Center for American Progress

The Real Cost of For-Profit Education

Regulating For-Profit Institutions

SOURCE: AP/J Pat Carter

DeVry University has more than 90 campuses nationwide, including the Miramar, FL, campus shown above. Many people have expressed concerns, however, that for-profit schools like DeVry aren't providing students the best bang for their buck.

By Julie Margetta Morgan | September 30, 2010

The number of for-profit colleges and universities has exploded in recent years. Many have expressed concerns that the for-profit schools aren't providing students the best bang for their buck, instead straddling them with loads of debt, often at the cost of taxpayers.

Those who support stricter regulation of for-profit colleges argue that it is necessary to protect the taxpayer investment in Pell Grants and federal student loans and to ensure that students get credentials with value in the marketplace. Meanwhile, for-profit colleges oppose such regulation, contending that they fill a need in the higher education system and that strict regulation would close programs, cutting off access to postsecondary education for those who need it most, including low-income and minority students.

Both sides ground their arguments in the needs of students and taxpayers. But neither side fully addresses the cost of providing education services and the relationship between these costs and the tuition prices charged by institutions. Without greater consideration of the issue of cost, students' and taxpayers' interests cannot be represented fully.

Sen. Tom Harkin pointed out, for example, that an associate's degree in business administration at Kaplan University Online costs a student $33,390 and the same degree at Northern Virginia Community College costs $8,500. The stark

comparison of tuition prices gets directly at the important issue of student investment in tuition. Looking at tuition differences alone, however, obscures the issue of cost to taxpayers by ignoring the heavy state subsidies that keep tuition at public institutions so low.

Comparisons of the for-profit price to a more accurate tuition-plus-subsidy figure at a community college provide a more accurate look at the taxpayer investment. Adding in the roughly $8,000 government subsidy, we see that it costs Northern Virginia Community College more than $16,000 to provide an associate degree. That's still a far cry from $33,000. Though the comparison here is a rough one, it is a move toward an honest debate over cost and investment in higher education.

A few more comparisons show that in many cases, the 2008-2009 tuition-plus-subsidy figure is not too far off from the price at for-profits:

INSTITUTION	FOR-PROFIT TUITION	COMMUNITY COLLEGE TUITION PLUS SUBSIDY
Everest Institute; Rochester, New York	$12,024	
Monroe Community College; Rochester, New York		$8,561
DeVry University; Fort Washington, Pennsylvania	$14,292	
Montgomery County Community College; Blue Bell, Pennsylvania		$8,627
Heald College; Fresno, California	$11,625	
Fresno City College; Fresno, California		$8,352

Using these figures brings more nuance to the debate about for-profits. They allow us to ask what exactly accounts for the disparity between the cost of community college education and the price for-profits charge. We can also take the momentum from the for-profit debate into an equally important one about how to make community colleges more productive and more accountable for the significant state and federal investment.

Of course, the for-profit colleges want to draw our attention to these more realistic comparisons. It shows their prices in a slightly better light and because it may serve to deflect some attention off of them and onto community colleges. In fact, a group of for-profits recently commissioned a report on the varying levels of taxpayer support for public, private, and for-profit institutions. But these institutions are equally likely to skirt the issue of cost and price when attention to it would raise questions about whether their prices—and profits—could be cut.

For-profit colleges conveniently ignore the role that tuition prices play when discussing the impact of the Department of Education's gainful employment rule. The rule would disqualify a program from receiving federal student financial aid if it fails to meet a certain student debt-to-income ratio and loan repayment rate requirement. The for-profits have been particularly vocal about the effect this could have on access to education for underrepresented groups, and they are rallying some advocacy organizations around this point.

The for-profits don't mention that one of the reasons students have trouble paying their loans is that the price of tuition is so high. If institutions would lower tuition prices, students would not have to take on such a heavy debt load. Ben Miller's analysis of the impact of the proposed gainful employment rule shows that to save some programs, colleges would only have to cut tuition by a few thousand dollars a year. This leaves us with a lingering question: Couldn't profits take a hit instead of low-income students?

A more intense focus on the cost of education at the for-profits also has the potential to spur reform in these institutions while retaining student choice to the greatest extent possible. We often assume that students who attend for-profit colleges are simply paying more for the same services they could get elsewhere. Students do not know whether the for-profits offer services or options that justify the price tag. More information about what goes into the cost of education can help students make more informed decisions.

The silence on both sides about the cost of education isn't surprising, but it wastes the opportunity to look honestly at what is best for students or taxpayers.

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