

National Perspectives: Demographics, Accountability and the Economic Impact of Proprietary Schools

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Proprietary School Accountability

H.R. 3746, the “College Access and Opportunity Act of 2007”

- Consideration of student academic achievement
- Retention rates
- Course and program completion
- Passing state licensing examinations
- Job placement rates

Legislative History

- The first education law passed in America, in 1647, was the Old Deluder Satan Act of the Massachusetts Bay Colony. It set specific requirements for masters to teach apprentices academic as well as vocational skills
- Learning to read was necessary for saving children's souls from the devil

Changing Missions

- *First Morrill Act (1852)* authorized public land grants to the states for the establishment and maintenance of agricultural and mechanical colleges
- *Smith-Hughes Act (1917)* provided for grants to states for support of vocational education

Bryant & Stratton was founded in 1863



Increasing Public Investment in Vocational and Technical Education

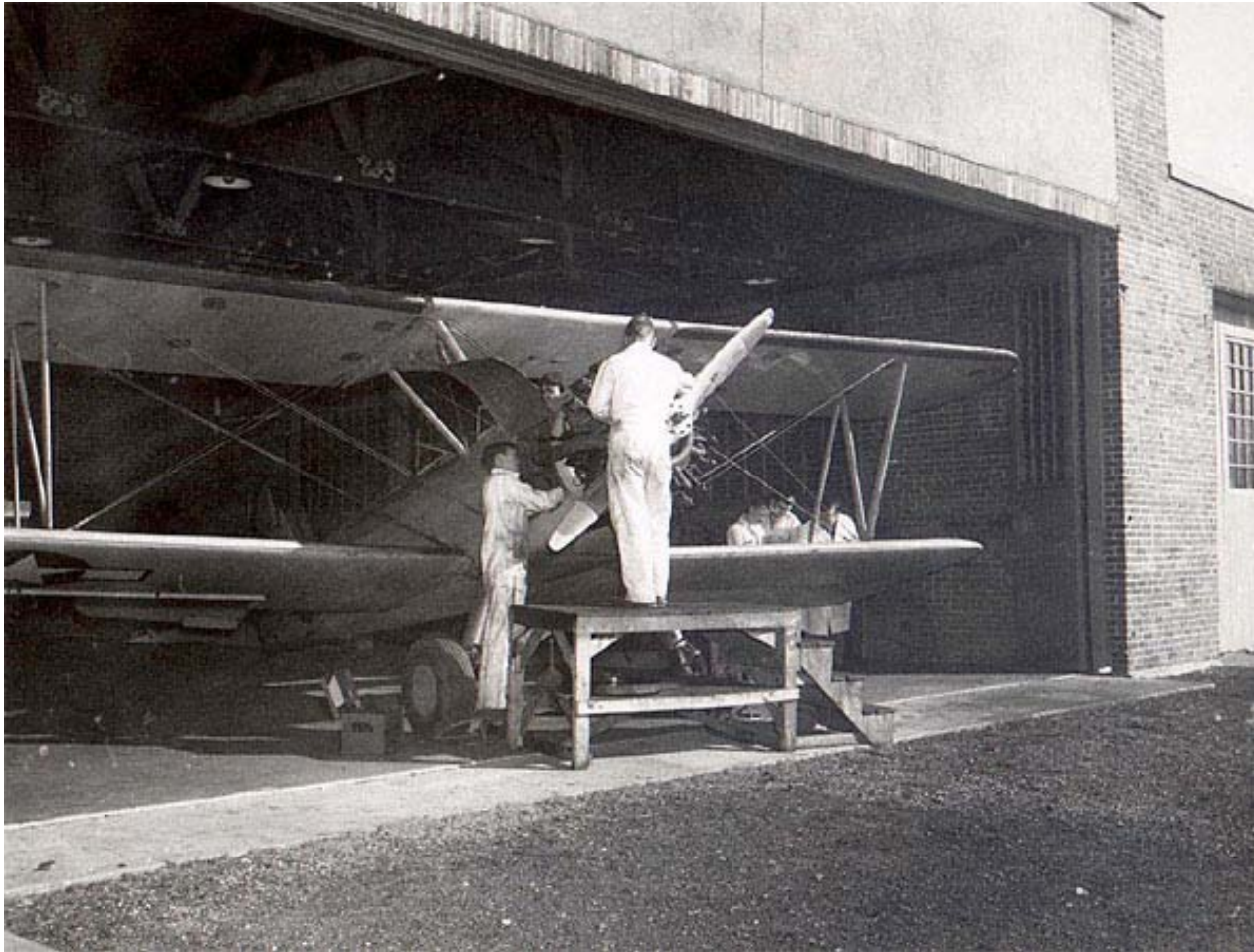
- 1867: the first U.S. Office of Education
- 1901: Joliet Junior College in Illinois is the first public two-year college
- 1906: A nationwide vocational education movement results in the National Society for the Promotion of Industrial Education (NSPIE)

