

State Regulation of For-Profit Colleges: Two Perspectives

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What makes for-profit schools different from public or nonprofit schools?



Regulatory Differences Define Whether an Entity Is Public, Nonprofit, or For-Profit

	PUBLIC	NONPROFIT	FOR-PROFIT
Who is responsible for governing the institutions, including setting tuition rates and budgets?	Elected and appointed state officials	Trustees	Owners
What are they allowed to spend money on?	Education or another public purpose	Education or a charitable purpose ²⁹	Anything, including distributions of profit for owners
Can top-level decision-makers personally profit from the operations of the institution?	Generally no	Generally no ³⁰	Yes
Do colleges have access to equity markets to invest and expand?	No	No	Yes
Is there a financial backstop if something goes wrong and the college is bankrupt?	Taxpayers	No	No

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Different structures & incentives lead to different decisions & behaviors

- Recruiting & advertising
- Advising & admissions
- Expenditures
- Faculty roles
- Complaint handling
- Lobbying
- Campaign contributions
- Accreditation

How will changes on the federal level affect state regulation of for-profits?

Changes at the federal level:

- Elimination of regulations
- Dismantling of the Dept of Education
 - Lay-offs of oversight staff (PPA review)
 - Elimination of data functions
- Changes to accreditation
- Expansion of Pell to shorter-term programs
- Potential for limitations on states' oversight authority

Ramifications for states and students



- Oversight and consumer protection role will fall to states.
- Students will face heightened risks:
 - Demographic cliff → greater competition for students, increased risk of deceptive recruiting;
 - Looser requirements for new accreditors and institutions, expansion of Pell → proliferation of predatory and/or low-quality programs

Considerations for states:

- Changes in state rules/processes may be necessary where:
 - State authorization requirements are tied to accreditation status;
 - State processes rely on the Dept of Ed (e.g., calculation of FRCS); and/or
 - State oversight capacity changes are required to fill federal oversight vacuum.

Considerations for states (cont.):

- New urgency for reforms to SARA
 - SARA prohibits states from applying ed-specific state protections to online students at out-of-state SARA schools (e.g., closure-related protections)
 - This leaves some online students vulnerable to abuses and/or abrupt closures
 - Recent proposal from W-SARA to address this problem

Accreditation

- New accreditors
- Switching accreditors
- Allow states in lieu of accreditors?
- Restrict allowable standards?

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Prioritizing workforce development

- **Thirty-three governors** discussed CTE and workforce development as top priorities in their 2025 State of State addresses
 - Apprenticeships and internships
 - Emphasizing vocational, technical and agricultural education
 - Aligning postsecondary education with industry needs



Who is CECU?

Career Education Colleges and Universities (CECU) is the national association serving private postsecondary career education schools, staff, and most importantly, our students. We are a voluntary membership organization that serves as the national voice for the private and for-profit career higher education sector. Today, CECU counts among its membership more than 1,300 campuses across North America, of which more than 800 are in the United States.

Public and private nonprofit misconduct



- **Olivet University (MI) 2024:** closed due to failure to keep student records, improperly qualified faculty, breaking financial rules
- **University of Southern California (CA) 2023:** settled in false advertising claim, overpromising benefits for certificate programs
- **Baker College (MI) 2023:** fined for substantial misrepresentation of career outcomes despite low graduation rates

