

The Role of For-Profit Colleges in Increasing Postsecondary Completions

AUTHOR

[Su Jin Jez](#) | California Competes

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California's state budget woes have led to reduced enrollment at state colleges. One source estimates that enrollment at public colleges in California dropped by 165,000 over the 2010–2011 academic year. At the same time, state and national leaders proclaim the need for more college graduates, including those with sub-baccalaureate awards. And Californians themselves want better higher education.

How can California increase postsecondary attainment rates despite major cuts to higher education funding and no voter interest in paying more? I suggest turning to for-profit colleges ("for-profits"). As I discuss in [this study](#), for-profits are already a major player in California—at their peak in 2009, they enrolled nearly 400,000 students and, in 2010, issued about 1 in 5 of California's long-term certificates, associate's degrees, and bachelor's degrees. Clearly, huge numbers of students have already discovered for-profits; it's about time higher education leaders moved beyond demonizing them to, instead, figuring out how to partner with them and get them to help California satisfy its needs.

But before California can take action, it needs leadership in higher education policy. Higher education in California is fractured, with the three public segments and the privates largely operating apart from each other. There is no state-level entity to set goals and coordinate California's higher education activities. I, like others, recommend the creation of a state-level higher education organization to take over the role of various existing state higher education organizations, such as the [California Postsecondary Education Commission](#) (which lost its funding in 2011 and has been dismantled), the [California Student Aid Commission](#), and Bureau for Private Postsecondary Education. This new entity would use data to decide California's higher education needs. Goals like: How many postsecondary awards are needed? Does California prioritize the production of certain awards over others (e.g. associates degrees in nursing or doctorates in computer science)? Next, the organization would figure out how to meet these goals. The entity would not only make recommendations but have regulatory authority and could use state financial aid as a tool to align state policy priorities with institutional behavior.

A smaller step would be to revise the federal 90/10 financial aid policy that requires for-profit colleges to receive at least 10% of their *revenue* from sources other than federal financial aid. This allows colleges to raise tuition so that federal financial aid covers 90% or less of the total cost, but all of the college's students could be receiving federal financial aid. I suggest California implement a revised 90/10 policy that requires colleges to have at least 10% of their *students* paying tuition/fees from non-public and non-institutional financial aid; this would use market forces to ensure some minimal level of quality. With this revised market-based, mixed-income policy, colleges would have to find 10% of its students that valued that college's education enough to pay out-of-pocket. This sort of policy is used in other arenas—like childcare and housing. However, this policy would not address the strategic

issues that a state higher education coordinating board could (and should), but it would be a first step to ensuring some minimal level of quality while protecting student and taxpayer investments.

The [*full study*](#) can be found in *"The Role of For-Profit Colleges in Increasing Postsecondary Completions"*, *California Journal of Politics and Policy*, Volume 4, Issue 2, Pages 140-160, June 2012.

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Stanford Graduate School of Education

520 Galvez Mall, Suite 444

Stanford, CA 94305

Phone: 650.576.8484

edpolicyinca.org

