

Trends in For-Profit Postsecondary Education: Enrollment, Prices, Student Aid and Outcomes

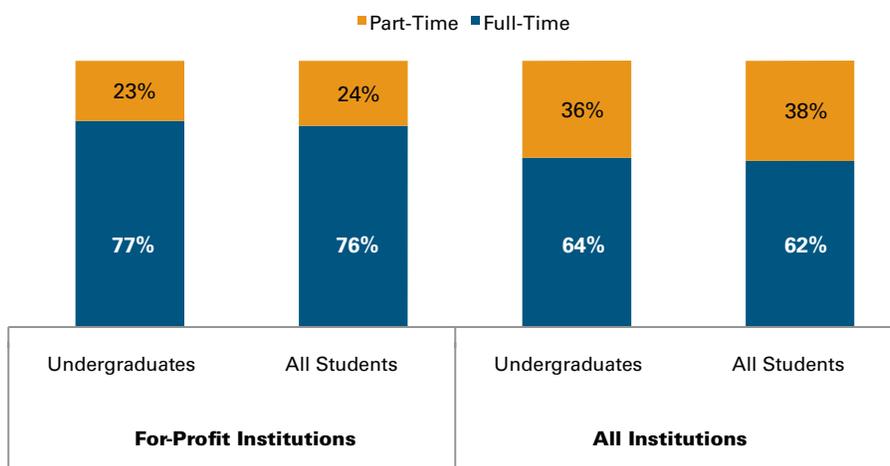
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This policy brief provides data on enrollments, prices, student characteristics, student aid, and completion rates at for-profit postsecondary institutions. The evidence provided here is intended to inform discussions of the rapid growth of the sector in recent years.

Enrollments

Between fall 2000 and fall 2009, full-time enrollment in degree-granting institutions in the for-profit sector increased from 366,000 to 1.5 million. In just nine years, the sector went from enrolling 4% of full-time students (and 3% of all students) to enrolling 11% of full-time students (and 9% of all students). Among students in this sector, 61% are enrolled in institutions that offer four-year degrees, 24% are in two-year institutions, and 15% attend less-than-two-year institutions. Undergraduates account for 86% of the total. Among students in the for-profit sector, 76% are enrolled full-time, compared to 62% of postsecondary students overall.¹

FIGURE 1: Enrollment Status, Fall 2009



Source: National Center for Education Statistics, *Enrollment in Postsecondary Institutions, Fall 2009; Graduation Rates 2003 & 2006 Cohorts; and Financial Statistics, Fiscal Year 2009*. NCES 2011-230, Table 1.

The for-profit sector plays a relatively larger role in awarding certificates and two-year degrees, but it has a presence at all levels. In 2007-08, 58,000 students earned graduate degrees from this sector. The 7% of all graduate degrees awarded in the for-profit sector represented an increase from just 1% a decade earlier. Among students who earned bachelor's degrees, 76,000 (5% of the total) came from the for-profit sector in 2007-08. The for-profit sector awarded 127,000 associate degrees — 17% of the total.²

Published Prices

Average published tuition and fees for full-time students at for-profit institutions are about half as high as those at private nonprofit colleges and universities, but they are much higher than those in the public sector. In 2010-11, the average price of a year at a public two-year college is 19% of the average price of a year at a for-profit institution, and public four-year tuition and fees average 55% of the for-profit price.

TABLE 1: Average Published Tuition and Fees for Full-Time Undergraduates (Enrollment-Weighted), 2010-11

