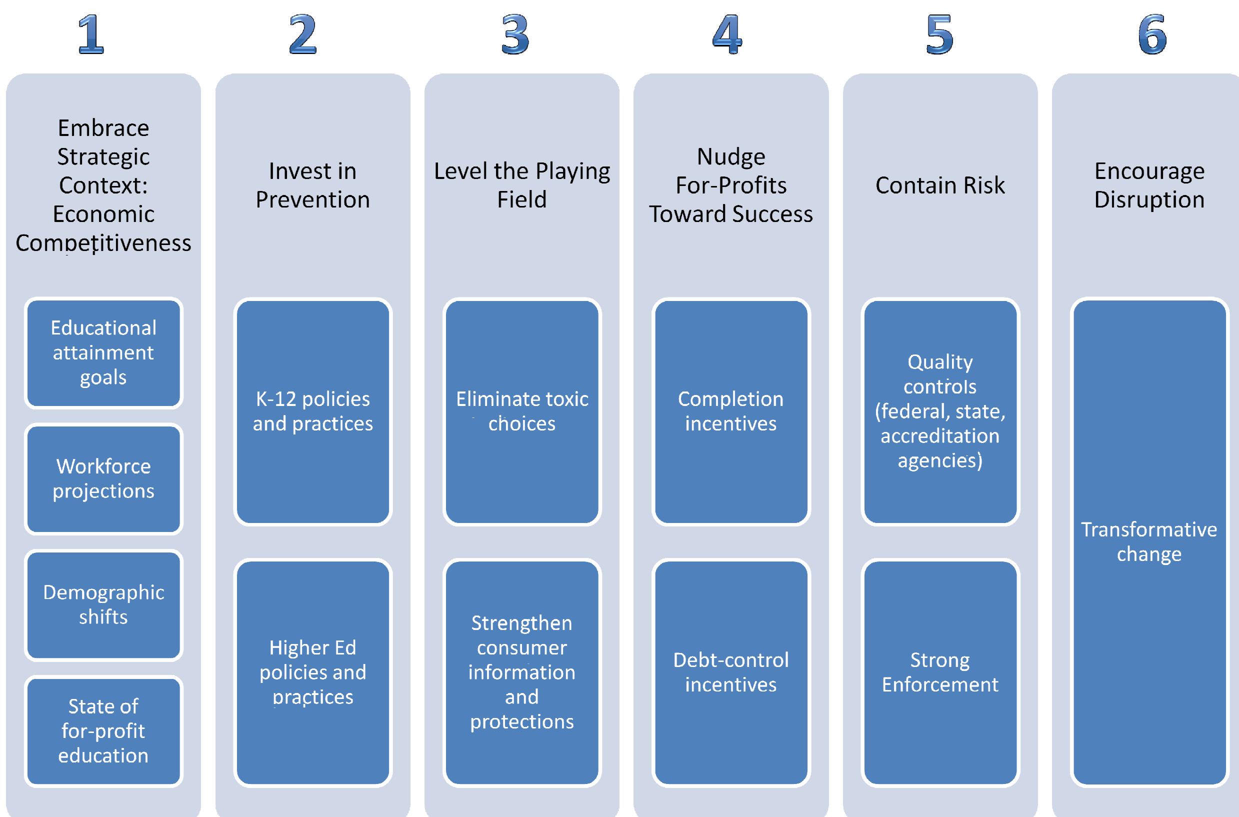
Today, we present a six-element framework to improve for-profit education in America to ensure students get the education that they are promised, and that taxpayers make a worthwhile investment. The framework requires:

1) For-profit colleges, federal and state regulators, accrediting bodies, and advocacy organizations to embrace the country's **economic competitiveness** as the strategic context in which all higher education sectors operate.
2) Policymakers to address the misguided K-12 and higher education policies and practices that have led to the disparities that gave rise to the current state of for-profit college education.
3) Policymakers and for-profit colleges to level the playing field by eliminating the most toxic academic programs, and by strengthening consumer information and protections.
4) Policymakers to incentivize investments in student success and controlling the student debt burden.;
5) Policymakers, regulators and accrediting bodies to contain risk by implementing effective quality controls, and by strongly enforcing the corresponding laws and regulations.
6) Policymakers to encourage disruptive innovations in the for-profit college sector — innovations that will transform the dismal student outcomes that currently plague the sector and cause the most harm to the most vulnerable students who, because of demographic shifts, could in fact contribute the most toward our collective aspirations.

We can't meet the workforce demands of tomorrow unless we clean up the for-profit college sector today.

A brief description of the framework is presented below. Details will be provided during the roundtable discussion.

Framework for Improving For-Profit Education



1 – Embrace Strategic Context

Educational Attainment Goals: If we are going to meet the President's goal to be first in the world in college degree completion by 2020, we need all sectors of higher education to be contributors to degree attainment.

Workforce Projections: Competing in the international economy is more difficult every day. In order to prepare our country for the workforce demands of the future, we must educate our students today. By 2018, 63 percent of jobs will require a postsecondary degree, and 22 million new college degrees will be needed to meet workforce demands. If we continue on our current path, we will have a degree shortfall of 3 million postsecondary credentials. At a time when the world is demanding more of students — higher degrees, more sophisticated knowledge — we cannot expect less of the institutions that seek to educate them.