Increasing Public Investment in Vocational and Technical Education

- 1920: The American Association of Community Colleges is established.
- 1945: The American Society for Training and Development is organized



Putnam Trade School, 1915



Major Proprietary School Associations

- AICS (Association of Independent Colleges and Schools): 1912
- NACCAS (National Accrediting Commission of Cosmetology Arts and Sciences): 1924
- NATTS (National Association of Trade and Technical Schools): 1965

Servicemen's Readjustment Act 1944

- 7.8 million veterans trained at colleges and trade schools, and in business and agriculture training programs.
- Veterans of the Korean War (1952) and the Vietnam War (1966) were also included in the Act.
- Participation ended in 1989

The GI Bill had a Major Impact on Postsecondary Education

- In 1947, veterans accounted for 49% of US college enrollments.
- The cost of the World War II education program totaled \$14.5 billion.
- In the late 1930s, about 160,000 US citizens graduated from college each year. By 1950, that number had increased to 500,000.

Regulation of Proprietary Schools

- The G.I. Bill was modified so that only institutions with state approval could redeem veterans' stipends
- Further oversight was exercised by the Veterans Administration
- Even then, complaints about false advertising and high incompleteness rates persisted

Higher Education Act

- The Higher Education Act of 1965 and the National Vocational Student Loan Insurance Act
- 1972 Amendments to the Higher Education Act
 - Established the Pell Grant
 - Established Sallie Mae
 - Recognized proprietary schools as equal partners

Higher Education Act Amendments, 1992

- Elimination of eligibility to participate in federal student loan programs for any college with a default rate of 25% or more for three consecutive years (or 40% or more in a single year)

Higher Education Act Amendments, 1992

- The 90/10 (formerly 85/15) Rule: federal financial assistance is limited to no more than 90 percent.
- Limits on Student Aid for Schools that Primarily Offer Correspondence and Telecommunications Courses
- Minimum Instructional Time Requirements
- Minimum Completion and Job Placement Rate Requirements
- Prohibit commissions, bonuses, and other incentive payments to school employees and recruiters
- Limited Loan Forgiveness for Victims of Fraud

Economic Impact of Proprietary Schools

The Knowledge Economy

- 30 years ago, 28% of workers between the ages of 30 and 59 had at least some postsecondary education
- Today, more than 60% of this age group has some education beyond high school

Changing Job Market

- Manufacturing jobs have dropped from 32% of all jobs in 1959 to 17% today
- Big increases in:
 - office jobs—30% to 39%
 - health care—10% to 16%
 - technical jobs—3.5% to 7%
- Low-skilled service jobs—unchanged at 20%