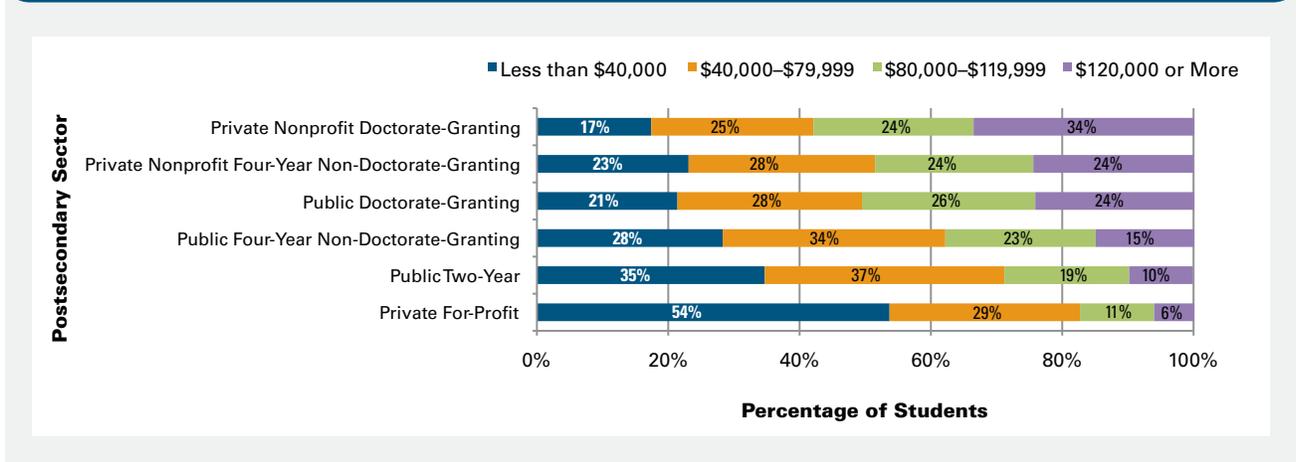
Sector	2010-11 Tuition and Fees	Relative to For-Profit Institutions	Difference
Public Two-Year	\$2,713	0.19	-\$11,222
Public Four-Year In-State	\$7,605	0.55	-\$6,330
Public Four-Year Out-of-State	\$19,595	1.41	\$5,660
Private Nonprofit Four-Year	\$27,293	1.96	\$13,358
Private For-Profit	\$13,935	1.00	\$0

Source: The College Board, *Trends in College Pricing 2010*, Table 1a.

Family Incomes

Most students enrolled in for-profit institutions are independent of their parents for purposes of federal financial aid. To be in this category, they must be age 24 or older; be married or have dependents; or be in the military, be veterans, be orphans or be wards of the court. Dependent students enrolled in for-profit institutions tend to come from families with lower incomes than students enrolled in other sectors.

FIGURE 2: Family Income Distribution of Dependent Students Within Postsecondary Sectors, 2007-08



Source: The College Board, *Education Pays 2010*, Figure 2.4b.

In 2007-08, 75% of students at for-profit institutions were independent, compared to 36% of those enrolled in public two-year colleges and lower percentages in other sectors. Among dependent students in the for-profit sector, 54% came from families with incomes below \$40,000. This compares to 35% of public two-year students, about 25% of public four-year students, and about 20% of private nonprofit students.

Student Aid

Thirty-four percent of all independent students received Pell Grants in 2007-08, compared to 22% of dependent students. Because of the disproportionate representation of independent and low-income dependent students at for-profit institutions, a relatively large share of federal aid goes to students in this sector.³

TABLE 2: Percentage of Federal Financial Aid Going to Students in the For-Profit Sector, 2008-09

	2008-09
Pell Grants	24%
Campus-Based Aid	8%
Academic Competitiveness Grants	3%
SMART Grants	8%
Subsidized Stafford Loans	25%
Unsubsidized Stafford Loans	28%
PLUS Loans	12%

Source: The College Board, *Trends in Student Aid 2010*, Figure 7.

Although students in the for-profit sector received 24% of all Pell Grant funds in 2008-09, and slightly higher percentages of both subsidized and unsubsidized Stafford Loans, they accounted for 12% of PLUS Loans, 8% of SMART Grants and Campus-Based Aid, and only 3% of Academic Competitiveness Grants.

Despite their high Pell Grant eligibility, dependent students in for-profit institutions receive less total grant aid on average than do students in private nonprofit and public four-year colleges and universities.