Demographic Shifts: Low-income students make up 44 percent of the elementary and secondary student population. The more than 49 million students in public schools in 2009 represented a 13 percent increase over the number enrolled in 1994. That enrollment jump is due in large measure to increased numbers of students of color — African-American student enrollment increased 15 percent, Latino enrollment increased 91 percent and Asian-American enrollment increased 57 percent. On the other hand, there are actually six fewer white students enrolled than in 1994. Given these demographic shifts, we *must* get better at offering equitable educational opportunity to students of all backgrounds.

State of For-Profit Education:

For-profit colleges rake in a high level of federal dollars relative to the number of students they serve. While they enroll only 12 percent of the nation's college students, they consume 24 percent of all federal student-loan dollars. And their proportion of loan defaults is even higher: For-profits produce 43 percent of all defaults on federal loans.

2 - Invest in Prevention

Address Misguided Policies

Low-income students and students of color are doing their part to advance America's goal to become the best educated country in the world: Some 86 percent of African-American and 80 percent of Hispanic high school seniors plan to attend college. This is remarkable, given that these students are clustered in K-12 schools where the nation spends less, expects less, teaches them less, and assigns them our least qualified teachers. Unfortunately, traditional institutions of higher education are not responding with the increased levels of access and opportunities for success that these students deserve. This reality, coupled with billions of dollars in federal subsidies and lax regulations, has created a formidable market for the for-profit college sector — a market whose growth seems impervious to lackluster student outcomes. The problem is not the "for-profit" nature of these colleges, it is that their returns are a function of sustained failure, rather than student success: failure of the K-12 system to prepare all students for college and career; and failure of public and private nonprofit colleges to provide access and success for low-income students and students of color. Any attempt to improve for-profit education must include a rethinking of the misguided K-12 and higher ed policies that have fueled the sector's growth to a "too big to fail" status.

<u>K-12 Policies and Practices</u>: No Child Left Behind (NCLB) has revealed many uncomfortable truths about our nation's schools. It has laid bare painful and damaging achievement gaps. It has exposed too much mediocrity. And it made plain that adequate preparation for success beyond high school is not a corollary of meeting the "proficient" level of student performance. As we reauthorize NCLB, we need to raise our sights. That means new and higher standards; new and higher quality assessments; new and better ways to measure teacher impacts on student learning, and new, richer supports for teachers.

<u>Higher Ed Policies and Practices:</u> Poor and working-class students trying to pay for a college education already face a perfect storm: Tuition is skyrocketing, Pell's purchasing power is dropping, and precious financial-aid dollars are shifting away from them and toward more affluent students who would attend college regardless of whether they got financial aid. Currently, public four-year institutions spend about the same amount in grant aid on low-income students as they do on wealthy ones. As a result, a typical

low-income student has to finance an amount equivalent to about 72 percent of his or her family's annual income to attend college. These practices need immediate attention and action: we need cost-saving strategies in our colleges and universities and a redirection of institutional aid toward students who actually need it to attend.

3 - Level the Playing Field

<u>Eliminate Toxic Choices</u>: For-profit colleges need to deliver on the promise of opportunity they have made to students and taxpayers alike, earning their profits through innovation in educational delivery, rather than through under-investment in student success. In the absence of strong gainful employment regulations and the spirit of meaningful and sincere reform efforts, for -profit institutions should step up, review their program offerings, and eliminate those that are not serving a workforce need or graduating students with job prospects that will allow them to payback their student loan debt and to sustain their families.

<u>Strengthen Consumer Information and Protections:</u> Design a more complete method to calculate graduation and placement rates and require institutions to publish them in obvious places on their Web sites. What students care about is whether they will graduate and what the difference will be between their pre-enrollment earnings and what they earn post graduation. This information needs to get into students' hands, not lie buried on a Web site. And it needs to be available in an intuitive and standardized format which allows for comparison among institutions.

Strengthen laws around overly aggressive marketing and advertising — it's hard for students to sift out legitimate information from the excess of ads and marketing material they receive and there is little to no recourse for students that are taken in by misleading advertising. Furthermore, take a close look at the how some for-profit colleges offer and manage their own private loans to students. The opportunities for conflicts of interest and perverse incentives are too numerous and too dangerous to ignore.

4 - Nudge For-Profits Toward Success

<u>Completion Incentives:</u> Students who leave college without a credential are more likely to be delinquent or default on their loans. Recent research shows that more than half of students who left without a credential became either delinquent or defaulted on their loans. So, we need strategies to incentivize institutions toward student success, and to hold them accountable for that success — both in terms of college completion and loan repayment. And, you could explore risk-sharing models around student borrowing and loan debt so that both students and institutions have some "skin in the game."

5 - Contain Risks

<u>Quality Controls</u>: Accreditors and states need to carry their weight. The transfer of accreditation with a change of ownership should be banned. Institutions should not be allowed to offer programs that require specialized accreditation for licensure purposes unless they have the required specialized

accreditation. And accrediting bodies should certainly be measuring student success. States simply need to start regulating beyond the absolute minimum, which is what many do today.

Strong Enforcement: It's not enough to put new laws, standards, and regulations in place. The federal government, states, and accrediting agencies have to commit to enforcing them as well.

6 - Encourage Disruption

Transformative Change: At least one major for-profit college company needs to step forward and commit to increasing its success rates and lowering its students' debt levels through a concrete and persuasive goal. A challenge needs to come from within the sector that it's not acceptable to just admit students – institutions must also be committed to the success of each student they admit. Public university systems in the Ed Trust/NASH Access to Success Initiative have set the goal of increasing the number of degrees in their states, and halving access and success gaps for low-income and underrepresented students of color by 2015. These systems also have committed to publicly reporting their progress. Why shouldn't institutions in the for-profit college sector do the same?