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For-Profit Colleges, Growing Fast, Say They Are Key to Obama's Degree Goals

By Jennifer Gonzalez

Washington

With about two million students in the United States now attending for-profit colleges, a number that is expected to double by 2015, leaders of those institutions say their sector must play a key role if President Obama is to meet his goal of having the world's highest number of college graduates by 2020.

The institutions are still viewed with skepticism by some consumers and policy makers, but for-profit colleges have grown steadily. Their officials say the colleges' performance records on enrollment and graduation demonstrate the extent to which they can fulfill America's higher-education needs.

For-profit institutions, in fact, are now awarding degrees at a faster clip than their nonprofit counterparts. Between the 1996-7 and 2006-7 academic years, the number of associate, bachelor's, master's, and doctoral degrees awarded by private, for-profit institutions rose at a faster rate than the number of those degrees conferred by public and private nonprofit colleges, according to the National Center for Education Statistics.

The number of associate degrees conferred by for-profit institutions more than doubled during that 10-year span, to almost 118,000. For public institutions, the number increased by 22 percent, to 567,000, during the same period. At private, nonprofit colleges the number of associate degrees decreased by almost 11 percent, to 44,000. Associate degrees awarded by for-profit institutions made up 16 percent of all associate degrees awarded in 2006-7, up from 10 percent in 1996-7.

During the same period, the number of bachelor's degrees conferred by for-profit institutions increased even more quickly, to 71,000 from 12,000. At the same time, the number of those degrees awarded by public institutions increased by about 26 percent, to 975,000, and the number awarded by private, nonprofit colleges increased by 24 percent, to 478,000.
Students at for-profit institutions also tend to complete associate degrees faster than students at nonprofit colleges, according to the National Center for Education Statistics. The average time to completion at a for-profit college is 25.4 months, compared with 32 months at a nonprofit institution.

And all that is good for the for-profit sector's bottom line, too. The sector's revenue is projected to increase by about 10 percent annually, to $41.7-billion in 2014, according to a study this year by BMO Capital Markets.

Academic rigor at for-profit colleges, though, has been a concern, and a recent government report found that, on average, students who attend proprietary institutions have higher default rates on student loans than students at nonprofit colleges. The report, by the Government Accountability Office, also uncovered instances in which officials at some for-profit colleges helped students pass basic-skills tests or obtain invalid high-school diplomas so they could be eligible for federal aid.

The Obama administration, meanwhile, is revisiting rules that affect for-profit colleges, including those related to giving the basic-skills tests that determine whether someone has the ability to benefit from a college education, misrepresentation of information institutions provide to potential students, and incentive compensation for recruiters.

Some scholars have also pointed out that for-profit colleges offer a narrow range of degree options. Nevertheless, many of those institutions are well-positioned academically to educate the nation's future workers, says Richard K. Vedder, director of the Center for College Affordability and Productivity and a professor of economics at Ohio University. He says most of the 30 occupations projected to grow the fastest in the United States over the next decade—such as home health aides and customer-service representatives—do not require the kinds of skills associated with a traditional, four-year degree. Many jobs projected to grow by the Bureau of Labor Statistics require no more than a certificate or associate degree, which for-profit colleges offer.

Only about 8 percent of college students attend a for-profit college. But Jamie P. Merisotis, president of the Lumina Foundation for Education, stressed that even though the sector educates a small proportion of students, it has a big role to play in helping the Obama administration reach its 2020 goal.

Mr. Merisotis, whose group has focused its work on increasing college completion in the United States, says the for-profit sector
educates a lot of students from low-income backgrounds who are among the first generation in their families to attend college. Almost half of students enrolled at a for-profit college are the first in their family to pursue a higher education, and the same proportion of for-profit-college students come from families with an income below $40,000, according to the Career College Association.

The for-profit sector's role in educating those students is important, Mr. Merisotis says, because improving graduation rates among those populations, which have historically struggled to complete degrees, will be essential if the nation is to meet the Obama administration's benchmark. Lumina has set a similar goal, to increase the proportion of the U.S. population with degrees or credentials to 60 percent by 2025.

"For-profits are highly focused on completion," he says. "Completion is the main way they have to attract future students."

For-profit colleges outperform community colleges on completion rates for associate degrees. Sixty percent of students seeking a two-year degree at for-profit colleges graduate, compared with 22 percent of students at public community colleges, according to the National Center for Education Statistics.

However, students enrolled in four-year degree programs at for-profit colleges don't fare as well as their counterparts at nonprofit institutions. Forty-four percent of students who seek a four-year degree at a for-profit institution graduate. That compares with 54 percent of students attending a public, four-year college and 64 percent enrolled at a private, nonprofit, four-year college.

The Community-College Dilemma

To reach his goal, President Obama has proposed programs that would largely aid the nonprofit sector. He has called on community colleges to produce five million more graduates by 2020 and proposed billions of dollars to help them meet that goal. The president has also proposed a $2.5-billion College Access and Completion Fund that two-year institutions, as well as four-year nonprofit colleges, and states, could tap into to raise graduation rates and close achievement gaps.

But for-profit-college leaders say their institutions, which number more than a thousand, will also need to play a critical part, especially given the limit on community colleges' ability to expand. Those institutions are now struggling to accommodate growing numbers of students as their budgets are cut.

At the nation's largest community college, Miami Dade College, 30,000 students this fall were unable to take all the classes they
needed because the institution didn’t have money to hire enough faculty members and advisers. In California, community colleges plan to reduce enrollment by 250,000 students because of cuts in state aid.