Proprietary Schools' Contribution

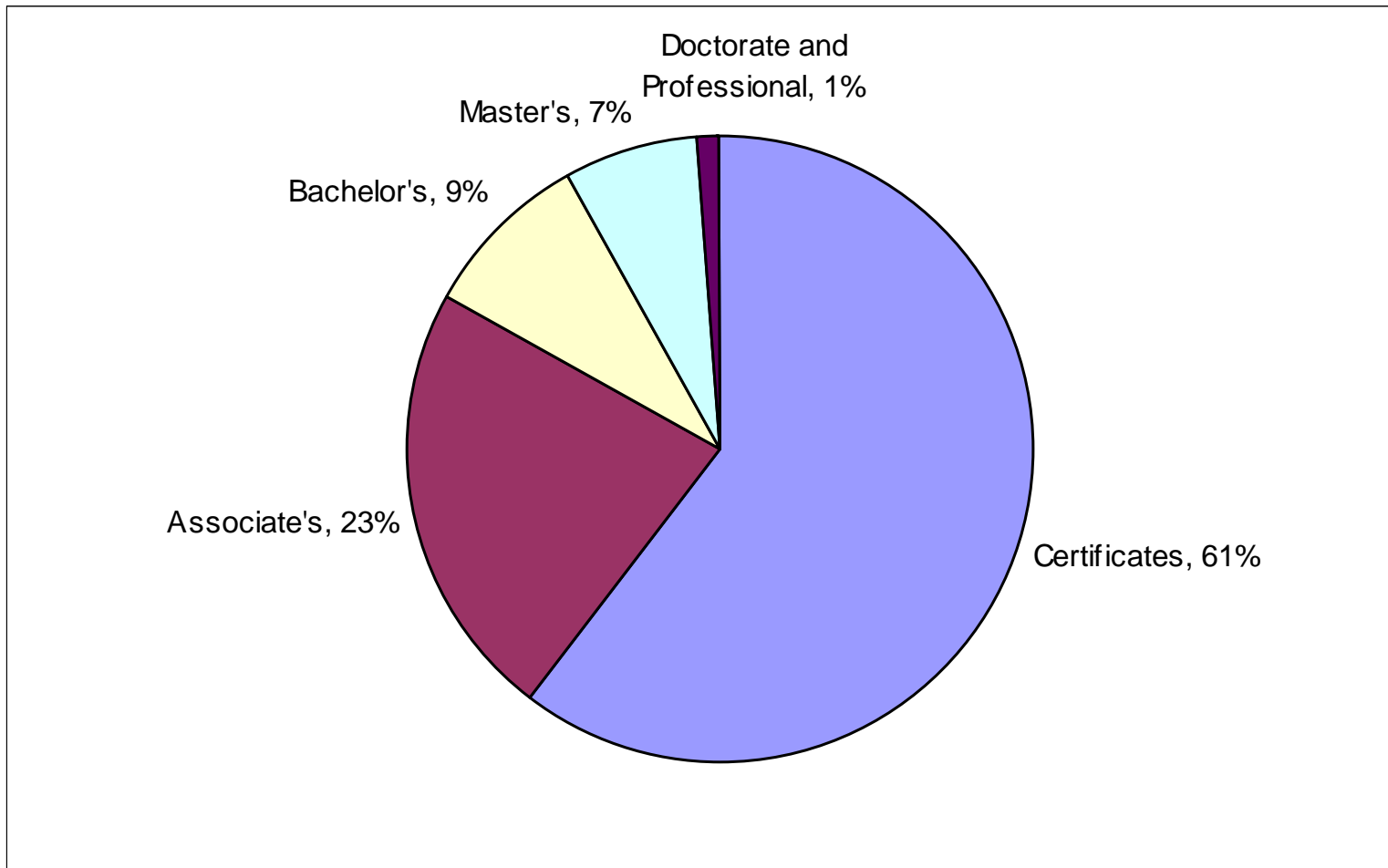
Growth in Demand

- According to BLS projections, between 2004 and 2014, there will be a 14 percent increase in job opportunities requiring a vocational certificate
- During the same period, there will be a 19 percent increase in jobs requiring an associate's degree

Most Commonly Pursued Occupations for Career College Graduates

- Health Services/Allied Health/Health Sciences
- Personal and Culinary Services
- Business, Management, Marketing & Related Support Services
- Computer and Information Sciences

Degrees Awarded



Proprietary School Graduates Receive Higher Salaries

- The lifetime earnings for associate's degree holders total \$1.6 million, or \$337,127 higher than that of high school graduates
- The average career college graduate paid an estimated \$4,363 in federal taxes

The Proprietary School Sector Is Growing

Proprietary schools:

- include 2,694 Title IV eligible institutions
- make up 39 percent of all Title IV postsecondary institutions in the nation
- serve over 2.1 million students annually
- have increased enrollment by 17 percent since 2003-2004

