



**FOR-PROFIT HIGHER EDUCATION UNDER SCRUTINY:**

**ISSUES AND CHALLENGES**

By

Laura H. Gilbert, Ph.D., J.D.  
Back to School for Grownups, LLC

June 3, 2011



## **INTRODUCTION**

This report describes major events and stories regarding recent scrutiny of the for-profit higher education sector. Particular emphasis is placed on four-year, degree-granting institutions.

Throughout this report the term “for-profit” describes companies that are in the business of providing higher education certificate and degree programs to students. The terms “private” or “not-for-profit private” describe non-public, non-corporate institutions typically referred to as “private colleges and universities”. Finally, the term “public” describes state-run colleges and universities supported primarily by public funds.

Appendix A compares select aspects of four-year degree-granting private, public and for-profit institutions.

## **BACKGROUND**

The ads are everywhere - television, radio, the internet, highway billboards, neighborhood newspapers, even the bus. For-profit post-secondary institutions advertise with a zeal (and budget) rarely seen outside retail and pharmaceutical companies; a zeal that has paid huge dividends. According to the [National Center for Education Statistics](#), during 2008-2009 3.2 million students enrolled in for-profit two-year and four-year institutions, up from 400,000 in 2000. Today for-profit students account for 11.8% of total higher education enrollment, a figure expected to grow.

For-profit educational institutions have played a significant role in American post-secondary training for many years. Although these career and skill-centered schools have taken a back seat to academic, theory-based colleges and universities, they plugged along, providing valuable training for a slice of workers we rely on: mechanics, executive secretaries, tradesmen (and women), hair stylists, lab technicians and many more.

As interest in post-secondary education grew, for-profit leaders and entrepreneurs seized the opportunity to tap the non-traditional student market using a customer-centric, profit-focused business model. And seize it they did. Collecting billions of dollars in revenue, the largest for-profit schools today barely resemble their earlier counterparts.



Most for-profits in business today emerged through one of four paths:

1. **Begun as a for-profit trade or business school** (aka secretarial school) in the 1950's or earlier. Coursework was gradually added and accreditation earned in order to grant four-year degrees and eventually master's and doctoral programs. (Example: National American University)
2. **Founded as a small, private college** but faced closure due to hard times. Sold, transformed and often renamed by a for-profit corporation. (Examples: Kaplan University and Corinthian Colleges grew primarily through acquisitions of small colleges.)
3. **Designed and launched as a for-profit business intending to compete with traditional private and public colleges and universities.** (Example: Capella University)
4. **Created as a parent corporation** that owns, operates or has partnerships to deliver curriculum for multiple for-profit and (in some cases) private, not-for-profit schools. (Example: [Apollo Group](#) which provides graduate programs to 16 private colleges)

As corporate entities, for-profit educational institutions may be privately or publicly held. Most, but not all, of the largest for-profit higher educational institutions are publicly held, trading their stock in the public marketplace. Among these are Apollo Group Inc., Strayer Education Inc., Corinthian Colleges, DeVry University, Capella Education and National American University. CEO compensation rivals seven-figure corporate salaries, far exceeding those of private and public college president peers.

### *Internet Opportunity*

During the internet explosion in the '90s, for-profit schools began to develop fully-online undergraduate and graduate programs targeting busy working adults. Unlike traditional brick-and-mortar colleges, online programs brought higher education to each student in the comfort of his or her home. Further, the market reach for an online program was huge: literally, anywhere in the world with an internet connection. From a business perspective, the online education model was brilliant. The value to the consumer of this new learning model, however, was yet to be tried.

Investment in one's education, by definition, must be measured over time. Until data exists on the outcomes for an acceptably large sample of graduates, it is difficult for a prospective student to determine if the value of an educational program will be worth the investment of time, money and effort.



Without historical data to consider, prospective students at primarily online, for-profit schools relied on information from retail-like marketing campaigns and hope-filled promises of easily-acquired careers.