Public and private nonprofit misconduct

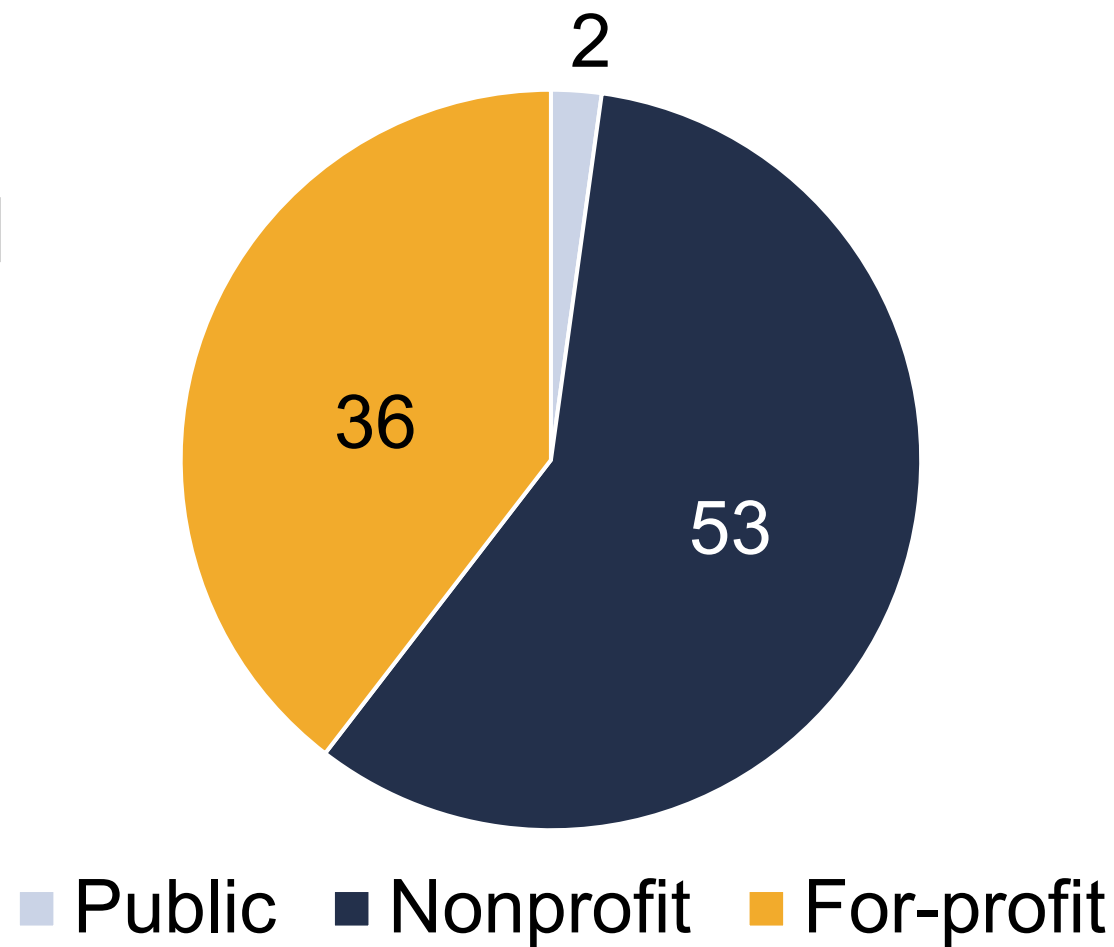
- **17 schools (incl. Vanderbilt, Brown, Columbia, Yale)** (2025): settled in 2022 class action lawsuit for violation of antitrust laws by coordinating restriction of financial aid, inflating costs for students
- **Columbia, Villanova, USC, Temple University, Tulane, Emory, UPenn,** and more have all been accused of misreporting data to influence college rankings data
- Borrower defense claims for nonprofit colleges have a higher approval rate (50%) compared to for-profits (23%)

School closures

- **Alliance University (NY) 2023:** lost accreditation, closed without teach-out plan
- **University of the Arts (PA) 2024:** closed suddenly without warning to students
- **Eastern Gateway Community College (OH) 2024:** closed due to financial and enrollment issues after violating federal financial aid rules
- **Birmingham-Southern (AL) 2024:** closed abruptly after 8 years of operating in a deficit following a major financial aid error in which BSC incorrectly calculated Pell Grant awards