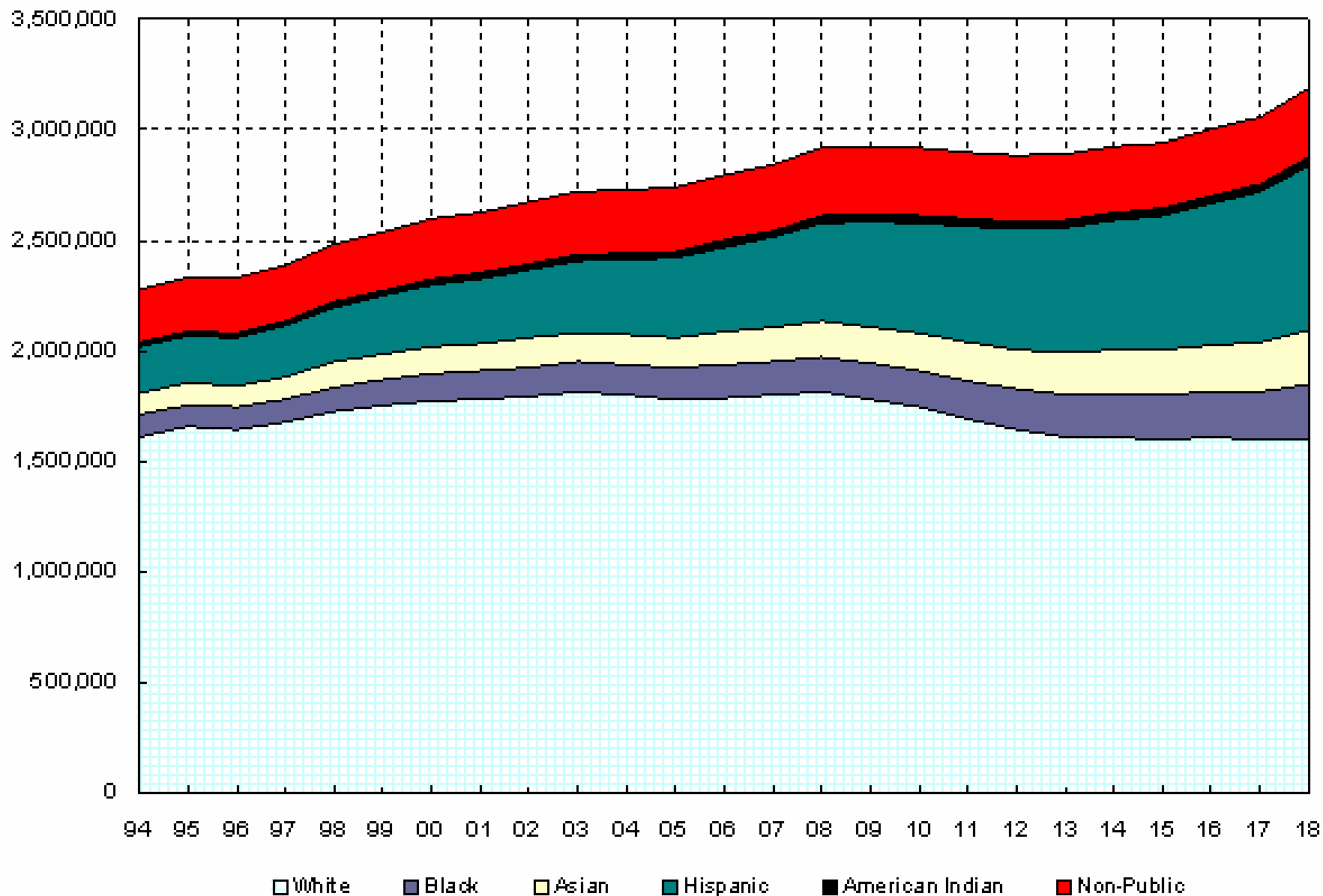
Economic Impact

- Career colleges reported total revenues of approximately \$14.6 billion last year
- Of nearly 500,000 career college completers in 2005, 76% (376,560) were employed directly following graduation
- The average income earned by career college graduates is \$39,546