Further, from the outset there was a distinct difference in how for-profits defined institutional success. Public and private universities take a long-term view, measuring their success in part by the success of their graduates. How many go on to graduate school? Become CEOs, doctors, Pulitzer Prize winners, public servants? Contribute as alums? How a college's former students apply the education they received to the world around them reflects on the value of the school's educational model, culture and staff. The success of the consumer (student) defines the ultimate success of the institution.

In contrast, institutional success of a for-profit corporation in any industry is based on a shorter-term view. Quarterly revenue, profit, and in publicly traded businesses, shareholder value, are king. Even strongly mission-driven corporations such as Medtronic would not be considered successful from a business perspective, without acceptable levels of quarterly revenue, profit and shareholder value. Translating this to the for-profit education model, success rides less on the long-term success of the consumer (student) but rather on how many enrollees are captured each and every term.

Before the marketplace could establish the relative worth of a four-year, for-profit, online degree, the country sank into a deep recession. For-profit executives and entrepreneurs recognized an even greater emerging market. Targeting the unemployed and underemployed, for-profit schools offered quick-entry programs for those in search of renewal, hope and an "edge" over the competition. Everyone with a high school diploma and internet connection was welcome.

Students enrolled by the droves; literally hundreds of thousands. Many were the first in their family to go beyond high school. Others had been rejected from traditional programs (or assumed they would be) due to poor grades, low test scores or sub-par English proficiency. These new online programs meant they could succeed or fail in the privacy of their own homes. For-profits offered a second chance.

Admission representatives (sometimes called advisors) not only promised the student would be supported and guided at each step along the way, they expressed personal belief in each and every prospect; and they were persistent – very persistent – to a point. Unfortunately, the happy story for many students ended shortly after he or she enrolled and paid tuition (often through loans or credit card charges); in other words, once the sale closed. Legislators, consumer advocates, educators and the media took note as complaints of unfulfilled promises, worthless degrees and egregious debt loads intensified.



By June 2010, for-profit institutions were on the hot seat. In the course of a few short months, a government investigation was conducted, Senate hearings held, lawsuits filed and federal regulations promulgated and enacted. Hardly a day went by without a news report on some aspect of the for-profit investigations. Four themes emerged: money, transparency, integrity and choice.

### *Money*

For-profit institutions earn as much as 90% of their revenue from federal student aid. In 2009 for-profit students received \$4 billion in federal grants and \$20 billion in Department of Education loans, or 26% of all federal student aid (although representing only 11% of higher education enrollees). In other words, as private enterprises, for-profit institutions are funded almost entirely by public, taxpayer dollars.

Once the institution collects the money, the burden of any repayment falls to the student. Student loans are not discharged in bankruptcy. There are no return options and no lemon laws. When a student fails to repay his or her federal student loan debt, taxpayers take the hit. Unfortunately, for-profit students represent 46% of loan defaulters.

Federal loans, designed for traditional-age students, are often insufficient to meet the needs of an adult learner. In order to support a family while completing coursework, these students often find it necessary to seek additional funds through high-interest private loans. The result is stories such as the 35-year-old who holds a fashion-design degree from an online for-profit program, is \$95,000 in debt and unemployed. This is bad for the student and bad for the economy.

Student loan debt in the U.S. is expected to reach \$1 trillion dollars in 2012, outstripping our total credit card debt. One question on the table is whether the student debt bubble, led by the explosion of for-profit institutions funded through these tax dollars, will burst and become the next national fiscal crisis.

### *Transparency*

It is human nature to distrust that which we can't see. Because we can't see or know everything we rely on trusted others to guide our decisions. Public colleges, by definition, have public oversight, generally led by a state department of higher education. Private colleges are guided by boards of directors, trustees and watchful alumni organizations that ensure the reputation of their hard-earned degree remains strong. When something goes awry at a private or public college, it is relatively easy to know where to start. But what if the school exists in cyberspace? With what rules must the school



comply? Who is responsible? What records are maintained and where? Lack of transparency breeds suspicion, especially in the face of high-profile complaints.