TABLE 3: Average Grant Aid per Full-Time Dependent Undergraduate Student, by Sector, 2007-08

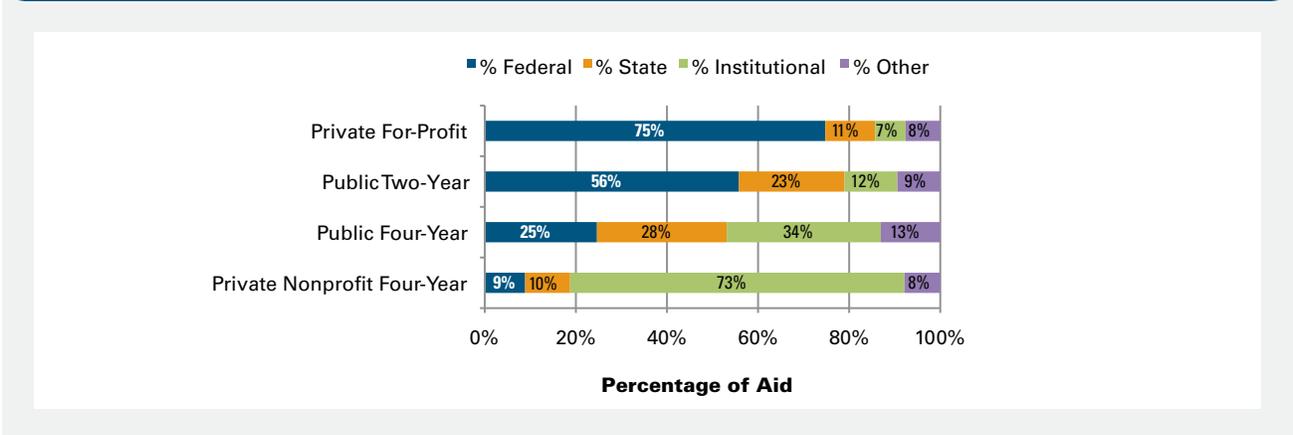
	Federal Grants	State Grants	Institutional Grants	Total Grants
Total	\$870	\$760	\$2,270	\$4,340
Public Two-Year	\$770	\$320	\$160	\$1,380
Public Four-Year	\$830	\$960	\$1,140	\$3,370
Private Nonprofit Four-Year	\$880	\$980	\$7,290	\$9,930
Private For-Profit	\$1,570	\$230	\$140	\$2,100

Note: "Public four-year" includes out-of-state students. "Total grants" include grants from employers and other private sources, in addition to the grants itemized in the table.
Source: National Center for Education Statistics (NCES), *National Postsecondary Student Aid Study (NPSAS) 2008*.

Students in the for-profit sector are less likely to receive either state grants or institutional grants than students in other sectors. In 2007-08, full-time undergraduate students in private nonprofit institutions received an average of over \$7,000 in institutional grant aid, compared to about \$140 for those in for-profit institutions. Public four-year college students received slightly more than \$1,100 per student. Average total grant aid per full-time undergraduate student was over \$9,900 in private nonprofit colleges and about \$3,400 in public four-year institutions, compared to \$2,100 in the for-profit sector, where students are from lower-income backgrounds.

In 2007-08, undergraduate students in the for-profit sector received three-quarters of their grant aid from the federal government and only 7% from the institutions they attended. In contrast, only 9% of the grant aid to students in the private nonprofit sector was from the federal government, while about three-quarters was from institutional sources.

FIGURE 3: Sources of Grant Aid to All Full-Time Dependent Undergraduate Students, by Sector, 2007-08



Note: Percentages may not sum to 100 because of rounding.
Source: National Center for Education Statistics (NCES), *National Postsecondary Student Aid Study (NPSAS) 2008*.

