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The New Fight Over Access to Higher Education

As President Obama focuses this week on education, criticism has escalated regarding the levels of government assistance for the fastest-growing segment of American higher education, the private for-profit colleges, universities and institutes. From 1995 to 2008, the student bodies of private for-profit institutions increased from 240,000 to 1.8 million, a jump of 750 percent. With my Sonecon colleague, Dr. Nam Pham, I just completed an extensive study of how much support government provides to the three major types of institutions - private for-profit, public, and private not-for-profit - and the results for students. Drawing on the database of the National Center for Education Statistics, we found that most of the current criticisms of private-for-profit higher education are misplaced. They actually receive much less taxpayer support, per-student; they provide greater access to higher education for students from low-income and minority backgrounds, and they often produce better results than traditional schools.

For idea-based economies like our own or those in Western Europe and Japan, building a workforce comprised of people with advanced skills and education has become a critical factor in global competition. And for individual workers, access to higher education is their most important ticket to long-term prosperity. Americans with bachelor degrees, for example, currently earn 83 percent more than high school graduates. Such stark differences have spurred the recent, rapid increases in the numbers of young Americans pursuing higher education. Over the last two decades, the number of students attending post-secondary institutions soared from 14.3 million to 19.6 million; and the even more rapid expansion of private for-profit colleges and universities accommodated nearly 30 percent of that increase.

This turbo-charged expansion of private for-profit higher education isn't serendipitous. The

share of post-secondary students attending private for-profits rose from less than 2 percent to nearly 10 percent, because these institutions established certain powerful advantages. To begin, they can finance their expansion through capital markets, a more secure channel than appealing to governments and alumni as public and private not-for-profit institutions have to do. Furthermore, new rules from the Department of Education in 1994 required strict accreditation of institutions accepting students with federal loans and grants, and many private for-profits responded by upgrading their facilities, faculties and course offerings. As young upstarts, many private for-profit institutions also are more eager and willing to adopt new, cost-effective technologies, especially online learning to scale up their enterprises. Perhaps most important, private for-profit institutions moved to meet the burgeoning economically-driven demand for higher education by emphasizing career-track programs to prepare students for jobs in particular fields, rather than a more traditional liberal arts education.

Private for-profit colleges and universities especially attract those who historically have had the least access to more traditional institutions, enrolling disproportionate numbers of students from low-income and minority families. Looking across all four-year institutions, we find that lower-income students make up nearly two-thirds of those attending private for-profit colleges and universities, compared to just over one-third of those at public and private not-for-profit institutions. Minorities also comprise more than half of the student bodies at private for-profits, compared to one-third at private not-for-profit and public institutions. This focus on those with traditionally little access to higher education appears to be quite successful: The graduation rates for four-year institutions with predominantly lower-income students are 55 percent for private not-for-profits, compared to 39 percent for private not-for-profits and 31 percent for such public institutions. Similarly, across four-year institutions with predominantly minority student bodies, graduation rates are 47 percent at the private for-profits, compared to 40 percent at their private not-for-profit counterparts and 33 percent for public institutions.

The current political fight, however, is not over results, but access to government support, with many critics charging that the private for-profits absorb disproportionate taxpayer assistance. It's no coincidence that that these criticisms escalated recently, while tight government budgets squeeze many public institutions and a weak economy puts new pressure on the endowments and gift-giving for private not-for-profits. Once again, the data from the National Center for Education Statistics refute the critics. All three types of institutions get both direct support through government appropriations, grants and contracts, as well as indirect support through government student loans and grants. But across all four year institutions, private for-profits and their students receive an average of \$2,394, per-student, in all forms of government support, compared to \$7,065 per-student for the private not-for-profits and \$15,540 per-student for public institutions. The same pattern holds across two-year institutions, though with smaller gaps.

The biggest differences involve direct support through government appropriations, grants and contracts. Focusing again on four-year colleges and universities, private for-profits actually pay more in taxes than they receive in such direct support. By contrast, four-year private not-for-profit colleges and universities receive an average of \$4,765 per-student in direct support, and public institutions collect \$13,240 per-student.

Government is more even-handed in its indirect support through student loans and grants. Students attending four-year private for-profits receive an average of \$2,416 in loans and grants from all levels of government, compared to \$2,300 per-student for those attending four-year public or private not-for-profit institutions. Students at private for-profits, on average, do receive larger federal grants and loans than other students - and significantly smaller loans

and grants from state and local governments. These differences reflect the historic mission of federal student loan and grant programs to help low-income students, who predominate at many private for-profits. It's also true that students from private for-profits are more likely to default on these loans. That's also not unexpected, since students from low-income families have fewer family resources to help pay them off, especially at first.

No one would blame traditional private and public institutions from trying to claim as much support as possible from taxpayers. Yet, on a strict per-student basis, private for-profit institutions already receive only a small share of what other institutions receive from government. And in less than a single generation, the private for-profits have created a new pathway to economic opportunity for millions of people with traditionally limited access to American higher education. At a time when what we know determines both what we earn and how effectively we compete in global markets, the United States can ill afford to shortchange the fastest-growing segment of American higher education.

This post originally appeared at NDN Blog.