Furthermore, brand adds transparency to an otherwise opaque purchase. Merely having a recognized brand (good, bad or neutral) means consumers have enough information (whether accurate or not) to make a decision about the brand. Public and private schools pride themselves on the distinctive mark (brand) they hope to make on each graduate's character, a mark distinguishable to employers and others throughout the graduate's life.

Some for-profit educational programs such as Aveda have strong, positive brands in the marketplace. However, few four-year, degree-granting for-profits have distinct brands, in part because their brand messages tend to emphasize less distinguishing characteristics such as convenience or being friendly to busy adult learners. In addition, for-profit institutions fall outside standard national ranking reports that offer transparency to program details used annually by thousands of students to select or avoid a public or private college.

Finally, the lack of transparency raises questions with potential employers. Executives and hiring managers have an image of what a Carlson School honors graduate can contribute to the organization or why a St. Cloud State student may be a better fit than a Macalester graduate. Many are unclear of what a for-profit undergraduate or MBA brings to the plate. In times of high unemployment with hundreds of applicants per job, the lack of program transparency works against the for-profit graduate.

### *Integrity*

As unorthodox marketing campaigns at the fastest-growing for-profit institutions drew public attention, so did media reports of questionable practices. On May 4, 2010 the PBS program, Frontline, aired "College, Inc." an exposé alleging questionable practices at several large for-profit institutions. On December 21, 2010 CNBC aired "The Price of Admission: America's College Debt Crisis". A segment of the program titled "For-profits Under Fire" raised concerns about student debt loads, default and high rates of unemployment among former for-profit students.

Story after story emerged alleging fraud, aggressive sales tactics, misleading and deceptive marketing practices. Former employees claimed they were trained to target vulnerable populations. Former students spoke of dreams turned into nightmares as worthless degrees left with unemployed with unmanageable student debt. Although marred by a few bad apples, the integrity of the entire for-profit industry was under scrutiny.



### *Choice*

The concept of choice is at the core of our political and educational system. For-profit institutions offer a significant and essential choice for post-secondary education. As negative press increased, for-profit education advocates and leaders came to the defense of their institutions as an essential, viable and sometimes only educational option for many learners. For-profit educational institutions as a whole were not the problem, they claimed. Rather, the problem could be attributed to a few “bad apples”, as it were. Eliminate the bad apples and the image of the for-profit institution as a viable choice could be restored. What appeared, however, were more than a few bad apples; and some were bad to the core.

### **BAD APPLES?**

Today, investigations continue to identify and root out bad apples among the for-profit sector. Inappropriate practices range from illegal actions by a few renegade employees to widespread aggressive marketing tactics and unethical training programs. Three highly publicized investigations involve Trump University, Kaplan University and the University of Phoenix.

#### *Trump University*

Trump University was founded in 2005 by real estate mogul, Donald Trump. Tuition is charged by the class. Cost per class ranges from \$1,500 to \$35,000 (not a typo). In 2010 the Better Business Bureau gave Trump University a D-minus based on a review of 23 complaints of high-pressure sales tactics, unfulfilled guarantees of one-on-one instruction (some with Mr. Trump), and false promises of financial assistance to buy real estate. Investigations are underway in New York, Texas, Florida, Illinois and California.

Late in 2010 the school’s name was changed to Trump Entrepreneur Initiative after attorneys general in New York and Maryland found that Trump University was not, in fact, a university. Trump’s use of the word “university” therefore violated state education law.

#### *Kaplan University*

Another highly publicized for-profit under scrutiny is Kaplan University. According to a an April 2011 [Washington Post](#) article, Kaplan began in 1938 as a tutoring business and was purchased in 1984 by



the Washington Post Company (The Post Co.) In the mid-‘90s, Kaplan executives recognized the internet as a means for rapid expansion into new educational markets. In 1998 Kaplan opened Concord Law School, the first online law school. Within two years the school had 600 students. Encouraged by this success, Kaplan acquired Quest College, a regionally accredited school in Davenport, Iowa for \$165 million.