Net Prices

TABLE 4: Net Prices of Low-Income, Full-Time Dependent Students, by Sector, 2007-08

	Public Two-Year	Public Four-Year In-State	For-Profit	Private Nonprofit (Lowest T&F Level)	Private Nonprofit (2nd T&F Level)	Private Nonprofit (3rd T&F Level)	Private Nonprofit (Highest T&F Level)
Published Tuition and Fees	\$1,420	\$5,330	\$11,970	\$9,330	\$20,800	\$27,130	\$34,380
Total Grants	\$3,130	\$7,050	\$3,610	\$7,700	\$14,550	\$17,620	\$21,860
Net Tuition and Fees	\$0	\$0	\$8,360	\$1,630	\$6,250	\$9,510	\$12,520
Net Room and Board and Other Costs	\$6,480	\$9,030	\$8,150	\$10,400	\$11,150	\$11,060	\$11,620
Net Cost of Attendance	\$6,480	\$9,030	\$16,510	\$12,030	\$17,400	\$20,570	\$24,140

Note: "Low income" is defined as annual income less than \$32,500. Grants are from all sources, including federal and state governments, institutions, and private sources. "Other costs" include books and supplies, transportation, and basic living costs as reported by institutions in student budget calculations. Net prices for private nonprofit four-year colleges and universities are reported by level of tuition and fees.

Source: The College Board, *Trends in College Pricing 2010*, Figures 8a, 8b, 9a, and 9b.

In 2007-08, dependent students from families with incomes below \$32,500 who enrolled full-time in public two-year and four-year institutions received, on average, enough grant aid to cover their entire tuition and fees. In contrast, similar students enrolled in for-profit institutions paid average net tuition and fees of about \$8,400. Their average total grant aid was similar to that received by public two-year college students and lower than that received by public and private nonprofit four-year college students. Net tuition prices in the for-profit sector were higher than not only those in the lowest-price quartile of private nonprofit colleges, which have lower sticker prices, but also than those in the second quartile, where sticker prices are higher but grant aid diminishes the net prices. Students in the more expensive half of private nonprofit colleges paid average net prices higher than those in the for-profit sector.

Graduation Rates

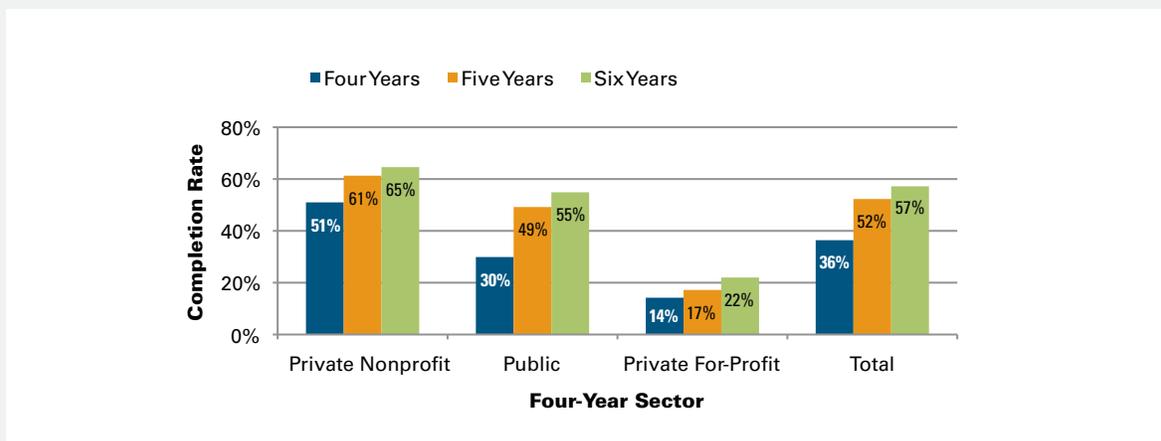
Bachelor's degree completion rates are much lower in the for-profit sector than in other sectors. Of first-time full-time students who began studying for a bachelor's degree at a four-year institution in 2002, 57% earned a B.A. at the institution at which they began within six years. Completion rates averaged 65% at private nonprofit, 55% at public four-year, and 22% at private for-profit institutions.

