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Real cost of Obama's war against for-profit colleges

By Mark Schneider and Jorge Klor de Alva

Until recently Corinthian Colleges Inc. was one of the largest providers of postsecondary education in the country. As recently as 2010 it enrolled around 112,000 students; even after a relentless campaign by politicians to dismantle proprietary education institutions, it enrolled 72,000 students across the country.

But several weeks ago the Department of Education, in its zeal to target proprietary colleges, imposed a 21-day hold on Corinthian College's access to federal student aid because it "failed to address concerns about its practices." The resulting liquidity crisis led directly to Corinthian's decision to wind down or sell its 97 U.S. campuses, and left still-unanswered questions as to what will happen to tens of thousands of students enrolled in Corinthian's education programs.

Among the more disturbing reports around the Department of Education's approach to Corinthian are the conflicting accounts of what officials knew regarding Corinthian's finances when they froze federal funds to the school. The Department claims it was unaware that its actions would have the effect of shutting down the school, while other reports make clear officials within the Department were fully aware of the shaky nature of Corinthian's finances. So either the Department inadvertently displaced 70,000 students without a plan for how to handle them, or it took actions knowing full well that a system incapable of absorbing these students would be their only recourse.

Even as it became clear that its continued existence was in question, Sen. Richard Durbin (D-Ill.) has continued his campaign against Corinthian's colleges, urging students to consider the "plenty of good public universities and community colleges that often offer the same or better courses and cost much less." Not content with the demise of Corinthian, the senator has also predicted that, "This is not the end of the story, a few more of these for-profit schools are teetering on the edge of collapse."

Even among advocates of proprietary providers of postsecondary education, there were questions about Corinthian's management and practices. However, blithely killing off a system with over 70,000 students (and predicting the demise of other providers) while urging students to attend public universities and community colleges neglects many inconvenient truths. One of the most notable is the absence of capacity to enroll more students in already full community colleges and regional public universities. Another is that the success rates of many of these public schools are embarrassingly low.

Taking an example from Durbin's home state, of the seven campuses run by the City Colleges of Chicago, five of them have graduation rates of 10 percent or less. Even at the

City College with the highest graduation rate (Kennedy-King) only about 1 of 5 students completes their “two-year” associate’s degree in three years. At Chicago State the six-year graduation rate for its four-year bachelor’s degree programs is an anemic 21 percent. So even if students around Chicago who were displaced by the shuttering of local proprietary providers could find seats, most would never complete their degrees.

Further, while closing for-profit schools and sending students to public institutions may seem like a money saving scheme, the costs being passed on to taxpayers are substantial. After all, every student enrolled in a public community college or university receives a subsidized education, supported by local and state taxpayers.

The forced collapse of Corinthian provides an opportunity to grasp just how much state taxpayers are likely to suffer if a major for-profit education provider is forced to close down. Taking into consideration the full- and part-time enrollments of Corinthian’s three U.S. schools (Heald, WyoTech, and Everest) and the average state and local appropriations for each bachelor’s and associate’s student in the sixteen states where Corinthian operates, we estimate that the annual cost to educate these full-time equivalent students in public community colleges would be over \$200 million and more than \$250 million if they attended public four-year colleges (it is usual practice to convert part-time students into full-time equivalents based on the intensity of their attendance patterns and then report data in terms of full-time equivalents or FTE).

Maybe these are not very large numbers for a Senator sitting in Washington DC, but this is money that will have to come from somewhere. When we further assume that Senator Durbin’s gleeful prophecy that more proprietary providers will fail, the taxpayer costs escalate dramatically.

According to federal data, on average, over the last five years, there were approximately 2.9 million full-time equivalent students enrolled in four-year proprietary colleges in the United States. If these students were in public four-year colleges, the nation would have had to find nearly \$19 billion in state subsidies. Additionally, around 1.7 million full-time equivalent students were enrolled in proprietary two-year institutions. If they were enrolled in community colleges, taxpayers would have been on the hook for an additional \$9 billion—a total of \$28 billion in additional state and local appropriations.

Of course, colleges and universities should be held accountable for the success of their students. But the same standard should be applied to *all* of them, including public ones. And before we proclaim just how inexpensive public institutions are, we need to factor in the subsidies that reduce what students pay by passing on the costs to taxpayers. Without these considerations, taking joy in the closure of one of the largest providers of postsecondary education is misplaced.

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