The value to Kaplan of the purchase had little to do with brick-and-mortar buildings Kaplan’s intent was to establish an online college. The true value of Kaplan’s purchase was that the acquisition included Quest’s regional accreditation, something that can take a start-up school years to obtain. This meant students at the newly renamed Kaplan College were immediately eligible for thousands of dollars federal financial grants and loans under Title IV of the Higher Education Act.

Between 2000 and 2010 Kaplan acquired 75 additional small colleges and eventually became Kaplan University. In 2010, revenue from Kaplan’s higher education operations climbed to \$1.46 billion, more than 90% from federal student aid (not including additional revenue from education grants and loans to enrolled veterans).

The year 2010 also brought several whistle-blower suits by former employees who recalled aggressive, misleading sales tactics, and shared a training manual describing the profile of a target Kaplan student as someone with low self-esteem, reliance on public assistance, being fired, laid off, incarcerated, or physically or mentally abused. In contrast, a Kaplan spokesperson touted the school as a model for higher education of the future that was serving a public mission and “engaged in making the world a better place.”

#### *University of Phoenix*

A third high-profile for-profit institution, the University of Phoenix, is now the largest college in the United States, boasting total enrollment near 500,000 students and 2009 revenue of \$4 billion. Although under similar scrutiny as their for-profit peers, the University of Phoenix is at the top of a secondary “bad apple” claim: excessive executive compensation practices built on the backs of student borrowers.

To clarify, the University of Phoenix is a subsidiary of [Apollo Group](#), the parent company of several higher education providers that cater to working adults. According to a November 10, 2010



[Bloomberg report](#) citing a Chronicle of Higher Education survey, Apollo’s executive chairman, John G. Sperling, received \$263.5 million from stock sales between 2003 and 2010. Apollo’s co-CEO received \$6.75 million for the fiscal year ending August 31, 2009, while the president of the University of Phoenix received \$1.8 million--far above the median annual pay of presidents at private nonprofit universities (\$358,746) or even large public universities (\$436,111).

Likewise, the president of for-profit Strayer Education Inc. received \$41.9 million in total compensation; 32 times the \$1.3 million received in compensation by the president of comparably-sized New York University. Extravagant pay packages are not illegal, as is fraud or similar “bad apple” behaviors. For the record, no one is complaining about the \$800,000 salary of Harvard’s president, or even the \$1.6 million package received by the leader of Rensselaer Polytechnic Institute. However, for-profit executive compensation practices flunk the proverbial smell test. It simply smells bad when a CEO walks away with \$41.9 million earned on the backs of students who hold allegedly worthless degrees and an un-repayable debt.

## **CONGRESSIONAL SCRUTINY**

On June 24, 2010, United States Senate Committee on Health, Education Labor & Pensions (“HELP Committee”) led by Tom Harkin held their [first hearing](#) on emerging risks in the for-profit education sector. Quoting U.S. Department of Education data, the report stated that in 2008-09, \$4.3 billion dollars in federal Pell grants (nearly one-quarter of all Pell grants) and \$19.6 billion in federal student loans were distributed to for-profit schools. These federal funds made up as much as 90% of for-profit institutional revenue and accounted for 23% of federal financial aid funds available under Title IV of the Higher Education Act of 1965.

The Committee looked specifically at 15 publicly traded for-profit schools – all with four-year degree programs and significant (if not complete) online instruction. Much of the rapid growth in for-profit education in the past ten years is attributable to these institutions, the largest of which has a current enrollment of nearly a half million students, more than the undergraduate enrollment of the entire Big Ten conference. The Committee also wished to confirm that federal funds paid for quality education, a reasonable question as business experts, rather than educators, led the transition to online education.