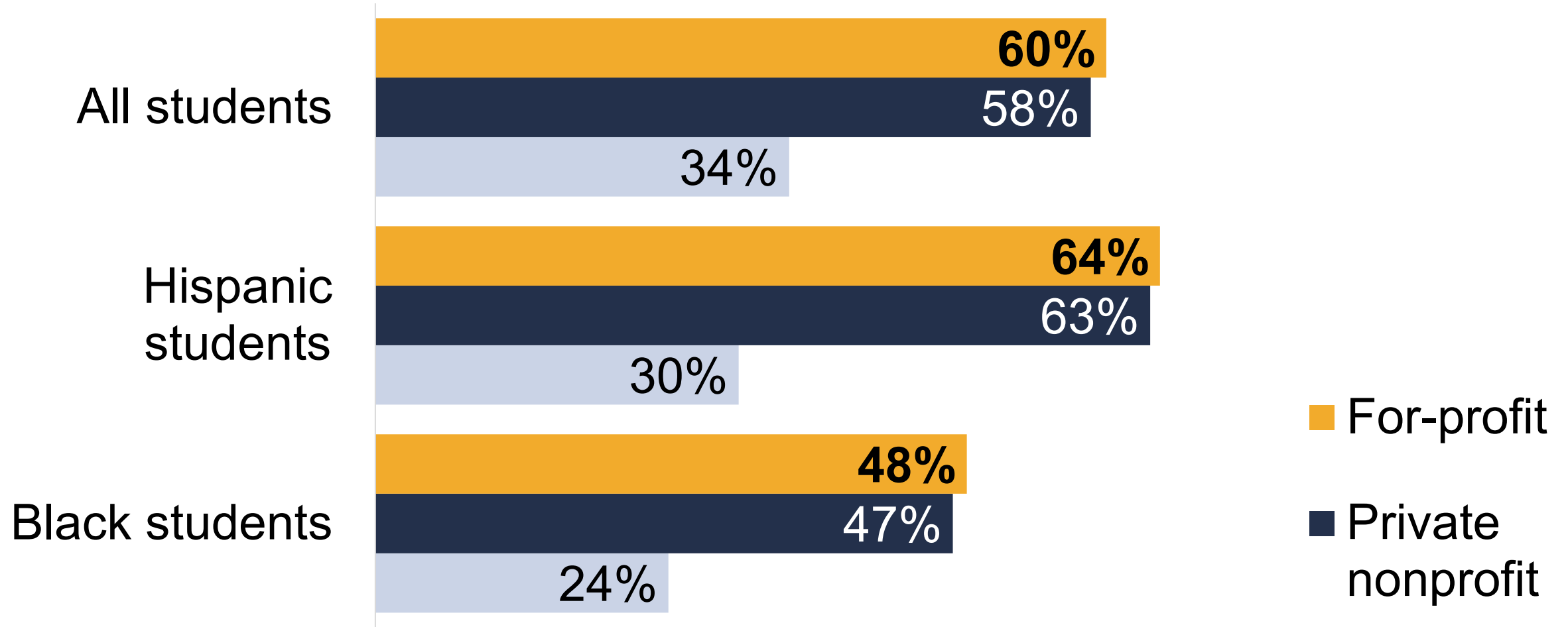
School closures by sector

- Since 2020, **91** colleges and universities have announced closures.
 - 2 public
 - 53 nonprofit
 - 36 for-profit