Within each racial/ethnic group, four-year degree completion rates are over twice as high in the private nonprofit sector as in the for-profit sector. Among whites and blacks, the proportion of entrants who earned a bachelor's degree within six years was almost three times as high at private nonprofit colleges and universities as it was in the for-profit sector.

Among those students at for-profit four-year institutions, 16% of blacks and 28% of Hispanics who enrolled in 2002 had earned a bachelor's degree six years later. Among those who enrolled at public four-year colleges and universities, 39% of blacks and 46% of Hispanics had earned degrees.

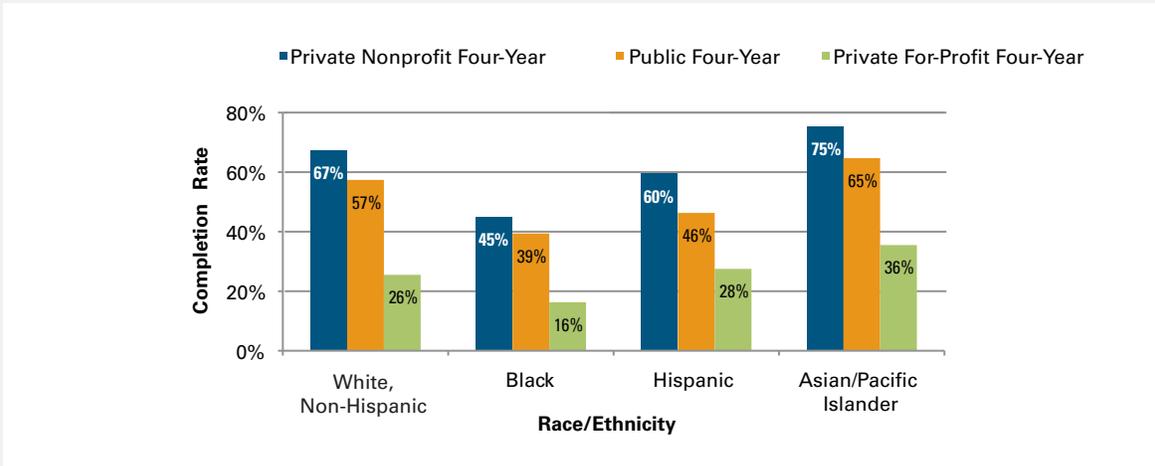
The gaps between completion rates for black first-time full-time students and those for white and Asian students are larger in the for-profit sector than in the public and private nonprofit sectors.

FIGURE 4: Percentage of First-Time Full-Time Students Beginning Bachelor's Degree Programs in 2002 Who Earned a B.A. at the Original Institution Within Four Years, Five Years, or Six Years, by Sector



Source: The College Board, *Education Pays 2010*, Figure 2.6a.

FIGURE 5: Percentage of First-Time Full-Time Students Beginning Bachelor's Degree Programs in 2002 Who Earned a B.A. at the Original Institution Within Six Years, by Sector and Race/Ethnicity



Source: The College Board, *Education Pays 2010*, Figure 2.6b.

Reported completion rates for two-year institutions include both two-year degrees and certificates earned over shorter periods of time. These completion rates for students who began their studies in 2004 were highest in the for-profit sector, where 60% of full-time students completed their credentials within three years, compared to 50% of those in private nonprofit and 22% of those attending public two-year colleges.

Endnotes:

¹College Board (2010). *Trends in College Pricing*, Figure 17a; National Center for Education Statistics (2011). *Enrollment in Postsecondary Institutions, Fall 2009; Graduation Rates, 2003 & 2006 Cohorts; and Financial Statistics, Fiscal Year 2009*. NCES 2011-230.

²College Board (2010). *Trends in College Pricing*, Figure 19.

³National Center for Education Statistics (2008). *National Postsecondary Student Aid Study 2008*.