The High Cost of Higher Education:
The For-Profit College Industry in Nebraska

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Nebraska Appleseed

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Introduction

For-profit colleges, also known as proprietary colleges, offer students certificates and degrees in areas ranging from health care to hair design. While offering opportunity for some, these colleges have gained a national reputation for having problematic practices and leaving some students in a worse position. The disturbing trends in the national for-profit landscape, discussed below, prompt the question of whether for-profit higher education in Nebraska is similarly problematic and whether we should continue to support for-profit schools with taxpayer dollars. To answer those questions, additional information and study is needed, regarding key performance measures, student experiences and the potential to empower state regulators with more authority.

In the 1990s, the for-profit industry attracted about 200,000 students nationwide, with industry innovations such as flexible scheduling and convenient locations. Eventually, enrollment in for-profit schools in the U.S. greatly expanded, with more than 2.4 million students enrolled. Along with this dramatic increase in students came increased attention, especially regarding alleged bad practices, including misrepresenting job prospects and career services, enrolling students in high cost loans issued by the colleges themselves, and for using illegal debt collection practices.

Beyond these practices, some for-profit educational programs across the U.S. carry high costs for their services, resulting in students taking large student loans. Moreover, some for-profit schools also have poor retention rates. According to one report, about 50 percent of all students that start their education at a for-profit college leave within four months. There are also questions regarding whether a for-profit degree results in better outcomes in the job market. In 2015, the U.S. Department of Education reported that for the 5,000 for-profit programs for which data is tracked, 73 percent of recent graduates earn less than high school dropouts. The combination of paying more for higher education at a for-profit institution and low post-graduate earnings has led to high student loan default rates for many graduates of for-profit colleges. In 2012 the national average default rate for these schools was 15.8 percent.

Considering these troubling trends across the United States, more study of the performance of for-profit education in Nebraska is merited. Indeed, there is more to be understood regarding for-profit performance in Nebraska, particularly with the steady investment the state makes in for-profits in the form of grant funds. This report will examine for-profits in Nebraska, underscoring areas for greater study, and calling for legislative investigation into for-profit colleges in our state.

For-Profit Colleges in Nebraska

Nebraska is home to 12 physically located for-profit colleges that receive Title IV funding, which means they are eligible to receive federal and state student aid through student loans and grants, including work study. Of the 12 for-profit colleges, five are non-degree granting career and trade schools and seven offer degrees ranging from associates to doctorates. Nebraska’s for-profit colleges are mainly located in the eastern half of Nebraska in urban and suburban settings, and the vast majority are located in the Omaha and Lincoln areas.
Enrollment trends in for-profit institutions in Nebraska are similar to those of other for-profits across the country. Following the national trends of recent years, enrollment in Nebraska dropped (degree-granting institutions by 15 percent and non-degree granting by over 40), and is predicted to continue to decline. The estimated number of full-time and part-time students who attended for-profit colleges in 2014 in Nebraska was 6,159.

While enrollment has dropped generally at for-profit colleges in Nebraska, they continue to enroll a far higher percent of students of color compared to other colleges in the state. Nonwhite students make up 27.8 percent of students at for-profit colleges and 17.1 percent of the total college going population. For-profit college enrollment in Nebraska is made up of 15.1 percent black students while only 5.48 percent of students at all Nebraska colleges are black. These enrollment trends mirror national trends. Based on these numbers there appears to be a racial and ethnic gap between for-profit education and the rest of the higher education. The cause of this divide is something that merits additional attention. Indeed, if for-profit schools in Nebraska are causing the same poor student outcomes as have been associated with for-profit schools nationwide, minority groups are likely being disproportionately impacted. Increased attention on this aspect of for-profit enrollment is something that is called for as a recommendation in this report.

In addition, cost trends in Nebraska generally follow trends of the nation as a whole. Comparing tuition and fees across sectors from the most recent reporting year, 2013-14, for-profit non-degree granting colleges in Nebraska charged nearly seven times more than community colleges, their closest peer. Further, degree-granting for-profits charge over two and a half times more than state colleges, and the University of Nebraska. The only category of college or university that charged more on average than the for-profit sector is Nebraska independent colleges. This higher cost can lead to the need for students to seek grants to pay for the cost of programs, through different sources including federal and state grant programs. For-profit colleges in Nebraska eligible for Title IV federal funds are also eligible for the Nebraska Opportunity Grant (NOG). NOG is Nebraska’s state student aid program funded by state general funds and lottery funds. These grant funds are designed to support Nebraska students who have not earned bachelor, graduate, or professional degree, who have financial need, and who are attending eligible Nebraska schools.

