

For-Profit Postsecondary Educational Institutions: Overview of Accreditation and State and Federal Oversight

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*Requested by Assembly Member Lou Correa, Chair
Business and Professions Committee*

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EXECUTIVE SUMMARY

Postsecondary education in California includes public community colleges and universities, private nonprofit colleges and universities, and private proprietary and for-profit schools. While small in number compared with public and private nonprofit institutions, proprietary and for-profit schools and career colleges are growing and serving an increasing number of adult students.

This report describes California's private for-profit postsecondary educational institutions. It presents an overview of the external quality review system – a complex system that includes a private non-governmental process (accreditation), a state oversight function, and a federal recognition process, all of which address quality and consumer protection.

PRIVATE FOR-PROFIT INSTITUTIONS

Private for-profit postsecondary educational institutions are businesses that prepare graduates for jobs and career advancement. The for-profit sector ranges from small owner-operated schools to an increasing number of large higher education systems that are owned and operated by publicly traded for-profit corporations, many with multiple campuses in several states.

Close to 500,000 students are enrolled at approximately 3,000 for-profit institutions in the state – more students than the University of California and State University systems combined. For-profit institutions typically attract two groups of students: recent high school graduates who want training for specific careers, and nontraditional students who are older, have family and work responsibilities, and are concerned with preparing to enter the workforce or advance their careers. These institutions also serve a large percentage of minority students and students who are low-income.

For-profit institutions generally offer a small, focused range of programs limited to high-demand occupational or professional fields. Programs are accelerated and “hands on;” classes are small and scheduled at convenient locations and times. Curriculum is often developed at the corporate headquarters level and delivered by faculty that have experience in the field. In addition, for-profit institutions consider their students to be “customers” and focus resources on student support services instead of campus life. They measure success through program retention and completion rates, and job placement rates.

Many for-profit institutions, like their nonprofit counterparts, are increasingly delivering instruction using distance education technology that links students and instructors in different locations.

There are different views about private for-profit education. A brief historical overview provides a context for these views. According to the Attorney General's Office, prior to 1989 private for-profit institutions operated in California with little oversight. Scam vocational schools and diploma mills that engaged in aggressive and misleading

marketing tactics, provided sub-par instruction, and “sold” degrees proliferated. The 1989 Private Postsecondary and Vocational Education Reform Act and the Maxine Waters School Reform and Student Protection Act together established state oversight of private postsecondary and vocational education institutions to protect consumers from deceptive and unfair practices, assure quality education through the establishment of minimum standards, and require institutional stability (fiscal responsibility) of private postsecondary institutions. During the late 1980s and early 1990s several actions were taken against non-accredited and accredited schools and accrediting agencies; more than 1500 institutions were closed.

Proponents of private for-profit institutions believe that such institutions have overcome scandal and currently serve an important function by educating and training adults for workforce positions that need to be filled. They assert that most for-profit institutions in California (especially those that are accredited and state approved) provide quality postsecondary programs that meet student, employers, and societal needs. On the other hand, critics of private for-profit education believe that many of these institutions – including some that are accredited and state approved in addition to those operating without required approval – continue to engage in fraud and abuse ranging from misrepresentation to delivering a poor quality of instruction.

PRIVATE POSTSECONDARY EDUCATION QUALITY REVIEW SYSTEM

The external quality review system for private postsecondary education institutions is made up of three components: accreditation, state oversight, and federal recognition. Accreditation is a voluntary process that is carried out by private, nonprofit organizations designed for this purpose. Accrediting agencies are legal entities that are incorporated to conduct accrediting activities and make decisions concerning the accreditation status of institutions or programs. They have the ability to grant and withdraw accreditation; however, they have no statutory or regulatory control over educational institutions or programs.

Accreditation serves higher education, students, the government, and the public through two fundamental purposes: certifying the quality of institutions or programs, and assisting in the improvement of the institutions or programs. The accreditation process is labor-intensive, lengthy (several months to several years), and costly. Institutions pay for the initial accreditation and reaccreditation processes, annual dues, training, and other costs.

Regional and national accrediting agencies accredit institutions; specialized or programmatic accrediting agencies accredit specific programs and some single-purpose schools. Regional accrediting agencies operate in six geographic regions of the United States. The Western Association of Schools and Colleges (WASC) is the regional accrediting agency for California. Regional accrediting agencies accredit close to 3,000 institutions, including most of the liberal arts colleges and large research universities. Most regionally accredited institutions grant degrees and are nonprofit.

In contrast, national accrediting agencies operate throughout the United States and accredit close to 3,500 institutions. Two-thirds confer diplomas or certificates (no degrees). In addition, the majority of nationally accredited institutions are for-profit.

Each accrediting agency establishes its own standards (a framework of expectations and practices) that govern the conduct of the institution. These standards address similar areas, including curricula, faculty, facilities, fiscal/administrative capacity, student support services, recruiting/admissions practices, student achievement, and compliance with state and federal requirements. (Distance education presents accreditation challenges due to its alternative instruction method. As a result, regional and national accrediting agencies have developed additional standards, or modified existing practices, to address its unique features.) Accreditation standards are revised on an ongoing basis – both in organization and content – to reflect changes in postsecondary education.