Even though the Obama administration's plan would pump much-needed money into community colleges, some college leaders note that the $9-bilion the plan would put toward two new grant programs to test promising programs represents less than 1 percent of community colleges' collective budgets. Most states will not have the money to augment the federal funds.

"This is not a slam on community colleges, but the reality is that they do not have the resources to do what President Obama wants them to do," said Harris N. Miller, president and chief executive of the Career College Association, which represents about 1,400 institutions, most of them operated for profit.

Diane Auer Jones, president and chief executive of the Washington Campus, a nonprofit group, agrees that community colleges face a hard task. They enroll a diverse group of students, including a significant portion who need extra academic help to prepare for college-level work. Combined with increasing budget cuts, that factor will make it difficult for community colleges to achieve the graduation rates needed to carry out President Obama's goal, said Ms. Auer Jones, who was assistant secretary for postsecondary education under President George W. Bush.

But David S. Baieme, vice president for government relations at the American Association of Community Colleges, says that community colleges are well positioned, even in spite of budget challenges, to meet the president's goal of having them educate five million more students by 2020.

He said two-year campuses would be aided in their efforts not just by federal money proposed by the president but also by private dollars, from groups like the Lumina and the Bill & Melinda Gates foundations, which are putting hundreds of millions of dollars toward efforts to increase the number of Americans with college degrees.

Where community colleges have an edge over for-profit institutions in helping more students get into, and through, college is on costs, says Mr. Baieme.

Community colleges are generally cheaper than for-profit colleges, he said, making the two-year institutions an affordable option for more people. Tuition at for-profit colleges is, on average, six times higher than at a community college, he said, and students are more
likely to graduate with debt if they attend a for-profit college than if they attend a community college.

The average annual tuition this year at a public, two-year college is $2,544, compared with $14,174 at a private, for-profit institution, according to the College Board. Forty-two percent of students who graduate with an associate degree from a for-profit college leave with more than $20,000 in debt, compared with 1 percent of those who graduate with the same degree from a community college, Mr. Baime said.

"Community colleges are absolutely the route to go through to increase higher-education output," he said. "It makes more sense as a long-term strategy given the cost of attending a proprietary school."

Robert M. Shireman, U.S. deputy under secretary of education, was asked at a forum this fall about why the for-profit sector was omitted from the administration's policy plans, given the increasing role it is playing in higher education. He fielded the question at a discussion held by Education Sector, a research group that studies higher-education policy, and Washington Monthly magazine about what President Obama's focus on higher education means for the future of American colleges.

In response, Mr. Shireman stressed that the money proposed for community colleges was direct institutional aid from the government, which doesn't fit with the federal approach to for-profit colleges.

"We provide enormous amounts of Pell Grants and [federal] loans for students to attend a for-profit institution if they so choose, but the investment in the development of programs at for-profits is done through investors," Mr. Shireman said during the September discussion.

"Institutional aid doesn't make sense for the for-profit side of things, but it does make sense for the community-college side of things, where the owners are the public," he added.

The For-Profit Role

Mr. Miller, of the Career College Association, is not too concerned that for-profit colleges have largely been left out of the Obama administration's conversations about how to meet the president's 2020 goal. The administration needs the for-profit sector in order to achieve the goal, he said, and the sector can contribute without needing to receive federal money.

Unlike community colleges, which heavily depend on state and local money, for-profit colleges instead rely on investor capital and
student tuition. The capital allows the institutions to absorb the large up-front costs needed to design courses, construct facilities, and develop sophisticated Web-based systems of distance education. That gives for-profit colleges the ability to grow quickly and add programs to respond to changing market demands, their advocates say.

For-profit colleges, which have primarily educated adults, plan to expand the kinds of students they serve, Mr. Miller said, with an emphasis on recruiting more recent high-school graduates, veterans, and Hispanic people.

Mr. Miller said a rebirth of career and technical educational at high schools is opening the door for the sector among youth, and for-profit colleges are doing more to build relationships with high-school counselors and make presentations at high schools. He said the sector's focus on support services for students will help for-profit colleges enroll more of the rapidly growing Hispanic population, including many people who would be the first in their families to attend college.

For-profit-college leaders say their institutions will draw increasing numbers of students, and deliver growing numbers of graduates, in part because of their campuses' nimbleness. For-profit colleges, they say, respond to the marketplace more quickly than do nonprofit colleges, allowing proprietary campuses to start programs and offer degrees that meet changing needs of employers and students.

Jeffrey J. Conlon, chief executive of Kaplan Higher Education, says the United States will need to produce 63 million degrees to match leading nations in the percentage of adults with college degrees by 2025. At the current pace, the United States will fall short of that threshold by 16 million, according to data from the National Center for Education Statistics.

The for-profit sector is poised to contribute significantly, he says, because institutions like Kaplan can grow in ways that nonprofit colleges can't. Kaplan Higher Education opened four campuses this year, with classes set to begin in December at the ones in Arlington, Tex., and Chula Vista, Calif. Kaplan, which serves more than 100,000 students online and at its 72 campus-based colleges, has also started more than 100 academic programs this year, including an online master's degree in accounting, an online bachelor's degree in environmental policy and management, and campus-based associate degrees in health-information technology and medical-practice management.

Mr. Conlon said Kaplan expected to open several more campuses
and to continue expanding its online and campus-based program offerings.

The University of Phoenix is also growing at a rapid clip. In October, the institution announced that it had increased its enrollment by 22 percent over last year, bringing its total number of degree-seeking students to 443,000.

And the university plans to widen its marketing. William J. Pepicello, the university's president, says he wants to reach out to people who may have never thought of going to college.

"There are plenty of students out there," he said. "There are tens of millions who don't have a college degree. If we are going to fulfill the president's vision, we need to present people with a set of options."

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