Demographics



Number of High School Graduates, 1994-2018: United States

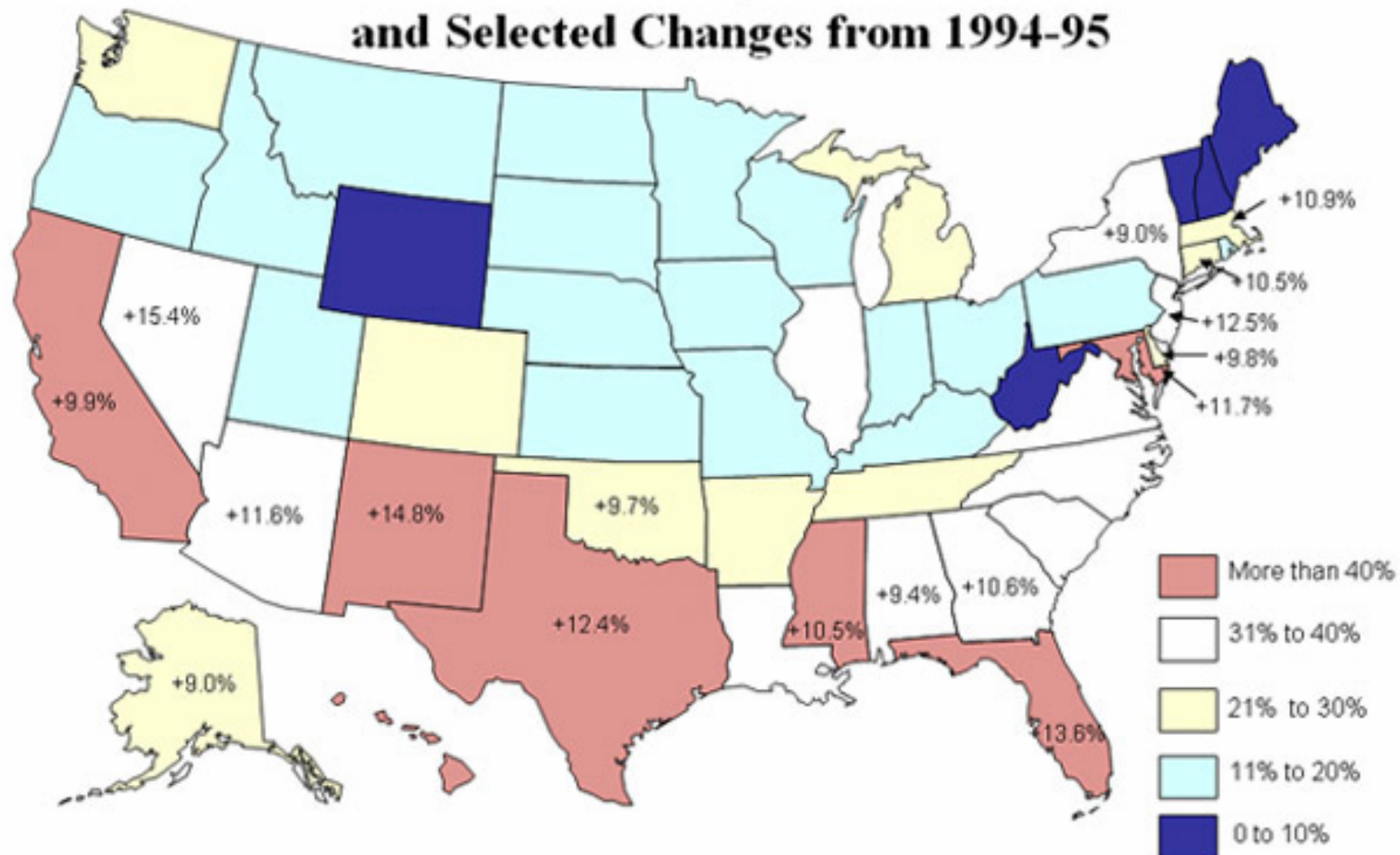


Projected Enrollment Increases, 2004 to 2014

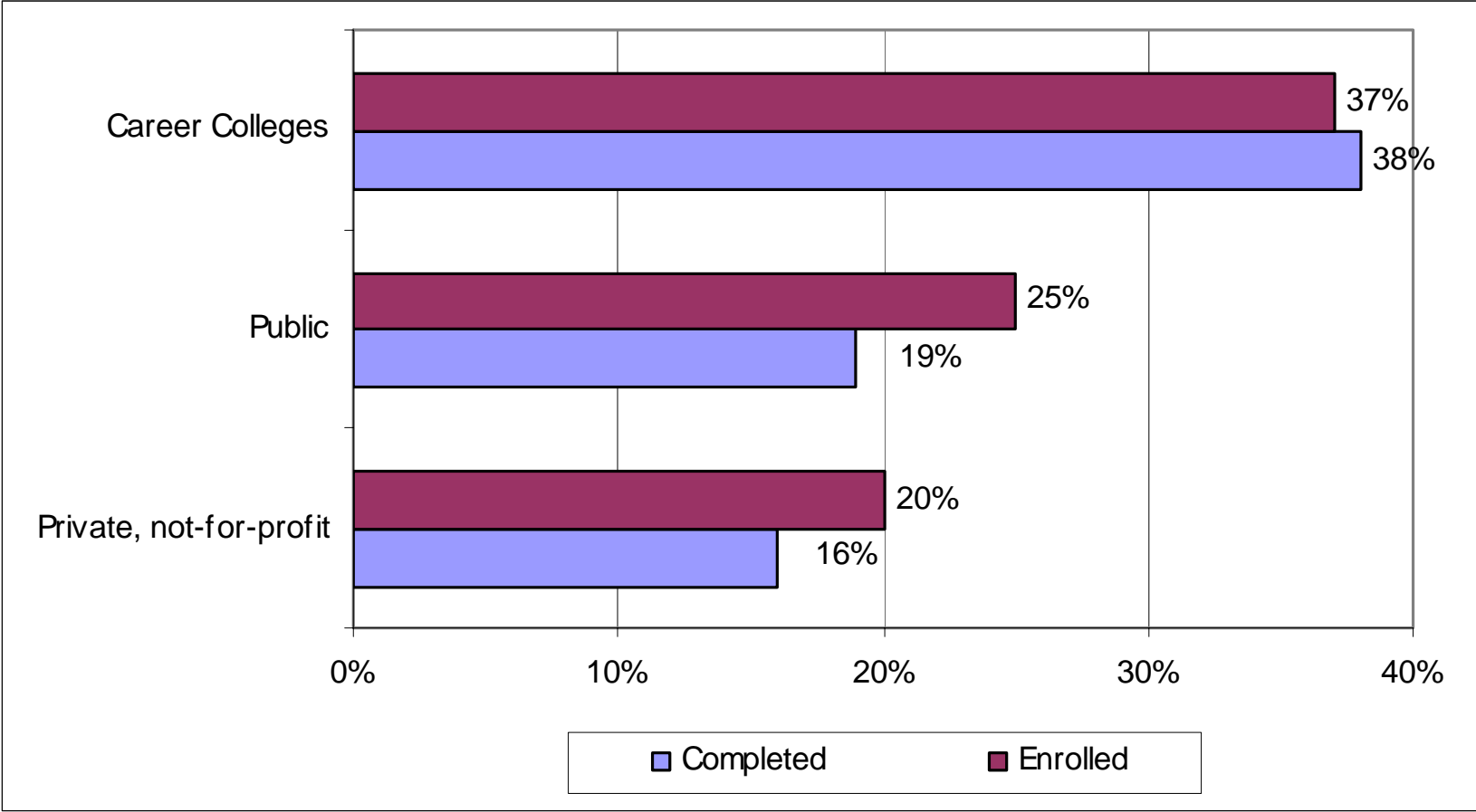
- White, non-Hispanic: 6%
- Black, non-Hispanic: 27%
- Hispanic: 42%
- Asian or Pacific Islanders: 28%
- American Indian or Alaska Native: 30%
- Nonresident aliens: 34%

Concentration of Minorities Enrolled in Higher Education, 2005-06

and Selected Changes from 1994-95



Proprietary Schools Enroll and Graduate Minority Students



Increasing International Competition



Preparing youth for jobs in the U.S., England, Germany, Japan and Sweden

- The other nations expect all students to do well in school. U.S. schools accept that many will lag behind
- The other nations have competency-based national training standards to certify skills. U.S. practice is to certify program completion

U.S., England, Germany, Japan and Sweden (cont'd.)

- The other nations invest as heavily in the education and training of work-bound youth as they do for college-bound youth
- The schools and employers in the other countries do more to guide students' transition from school to work, helping students learn about job requirements and assisting them in finding employment

U.S., England, Germany, Japan and Sweden (cont'd.)

- Young adults in the other nations have higher literacy rates than do those in the United States

Implications

- We must increase educational achievement if we are to remain competitive in the world economy
- This will be difficult, given that the generation entering postsecondary age will pose greater educational challenges

Proprietary Schools Will be an Important Part of the Solution

- Market responsive
- Must provide effective education
- Other providers will continue to be critical
 - Limit aggressive marketing
 - Document job placement
 - Transparent accounting

Cautions and Questions

- Can we prove value added by our education?
- Employability is partially a function of “soft skills.” Can we teach those skills?
- Do we add to the cultural capital of our students?
- We can only be accountable for what can be measured, but that may not be enough

To Whom Should we be Accountable?

- Federal government
- State government
- Accrediting agencies
- Employers
- Directly to students

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