While the NOG fund has increased along with the number of students served and their individual awards, the percentage of students who are eligible but do not receive NOG aid has increased as well. During the 2003-04 academic year, 53.8 percent of students who qualified for NOG did not receive funding. By the 2013-14 academic year, that number grew to 66.5 percent, or 30,241 students who qualified but did not receive funding. With the number of eligible but unfunded students increasing it is all the more important to ensure that NOG funds are used wisely, and support programs that demonstrate consistent and positive outcomes for students. Looking at the for-profit industry, about $1.8 million or 10.9 percent of total NOG dollars in the 2014-15 academic year went to their institutions. Thus, further study of the outcomes of for-profit schools would help determine whether for-profit education is a good investment of NOG funds.

Graduation and retention rates can be helpful indicators of a school’s performance. According to the National Center for Education Statistics (NCES), Nebraska’s degree granting for-profit colleges are generally comparable to other similar sectors when it comes to graduation rates. In the 2012-13 academic year, degree granting for-profit colleges had a 44.5 percent graduation rate while public colleges had 49.8 percent and independent colleges had 60.7 percent graduation rate. Non-degree granting for-profits had a higher than average completion rate across sectors at 70.4 percent and community colleges had a rate of 26.4 percent. Unfortunately, this data has significant limitations for for-profits and other educational institutions. For example, the NCES calculates graduation rate by including first-time, full-time students who finish their certificate or
degree within 150 percent of the expected completion time. This calculation is not as useful in measuring for-profit schools, or community colleges, given that students who are not first-time attendees or who start out as part-time are not included in the numbers. This is a significant portion of students in these colleges. NCES graduation rates also exclude students who enroll mid-year, and who transfer to another institution, making the measure less than representative.

NCES also compiles retention rates, which measure the persistence of students from the previous fall semester to the next fall semester. They track students longitudinally and can be a strong indicator of how students are able to move forward toward their educational goals. Interestingly, for-profit colleges in Nebraska appear to do at least 10 percent better in student retention than the national for-profit average, while public and independent colleges do at least 10 percent worse when compared to their counterparts nationally.

Information regarding postgraduate employment and earnings of students, other measures of educational performance, is not required reporting in Nebraska. In sum, as compared to their counterparts in traditional colleges and universities in Nebraska, students of for-profit schools generally pay more for their education, come from lower-income and minority backgrounds, and default on their student loans at a relatively high rate. Further, for-profit colleges in Nebraska receive a significant amount of funding from Nebraska Opportunity Grants and while some data is reported on performance measures, additional information in these areas would be useful to better understand how for-profits perform in our state.

Nebraska’s Regulation and Oversight of For-Profit Schools

Nebraska’s rules and regulations around for-profit colleges are stronger than some states, but lack in some specific student protections. There are two oversight agencies for Nebraska’s for-profit institutions and higher education throughout the state: the Coordinating Commission on Postsecondary Education (CCPE) and the Private Postsecondary Career Schools and Veterans Unit (PPCS) - part of the Nebraska Department of Education (NDE). CCPE regulates schools that offer bachelors degrees and above while the PPCS regulates schools that issue certificates, diplomas, and associates degrees. In addition, there are two different statutory schemes that regulate postsecondary education in Nebraska, the Private Postsecondary Career School Act and the Postsecondary Institution Act. Notably, neither of these Acts authorize or provide for oversight of institutions without a physical presence in Nebraska.

The CCPE is tasked with administering the PIA (unlike the PPCSA, which is administered by the Department of Education), and is vested with specific powers and duties to allow it to do so. The PIA details minimum standards for operation of any postsecondary institution that wishes to physically operate within the state.
complaint and hearing process is also afforded through the PIA for students that feel they have been wronged by their college or university.\(^{39}\) CCPE has the power to regulate and oversee the quality of programs and faculty, policies related to admissions and recruitment, and the ability to create other requirements as necessary.\(^{40}\) To date, the CCPE has not created additional minimum standards prescribed by statute.