Acknowledging the value provided by many for-profit institutions, the HELP Committee nevertheless concluded, “Congress and the U.S. Department of Education have a duty to ensure that for-profit schools spend these Federal dollars efficiently and effectively.” Because Title IV funds are



technically provided to students, the Federal government currently places no restriction on how revenue from these funds may be used by schools. As the hearing report states, “There is no requirement that a school devote any portion of Title IV dollars to education.”

In addition, the Committee was concerned about high dropout and default rates, questionable recruiting and debt-management practices and the atypically large share of revenue spent on expenses unrelated to teaching. For example, one analysis found for-profits spent an average of 31% on recruitment, advertising and marketing compared to 2% spent at community colleges. A financial report for Alta Colleges, the defendant in an ongoing lawsuit brought by former students, lists recruitment expenditure in 2005 as \$71,857,000, nearly a third of total operating expenses.

## **INVESTIGATION**

Following the first hearing, the HELP Committee partnered with the General Accountability Office (GAO) to conduct an undercover investigation of alleged aggressive and questionable sales tactics at the 15 publically traded for-profit institutions. A [GAO report](#) released on August 4, 2010, the day of the [second HELP committee hearing](#), stated 4 colleges had blatantly encouraged applicants to falsify financial aid records in order to qualify for financial aid. All 15 schools had made deceptive or misleading statements to GAO’s undercover applicants and/or had engaged in aggressive sales tactics.

Examples included providing fraudulent information about school accreditation; encouraging applicants to falsify financial aid forms to qualify for federal aid; providing false and misleading information about accreditation; and failure to provide clear or accurate information about program cost, duration, graduation and job placement rates and average starting salary.

Aggressive sales tactics included relentless calls to the fictitious prospect, which began as quickly as 5 minutes following an online information request. School representatives were often relentless and pushy; one agent receiving more than 180 phone calls in a month. Further investigation uncovered training programs where admissions sales representatives were taught to identify and exploit a prospect’s “pain points” such as unemployment, unfulfilled personal dreams or a desire to make loved ones proud.

## **COMMISSION-BASED SALES**

Unlike traditional higher education marketing tactics that seek to attract students through reputation and information-rich brochures, reports emerged that the most aggressive for-profit schools required a commission-based staff to seek out prospects through any means, including cold-calls to name



after name in telephone directories. This unorthodox practice may have continued but for the fact that commissions are typically not earned until the new student has enrolled and remained in a program past the point at which he or she can withdraw for a full refund. In other words, the sales/admissions representative is incented not just by registering students but by getting them to remain registered until the student is fully committed to the cost of tuition, whether the student ever sets foot (or finger) in a class.

Similar to product-based commissioned sales, the sales rep doesn't get credit until "ownership" of service or product transfers and the purchaser has legal responsibility for the bill. Consequently, school reps stayed aggressive and engaged with students until enrollment was complete and the deadline for full-refund had passed. Then they disappeared, on to the next prospect.

## **LEGAL ACTION**

On August 11, 2010, one week after the second Committee hearing was held, a [class action suit](#) was filed by Krystal Bernal and a classmate in the United States District Court for the District of Colorado under the Colorado Consumer Protection Act against Westwood College and its affiliates. This lawsuit and the plaintiff's story are similar to countless others that have come forward since this suit was filed.

The first in her family to pursue a bachelor's degree, 25-year-old Krystal Bernal trusted a Westwood advisor who assured her she would earn a \$65,000 starting salary with a three-year fashion merchandising degree. Although the stated cost of the degree was \$75,000, the school promised to help her get loans. When she hesitated, the advisor responded with "I don't think you want to better your life. I don't think you want to better your future." Ms. Bernal went home to decide whether or not to make the financial and personal commitment to Westwood. The advisor continued to call Ms. Bernal day after day using various high-pressure sales tactics until Ms. Bernal enrolled.

Two years after graduation, Ms. Bernal was working as a part-time bank teller for \$12 an hour. When she had considered pursuing additional education at a community college she quickly learned that none of her credits from Westwood are transferable due to accreditation issues. To earn a degree from a public or private college, she must start over.