Two-year graduation rates, 2022-23

150% time to completion



Two-year graduation rates, 2022-23

150% time to completion, students receiving Pell Grants

For-profit

58%

Nonprofit

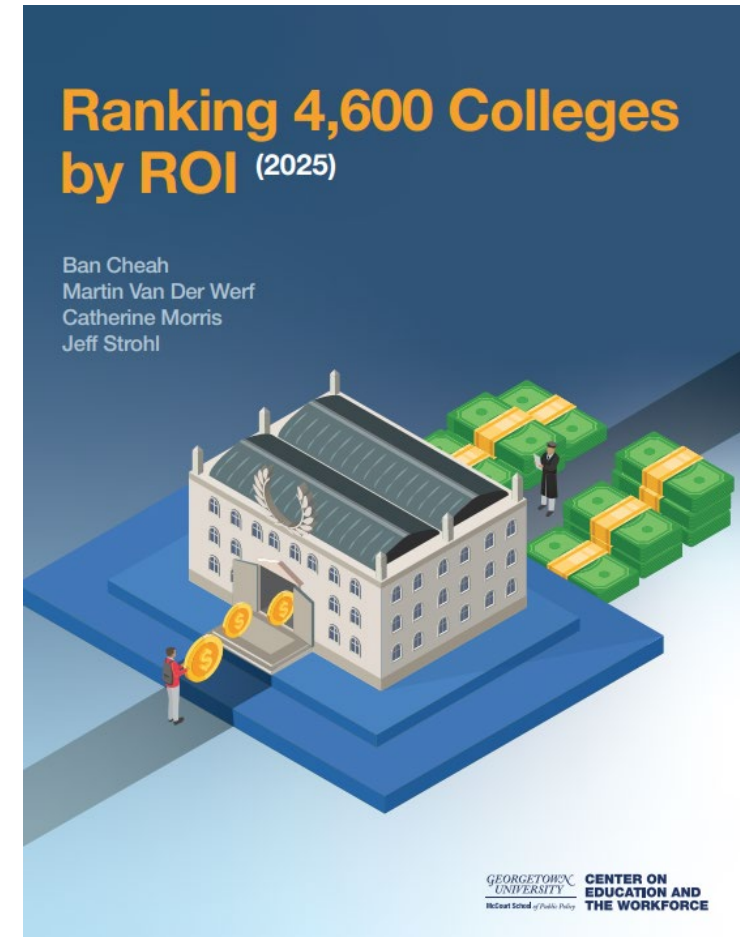
55%

Public

31%

Return on investment

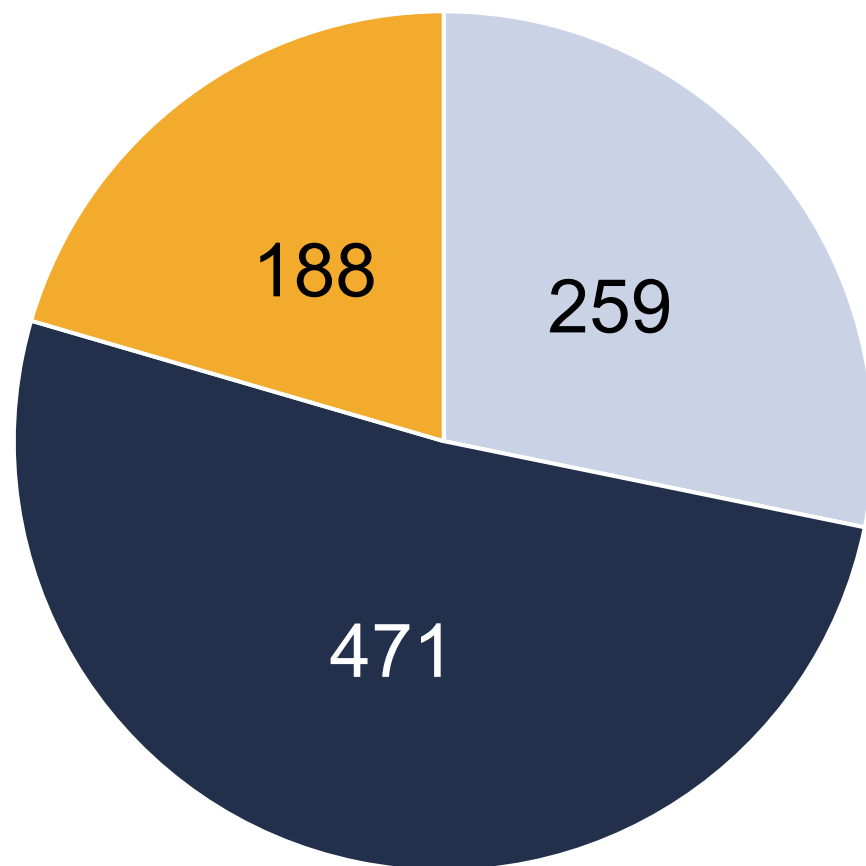
- How many for-profit schools rank in the top 10% for ROI?
 - 10-year ROT → **125 schools**
- **Sixty-six** percent of schools in the *bottom 10%* are public and private nonprofit schools



Return on investment – top 1%

2.Unitek College	CA	Certificate
3.Unitek College	CA	Certificate
7.Brownson Technical School	CA	Certificate
14.St Paul's School of Nursing-Queens	NY	Associate's
16.Marian Health Careers Center-Los Angeles Campus	CA	Certificate
19.Marian Health Careers Center-Van Nuys Campus	CA	Certificate
23.Center for Allied Health Education	NY	Certificate
29.Divers Institute of Technology	WA	Certificate
33.New England Tractor Trailer Training School MA	MA	Certificate
34.New England Tractor Trailer Training School RI	RI	Certificate
39.Welder Training and Testing Institute	PA	Certificate
41.Modern Welding School	NY	Certificate
42.PC AGE-Metropark	NJ	Certificate
44.Ocean Corporation	TX	Certificate