In addition, schools are required to gain and maintain accreditation through the PIA. Schools who wish to have a physical location in Nebraska must apply for a license through the CCPE and submit a range of financial, academic, and operations data. Once authorized, schools reapply every five years until they have been accredited 20 years at which point they can be awarded continuous authorization or be asked to provide additional terms.\(^{41}\) This system is designed so that the commission can ensure all postsecondary institutions operating in the state are meeting the minimum standards.

In order to protect students of proprietary institutions, many states have either a student tuition recovery fund or a bond program to reimburse students who fell victim to fraudulent activity, and Nebraska is one of only six states nationwide that requires a recovery fund, bond, and agent bond. However, this requirement extends only to “career schools” covered by the PPCSA and regulated by the Department of Education. Degree-granting for-profit colleges and universities regulated by the PIA and controlled by the CCPE are not required to secure either type of bond or contribute to the recovery fund.

**Formal Study is Needed on Nebraska’s For-Profit Institutions**

Additional information regarding the for-profit college industry is needed in order to ascertain whether for-profit colleges in Nebraska are engaging in problematic practices that have been discovered in other areas of the U.S. Indeed, there are a number of key performance measures that are either unrepresentative (graduation rates) or simply are not easily accessible (employment and earnings). Moreover, other qualitative measures, such as examining student complaints or conducting student focus groups, would help create a better understanding of the for-profit landscape. Therefore, the Nebraska Legislature should pursue an interim study in 2016 regarding for-profit colleges in Nebraska, and consider making recommendations based upon its findings.

As part of this interim study, there are a number of different areas the Legislature could focus upon. First, an interim study could examine record retention requirements and the disclosure of key performance measures by for-profit colleges. The measures to investigate could include recruitment practices, student support services, quality of instruction, student graduation and retention rates, credit transfer information, licensure, pass rates, total student debt upon graduate, student loan default rates, career placement rates and post-graduate earnings. An interim study could also examine the use of Nebraska Opportunity Grant (NOG) dollars at for-profit schools, and the outcomes for those students specifically.

Second, an interim study could examine student access to, use of, and experience with for-profit education with a focus on socio-economic levels and racial/ethnic demographics. Specifically, an interim study could examine barriers for people of color and low-income students in accessing public postsecondary education and solutions to those barriers. This could include the use of focus groups in key areas of the state, and the examination of common complaints made by students through the current complaint process.

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\(^{39}\) See Nebraska Statutes, Title 83, Chapter 1, Article 32.

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Third, an interim study could examine the role that the establishment of “minimum standards” plays in regulating for-profit schools. The interim study could review information received from applicant schools regarding student support services, recruitment tactics, and loan procedures among other areas. This could help uncover whether there are sufficiently stringent minimum standards in place to avoid exposing students to avoidable risks in for-profit schools, and whether the regulatory agencies could be provided with additional authority to execute their duties.

Finally, the interim study could examine the statutory provision that exempt degree granting for-profit colleges from securing bonds or contributing to tuition recovery funds. The PPCS oversees only schools offering diplomas, certificates and associates degrees including non-degree granting for-profit colleges in the state. In Nebraska, these are the only for-profit colleges required by law to hold both bonds described above and contribute to the recovery fund. These consumer protections could be extended to all for-profit institutions in the state, including degree-granting institutions.

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Endnotes


3 Specifically, for-profit degrees and certificates are almost always more expensive than their counterparts in the public sector, ranging from 1.2 times the cost for a four-year degree to over four times as much for a certificate program. Due to the high cost of for-profit education, students take out substantial student loans in order to enter a program of study. While only 13 percent of all college going students enroll in for-profit institutions, they hold over 31 percent of all student loans and nearly half of all student debt nationally.

4 See supra, note 1.


7 Those schools are: ITT Technical Institute, Kaplan University (Lincoln and Omaha Campus), Myotherapy Institute, National American University – Bellevue, The Creative Center, Universal College of Healing Arts, Capitel School of Hairstyling and Esthetics, College of Hair Design, Joseph’s College, La’James International College, and the Xenon International Academy – Omaha.