Ms. Bernal's total student loan debt is far beyond the \$75,000, reflecting additional fees and expenses not disclosed up front. Because she exhausted federal loan options, Ms. Bernal took additional



funds in private loans for which her mother co-signed. Unable to pay minimum amounts on her loans, both her credit and her mother's credit are at risk.

Based on interviews with more than 700 students and 50 former employees, the law suit claims, among other things, that Westwood College:

“Admissions representatives commit deceptive trade practices by uniformly making knowingly false representations and material omissions regarding the actual costs and fees associated with enrollment; job placement opportunities and salary expectations; education quality and credit transferability; and the school's accreditation. Further, the admissions representatives are knowingly misrepresented as academic advisors with the credentials to guide students in important educational and life decisions when the admission representatives are truly sales agents or “bounty hunters” with quota requirements and enrollment-based incentive programs. These misrepresentations and omissions all stem from internal policies or training programs that have been devised, implemented, authorized, or sanctioned by the Individual Defendants.” (Civil Action No. 10-cv-01917-PAB, [Bernal et al v. Burnett et al](#), US District Court, CO, August 11, 2010, page 9, paragraph 18).

As of June 1, 2011, the lawsuit was pending.

## **FEDERAL REGULATORS RESPOND**

With mounting evidence of aggressive, fraudulent and deceptive marketing practices at for-profit schools, federal regulators proposed new “Program Integrity” standards to protect students and taxpayers. Although motivated by issues regarding specific for-profit institutions, the final rules apply to all post-secondary institutions.

The intent of the new rules is “to strengthen federal student aid programs by protecting students from aggressive or misleading recruiting practices, providing consumers with better information about the effectiveness of career college and training programs, and ensuring that only eligible students or programs receive aid.” (U.S. Department of Education, [Press release](#), October 28, 2010).

On October 29, 2010 the U.S. Department of Education published final regulations in the *Federal Register* (34 CFR Parts 600, 602, 603, et al. [Program Integrity Issues: Final Rule](#)). These regulations take effect July 1, 2011 and address thirteen of fourteen initial issues. Among the issues addressed, the regulations direct post-secondary institutions to:



- **Protect consumers from misleading or overly aggressive practices, and clarifying state oversight responsibilities by:**
  - (a) Strengthening the Department’s authority to take action against institutions engaging in deceptive advertising, marketing, and sales practices,
  - (b) Removal of “safe harbor” provisions that currently allow for commission-based pay for admission representatives, and
  - (c) Clarifying the minimum state requirements to assess, monitor and authorize eligibility for federal funding at higher education institutions.
  
- **Ensure that only eligible students receive federal funds by:**
  - Developing procedures to evaluate the validity of a student’s high school diploma if the institution or Secretary [of Education] has reason to believe it is not valid.
  - Revising Ability to Benefit (ATB) test approval procedures and criteria.
  - Development of a structured and consistent approach to evaluate a student’s academic work to ensure students who receive federal aid meet standards for academic progress.
  - Improving the application process for the Free Application for Federal Student Aid (FAFSA) to better identify fraud.
  
- **Establish a new regulatory definition of credit hour to prevent institutions from awarding more credits (and more student aid) than deserved.**

### *Gainful Employment Rule*

The fourteenth issue, known as the “gainful employment rule”, targets career colleges and directly affects a program’s eligibility to receive, or continue receiving, federal student aid. The gainful employment rule has been a hotbed of controversy among educators from private, public and for-profit institutions as well as business leaders and even privacy advocates to name a few. The Obama Administration released information on [final regulations](#) on June 1, 2011 including a 436-page [unofficial](#)



[Final Rule](#) document. A *Chronicle of Higher Education* [article](#) suggests for-profit school came out the winners whereas an [article](#) in *Inside Higher Ed* offers a less rosy perspective.