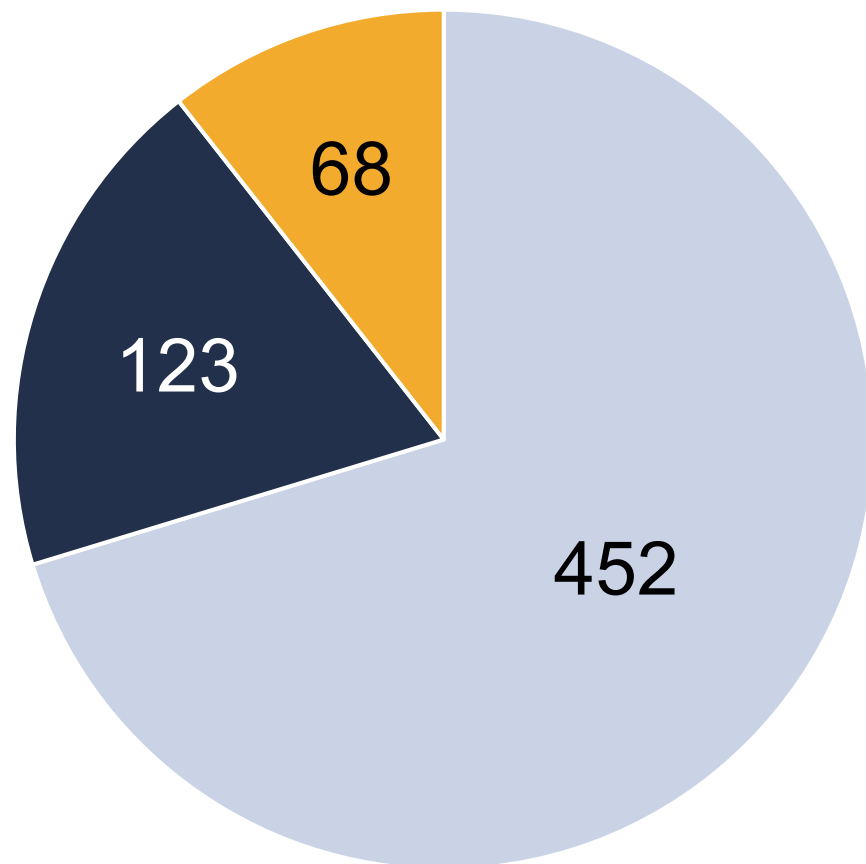
Gainful Employment failures



Public Nonprofit For-profit

Nearly 80% of undergraduate degree programs that fail the proposed **8% debt to earnings metric** are from public and nonprofit colleges.

Gainful Employment failures



■ Public ■ Nonprofit ■ For-profit

Nearly 90% of undergraduate degree programs that fail the **premium earnings** metric are from public and nonprofit colleges.

Percentage of high demand degrees/ certificates conferred by for-profit colleges



Skilled trades

- Bus, truck, CV operator (54%)
- Aircraft maintenance tech. (40%)
- Electrician (36%)
- HVACR maintenance tech. (36%)
- Welding (21%)

Healthcare

- Medical/clinical assistant (72%)
- Clinical/medical lab assistant (67%)
- Dental assistant (62%)
- Pharmacy tech/assistant (54%)
- LPN/Vocational nursing (27%)
- Registered nursing (20%)

Accountability for all schools

- Accountability should be consistent across all schools in all sectors of higher education, so that all students have equal protection regardless of where they enroll
- All institutions receiving state taxpayer subsidies or federal aid should be held accountable for the postgraduate success of their students
- Section 454(a) of HEA authorizes the Department of Education to promote assurance by applying accountability measures to all schools across all sectors of education

For-profit success stories



Darnell Epps
Lincoln Tech
Founder & CEO,
Thurgood Industries



Pat Gelsinger
Lincoln Tech
Former CEO,
Intel



Arthur Levine
The Ocean Corp.
NBL Test Director,
NASA

For-profit success stories



Senator Tammy
Duckworth
Capella University
U.S. Senate



Nicolas Martinson
WyoTech
Rocket engineering
mfg. supervisor
Blue Origin



Rep. Judy Chu
Alliant Int. University
U.S. House of
Representatives

For-profit success stories



Eric Gutshall
Central Penn College
Senior Advisor,
U.S. Department of Ed.
(Biden administration)

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19 graduates,
Full Sail University
13 winning projects
2025 Grammys



14 graduates,
Full Sail University
5 winning projects
2025 Oscars

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Regulation should be guided by evidence, *not anecdotes or outliers*. When policy is built around extreme examples like those shown today, the net is cast too wide, risking unintended harm to institutions that deliver strong outcomes for students.

Bad actors exist across all sectors, and accountability is important. But in holding them accountable, we must be careful not to undermine the quality institutions that serve students well.



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Questions?



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Thank you!



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