9 It’s important to keep in mind that while the degree-granting/non degree-granting distinction is important for some considerations, the regulatory scheme in Nebraska does not distinguish between degree granting and non, but between schools that offer certificates, diplomas, and associates degrees as opposed to those that offer bachelors degrees or higher. Also, there have been recent changes to the number of for-profit schools operating in Nebraska as the University of Phoenix and Vatterott College in Omaha have recently closed and the Omaha School of Massage and Healthcare was recently granted non-profit status by the IRS.


12 Id.


14 Id.


16 For-profit schools charged, on average, $18,700.83 versus the average community college cost of $2,857.33. Calculations done by Nebraska Appleseed using data from the Integrated Postsecondary Education Data System, Costs, available at https://nces.ed.gov/ipeds/. Also, “Community Colleges” refers to these Nebraska institutions: Central Community College, Metropolitan Community College Area, Mid-Plains Community College, Nebraska College of Technical Agriculture, Northeast Community College, Southeast Community College Area, Western Nebraska Community College.

17 For-profit schools charged, on average, $15,293.10 versus the average state college cost of $5,787.33. Calculations done by Nebraska Appleseed using data from the Integrated Postsecondary Education Data System, Costs, available at https://nces.ed.gov/ipeds/.

18 “State Colleges” refers to these Nebraska institutions: Chadron State College, Peru State College, Wayne State College.

19 The average cost of tuition at the University of Nebraska colleges was $6,380, “University of Nebraska Colleges” refers to these Nebraska institutions: Nebraska College of Technical Agriculture, University of Nebraska at Kearney, University of Nebraska at Omaha, University of Nebraska-Lincoln.

20 Independent colleges cost, on average, $17,857.83. “Independent Colleges” refers to these Nebraska institutions: Alegent Creighton Health School of Radiologic Technology, Bellevue University, Bryan College of Health Sciences, Clarkson College, College of Saint Mary, Concordia University-Nebraska, Creighton University, Doane College-Crete, Doane College-Lincoln Grand Island and Master, Grace University, Hastings College, Little Priest Tribal College, Midland University, Nebraska Christian College, Nebraska Methodist College of Nursing & Allied Health, Nebraska Wesleyan University, Regional West Medical Center School of Radiologic Technology, Union College, York College.

21 Federal Pell Grants are given to students who attend for-profit colleges more often than at other institutions. 71 percent of students at degree granting for-profits and 64.5 percent at non-degree granting for-profits receive federal student loans. Those numbers for state (53%), independent (58.9%), University of NE (49%), and community colleges (24.8%) are all lower. (IPEDS data analysis, NE Appleseed)


24 Id.

25 Id.

26 Id.


U.S. vs. Nebraska average retention by sector in the 2012-2013 academic year reveals for-profit degree granting schools retained 53 percent nationally versus 69 percent in Nebraska. Non-degree granting for-profits were at 68 percent nationally versus 79 in Nebraska, public colleges were at 80 percent nationally and 70 percent in Nebraska while independent colleges were the highest with 81 percent retained nationally and 68 percent retained in Nebraska.


38 These powers and duties include, but are not limited to, establishing levels for recurrent authorizations to operate, receive, investigate, and act upon applications for a recurrent authorization to operate, maintain a list of postsecondary institutions which have authorization to operate in Nebraska and make the list available to the public, conduct site visits of postsecondary institutions to carry out the PIA, investigate any violations of the PIA, and adopt and promulgate rules, regulations, and procedures to administer the act.

38 Nebraska Revised Statute § 85-2406.

39 Nebraska Revised Statute § 85-2418.

40 Examples include: The quality and adequacy of teaching faculty, library services, and support services; The quality of the programs offered, including courses, programs of instruction, degrees, any necessary clinical placements, and the institution's ability to generate and sustain enrollment; The institution’s policies and procedures related to students, including, but not limited to, recruiting and admissions practices; Any other standards deemed necessary by the commission.

41 Nebraska Revised Statute § 85-2414. The CCPE is granted broad discretion in increasing or adding to the minimum standards prescribed by statute. Under this statutory grant, the CCPE could, within its discretion, increase required disclosures of performance measures.