Under the new rule, all covered programs must disclose total program costs, loan repayment rates, graduates' debt-to-earnings ratio and other consumer information to help prospective students in program selection. In order for a program to be eligible to receive Federal aid, for-profit programs and certificate programs at nonprofit and public institutions must prepare students for gainful employment in a recognized occupation. According to a U.S. Department of Education [press release](#), a program that claims to lead to gainful employment must now meet one of three metrics: "at least 35 % of former students are repaying their loans, the estimated annual loan payment of a typical graduate does not exceed 30% of his or her discretionary income; or the estimated annual loan payment of a typical graduate does not exceed 12 % of his or her earnings."

Additional information on the fourteen Federal Regulations is available at the [Northwest Education Loan Association](#) (NELA) website. The site includes a well-organized page with links to the October 2010 [final regulations](#), corrections, letters to colleges guiding implementation ([example](#)), and the Department of Education page on [the gainful employment rule](#). NELA's [Final Rules Summary](#) describes key regulatory changes and effective dates in an easy-to-use chart format.

## ARGUMENTS IN SUPPORT OF FOR-PROFIT INSTITUTIONS

### *National Goals*

As the U.S. struggles to maintain leadership status in the rapidly expanding global economy, and given ever-increasing gaps between the haves and have-nots in our society, the push is on to increase access to and success in achieving post-secondary credentials. In addition to restoring our international standing, politicians, advocates and educators believe that an educated society will ensure economic security for our country and prepare our people for living-wage jobs.

In August 2010, President Obama called for America to reclaim its world leadership by 2020 as the country with the highest percentage of post-secondary graduates. Many have answered the call. Lumina Foundation, "the nation's largest foundation dedicated exclusively to increasing students' access to and success in post-secondary education", is hard at work on their [Big Goal](#): "To increase the proportion of Americans with high-quality degrees and credentials to 60% by 2025." The progressive Minnesota think tank, Growth & Justice, stands as a state model toward achievement of the national goal. Based on demographic and workforce predictions for Minnesota, Growth & Justice set a goal at the heart



of their [Smart Investments in Minnesota's Students](#) initiative to help Minnesota achieve a 75% higher education attainment rate by 2020.

### *Program Scalability*

How can these numbers be achieved in their respective timeframes? Traditional brick-and-mortar colleges and universities, with an emphasis on face-to-face must limit enrollment. Changes in curriculum and instructional design, let alone building construction, can take years and significant funds to accomplish.

By contrast, for-profit institutions have a proven ability to scale up quickly to meet student demand. According to their website, Minnesota-based Capella University, a fully-online for-profit institutions founded in 1991 increased from 10,000 enrollees in 2004 to 40,000 in 2011. The June 24, 2010 Senate HELP Committee report referenced another for-profit institution that purchased a private college in 2005 that had dwindled to 332 students. By 2010 the school's enrollment was more than 65,000 students, 99% of whom attend the college fully online. It is unfathomable for a traditional brick-and-mortar university to be able to achieve similar expansion results in similar timeframes.

### *Enrollment Numbers*

A second challenge is simply where to find enough students to meet the national goals. In their 2010 report, "The College Degree Gap", the state Higher Education Executive Officers (SHEEO) estimated that 63.1 million degrees must be earned in order for the U.S. to reach a 55% goal of adults with a college degree by 2025. Projected population growth would provide 1.3 million additional degrees beyond current attainment rates. By increasing attainment rates of traditional-aged students by 2.5 percentage points every four years, another 4.3 million degrees can be attained. That leaves a shortfall of 10.2 million degrees that must be picked up by adult learners.

For-profit institutions are designed for adult learners. Flexible scheduling, online programs, practical, career-oriented curriculum and older-than-average student populations make the for-profit model attractive to adult learners. Adult learners also generally prefer to begin a program shortly after deciding to attend, rather than wading through extended applications and wait times standard for high school seniors and traditional programs. For-profit institutions can accommodate these preferences and needs.



### *Student Choice*

For-profit institutions have played an important role in our culture for decades, perhaps longer. Training for certain careers has been available primarily through for-profit schools. Many for-profit schools provide a short route to a decent job for individuals interested in a certain field or for whom a traditional post-secondary college education is not an option. To attack all for-profit institutions because of the unfortunate practices of the few (albeit some of the largest) would be unjust and could threaten a valuable resource for students and society.

