

**United States Senate
Committee on Health, Education, Labor, and Pensions**

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**Written Testimony of José Cruz
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Chairman Harkin, Ranking Member Enzi, and Members of the Committee, thank you for the opportunity to testify before you on the impact of the for-profit college sector on low-income and minority students.

The Education Trust is a research and advocacy organization that promotes high academic achievement for all students at all levels—pre-kindergarten through college. While many organizations speak up for the adults who, as employees or shareholders, have financial interests in schools and colleges, we at the Ed Trust speak up for those that are most vulnerable—low-income students and students of color—whose academic interests in those schools and colleges are so often ignored. Indeed, we evaluate every policy, every practice, and every dollar spent through a single lens: will it benefit students by raising achievement and closing gaps?

In recent years, this lens has earned us a reputation—rightly or wrongly—as an organization that is very critical of public and non-profit colleges that do not do well by students. Many of our publications have focused attention on flaws in institutional policies and practices. For example, our report “Engines of Inequality” examined how financial aid policies in public universities have limited student access and success, making it harder for low-income and minority students to obtain a postsecondary credential. We have also, however, identified and praised institutions that intentionally pursued a culture of success for all their students. And we have worked with institutions committed to diagnosing their problems and improving their level of service to the underserved.

Given this history, it was only natural that eventually we would examine the for-profit college sector.

Our November 2010 report, “Subprime Opportunity,” examined the graduation rates and debt burdens incurred by students who entrust their futures to for-profit college companies. While I will not delve into all of the details, here are a few of our key findings:

- The for-profit sector has grown substantially. Enrollments at for-profit colleges grew by 236 percent between the 1998 and 2008 academic years.
- The for-profit sector targets the underserved. More than one in four black, Hispanic, and low-income students now begin their college careers at for-profit colleges;

- The success rates are low and the costs are high. The median debt of the few students who do manage to earn bachelor's degrees at for-profit colleges—only about one in five first-time, full-time freshmen—is over \$31,000—four times that of graduates from public colleges.
- The for-profit sector takes an overwhelmingly large slice of our federal financial aid programs. For-profit colleges represent 12 percent of enrollments, but they receive 24 percent of Pell grants and federal student loan dollars, and are responsible for 43 percent of federal student loan defaults.

The full report is submitted as part of my written testimony.

It is important to note that the Education Trust is not the only organization to have examined the practices and student outcomes in the for-profit sector and to have come away deeply concerned for students and for the nation. More than 50 civil rights, education, consumer, and student groups have joined together to resist the for-profits' aggressive campaign for immunity from public oversight accountability.

But rather than recite the concerns of this broad coalition, let me instead offer an explanation of the underlying problem.

The problem, Mr. Chairman, is not one of "lax regulation"—as this wording implies that the problem can be fixed simply by enforcing existing regulation. The problem is, as engineers like to say, structural.

Our higher ed regulatory structure is built upon three pillars: federal regulation, state regulation, and accreditation. These pillars were designed to distribute the load of the many forces that put undesirable pressure on higher ed institutions, to mitigate any long-term damage to the structure itself.

Federal regulation assumes the fiduciary load. The Department of Education's role is to be a good steward of the federal dollars that flow to colleges and universities, primarily through Title IV. State regulation assumes the consumer protection load. Most state higher education agencies focus primarily on ensuring that students receive accurate information about each institution and its programs. And accreditation assumes the threats to academic quality load. Through the peer review process accreditors purport to ensure that institutions offer high quality programs.

But during the past 20 years, the rapid growth of the for-profit college sector has placed undue pressure on this regulatory structure—overwhelming its capacity to fulfill its mission. Federal regulation has lacked a strong enforcement arm, state regulation has not traditionally focused on outputs such as student achievement, and accrediting agencies have been overwhelmed with the rapid growth of non-traditional educational organizations, whose size and methods of educating are unfamiliar and demand protocols

of assessment that accrediting agencies have historically lacked.

Who could have foreseen, 20 years ago, that a group of investors would purchase small, well-established, fully-accredited, but financially troubled postsecondary institutions, intending to exploit their history and physical presence to build billion-dollar, publicly traded, for-profit college companies? Yet that is precisely what has happened in the case of Bridgepoint, Inc.—owner of Ashford University and the University of the Rockies. In just six years, Bridgepoint, Inc. has grown the enrollment of Ashford University by 17,000 percent. Bridgepoint has achieved operating profit margins that exceed those of Apple and Hewlett Packard. But, according to the investigations of this committee, it has done so at the expense of many of its students—churning through 84 percent of their two-year and 63 percent of its four-year students within these students' first year of enrollment.

Who could have foreseen, 20 years ago, that one of only six regional accrediting agencies recognized by the Education Department would be so elastic in its definition of academic quality in this new profit-driven environment? The Higher Learning Commission of the North Central Association of Colleges and Schools is an accrediting agency responsible for over 1,000 institutions that, in 2008 alone, held the keys to over \$27 billion of the \$75 billion in federal Title IV financial aid. But, when faced with evidence of the rapid growth, low graduation rates, and high withdrawal rates at Ashford, HLC's evaluators—over the course of multiple reviews—found no problems and the school has remained accredited. It must make us wonder about the quality of those reviews—and the ability of the entity leading them to understand all of the complexities presented by a for-profit institution.

But it doesn't much matter today if these corrosive forces, these stresses and strains, could have been predicted. The fact that they are present should be enough for us to recognize that it is time to reinforce the structure in those areas where it is most vulnerable, so that we can be capable of redesigning and rebuilding it for the longer term. Doing otherwise exposes our higher education system to the danger of total collapse.

Clearly, for-profit college companies demand new attention and a new approach to regulation.

At a minimum, the Education Department must be allowed to define standards by which to enforce long-standing regulations that require all career colleges interested in federal subsidies to prepare their students for gainful employment—this will help ensure that federal aid dollars are used to pay for programs that actually lead to gainful employment and not just to heavy debt burdens.

We must also take a hard look at the apparent willingness of accrediting agencies to accept an institution's ability to manage the bureaucratic intricacies of the accreditation process as proof of academic quality. For instance, you might consider prohibiting the transfer of accreditation with a transfer of ownership from a non-profit entity to a for-profit entity. New owners would have to reapply for accreditation as if the institution had not been accredited before. You might also consider requiring accreditors to consider student outcomes data such as completion rates, placement rates, and cohort default rates before

they grant or renew institutions' accreditation.

Finally, we need to identify and eliminate the perverse funding incentives that encourage for-profit colleges to invest more on marketing, recruitment and shareholders than on instruction and student support services. In doing so, we must strengthen consumer protections for our most vulnerable students.

Preserving our higher education structure also requires that all of the players within that structure get serious about student success. For proprietary colleges, that means delivering on the promises of opportunity they are making to students and taxpayers alike. The promise is clear and unambiguous, seen in the recruitment ads depicting happy graduates working in state-of-the-art jobs they acquired thanks to their newly earned for-profit college degrees. The ads of course do not include the "results not typical" or "individual results may vary" disclaimers we are accustomed to seeing when the exception, rather than the rule, is showcased. But, unfortunately, they do present the exception. The data show that rather than getting a relevant credential and a job that pays a living wage, too many students walk away from these institutions with nothing but excessive debt and, ultimately, blame for their institutions' low graduation and high loan default rates.

Our country's long-term economic competitiveness depends upon the shoring up of our higher education structure. At a time when the world is demanding more of students—higher degrees, more sophisticated knowledge—we cannot expect less of the institutions that seek to educate them. Choice and opportunity—as concepts, as values, as concrete manifestations of the American Dream—deserve more respect.

Thank you.