It is also imprecise to directly compare four-year and advanced degrees across institutional types. This challenge has been exacerbated in recent years as for-profit institutions moved beyond their established realm of career-centered programs to offer four-year and graduate degrees. Although degree-granting for-profits compete with public and private colleges for students, the fact remains that for-profit institutions boast a different culture and goals. One needs only compare marketing materials for a large for-profit with those from a state university or private college to note the difference. A direct comparison between a four-year state school accounting degree and a four-year non-profit accounting degree misses essential differences in training and culture that each graduate will bring to the workplace.

### **CONCLUSION**

Higher education is essential to the social and economic well-being of America and its people. State and federal lawmakers are in agreement that egregious practices will not be tolerated at any educational institution, whether the school is for-profit, private or public. Issues of money, transparency, integrity and choice are on the table.

High-quality for-profit institutions are a mainstay of the higher educational system. They are essential to the achievement of state and national degree-completion goals. And they provide a valuable choice to many students who prefer the culture and approach provided by a for-profit environment.

The next decade will tell the final story as Federal Regulations are enacted, educational consumers become savvier, and students from effective for-profit degree programs make their mark on society.



## APPENDIX A

### CHARACTERISTICS

The content of this chart is based on the experience and opinion of the author except for numerical data which is from the National Center for Education Statistics and the “[The Condition of Education 2011](#)” report released May 26, 2011.

	<b>Private, Not-for-Profit</b>	<b>Public</b>	<b>For-Profit</b> <i>4-year degree programs unless otherwise specified</i>
<b>Entrance requirements</b>	Based on GPA, standardized test scores, English proficiency, recommendations and other factors; range from less selective to highly selective.	Based on GPA, standardized test scores, recommendations and other factors; range from less selective to highly selective. Community colleges may offer open enrollment with the option to take remedial courses.	Open enrollment or minimal requirements. Highly specialized programs (e.g., art, culinary, high tech) may have additional requirements.
<b>Average full-time cost at 4-year schools in 2007-08</b>	\$26,600	\$15,600	\$30,900
<b>Average expenditure on instruction<sup>1</sup></b>	\$15,289	\$9,418	\$2,659
<b>2008-2009 enrollment</b>	4,543,148	19,609,933	3,216,179
<b>Increase in enrollment between 2000-09 at 4-year institutions</b>	17%	27%	60%
<b>Primary format</b>	Brick and mortar, face-to-face instruction	Brick and mortar, face-to-face instruction	Online (Particularly at the 15 largest programs)
<b>Accreditation</b>	Fairly consistent accrediting entities	Fairly consistent accrediting entities	Inconsistent accreditation
<b>Quality</b>	Generally recognized quality of instruction and program design	Generally recognized quality of instruction and program design	Widespread concerns about quality of instruction and grading standards
<b>Recruitment model</b>	Use standardized test scores and similar means to identify top students ( <i>Pull strategy</i> )	Use standardized test scores and similar means to identify top students ( <i>Pull strategy</i> )	Internet pop-ups, telemarketing, late night TV infomercials, major ad campaigns ( <i>Push strategy</i> )
<b>Recruitment style</b>	Reputation-based	Reputation-based	Sales-based
<b>Administrators &amp; Faculty</b>	Follow established qualification standards.	Follow established qualification standards.	May or may not hold credentials assumed by students.
<b>Flexibility</b>	Standard 4-year model unless offer special programs ( e.g. adult degree completion)	Typically offer more scheduling options than private schools.	Flexibility and convenience are strong selling points (with some exceptions).

<sup>1</sup> In conjunction with average full-time cost figures, this data could be interpreted as a tremendous achievement in cost control. Yet these facts only consider the institutional upside. The value of an educational purchase to the student must go beyond an attendance opportunity and look at effects in the years following completion.