The accreditation process has five stages that are common among accrediting agencies: 1) preliminary application and review of eligibility for accreditation, 2) a self-study by the institution using evaluation criteria determined by the accrediting agency, 3) a site visit by the accrediting agency, 4) action by the accrediting agency (including opportunities for appeal by the institution), and 5) ongoing monitoring through periodic reports and reaccreditation visits. Regional and national accreditation processes differ in that regional accrediting agencies review an institution as a whole while national accreditation agencies review each program within the institution.

State oversight is the second component of the external quality review system. All private postsecondary institutions (with some exemptions) must be approved to operate in California. Approval means that the state has determined and certified that an institution meets its minimum standards for integrity, financial stability, and educational quality. State oversight authority is vested in the Bureau of Private Postsecondary and Vocational Education (BPPVE), Department of Consumer Affairs. State statutes distinguish between non-degree and degree-granting institutions.

The BPPVE requires annual reports and conducts on-site reviews; it collects fees from institutions to pay for its operations. The Bureau provides consumer information and oversees the Student Tuition Recovery Fund, a fund available for students who cannot obtain a refund or federal loan discharge when the school they are attending closes. In addition, the BPPVE responds to and mediates student complaints. The majority of complaints received by the Bureau are generated about non-accredited institutions; however, complaints are also registered about accredited institutions. Complaints are generally about a mix of educational quality problems and financial issues. (School closures are usually related to the institution's financial inability to continue business.)

The Private Postsecondary and Vocational Education Reform Act sunsets January 2005. Legislation has been introduced to extend it until June 2007. One of the bills extending the Act also requires that the Director of the Department of Consumer Affairs appoint a BPPVE Operations and Administration Monitor to assess the bureau's operations and submit a report to the Director and Legislature in 2005.

The federal recognition process is the third external quality review system component. Accreditation is linked with eligibility for financial aid to ensure that basic standards of quality are met to protect the federal investment. The Higher Education Act (HEA), enacted in 1965 and amended in 1992, requires that a postsecondary institution be accredited by an agency that is *recognized* by the United States Department of Education (USDE) in order for its students to receive federal funds. The USDE reviews the quality and effectiveness of accrediting agencies to determine if the accrediting agency has sufficiently rigorous standards to be federally recognized.

Federal review criteria apply to both regional and national accrediting agencies. National accrediting agencies that accredit non-degree granting institutions are also required to establish and meet standards for student retention and job placement rates. In California, the six regional accrediting agencies (including WASC) and 29 national accrediting agencies are federally recognized. These accrediting agencies accredit a total of 430 private postsecondary institutions.

Funding authorization for the HEA expires at the end of federal fiscal year 2004. Congress is currently engaged in discussions relating to reauthorization. Areas of discussion include whether federal aid programs provide adequate support for students attending for-profit institutions; identifying the appropriate accountability standards; and questions about federal provisions in relation to distance education.

POLICY IMPLICATIONS

For-profit postsecondary education institutions contribute to the state's economy on several levels. The state has an interest in supporting for-profit postsecondary education institutions. It also has an interest in protecting students (and reputable schools) from the fraudulent, deceptive, and unfair conduct of some for-profit institutions. Because state interests sometimes conflict, a policy task facing the state is reconciling the different interests associated with for-profit postsecondary education institutions, and establishing the appropriate balance for state authority and oversight.

Another basic policy question is whether the current state oversight process (including accreditation and its link with federal recognition) best ensures quality and protection for California students attending private postsecondary institutions. For example, there are questions about duplication of state approval requirements and accreditation requirements, and whether oversight of for-profit postsecondary education institutions should continue within the Department of Consumer Affairs or should more appropriately be re-linked with education entities.

The state has had over a decade of experience with regulating the provisions of the Private Postsecondary and Vocational Education Reform Act. The 2003 Joint Legislative Sunset Review Committee and others have identified several concerns with the Reform Act's provisions and implementation. The sunset of the Reform Act provides an opportunity for California to remedy the shortcomings in the current state oversight function of private postsecondary education institutions.

OVERVIEW AND PURPOSE OF REPORT

Postsecondary education in California is a diverse system; it includes public community colleges and universities, private nonprofit colleges and universities, and private proprietary and for-profit schools. While small in number compared with public and private nonprofit institutions, proprietary/for-profit schools and career colleges are growing and serving an increasing number of students.

Proprietary and for-profit schools are businesses that prepare adult students for jobs and careers. These include the University of Phoenix, Heald College, Bryman College, Concorde Career College, ITT Technical Institute, TechSkills, and Allied School (a distance education institution with on-line courses only). These schools offer diverse programs ranging from vocational skills courses like aircraft mechanics to degree programs in business administration. They advertise in newspapers and on television, radio, billboards, and the Internet; they highlight their “hands-on” approach and convenient classes.

Many students, including those who are older and have family and work responsibilities and young adults who want training for specific trades or careers, are enrolling in private proprietary and for-profit postsecondary schools to prepare for entering the workforce or to advance their careers. For-profit institutions also serve a disproportionate number of minority students. Although they enroll only eight percent of all postsecondary students in the U.S., for-profit institutions enroll 16 percent of all black students and 14 percent of Hispanic students.

The external quality review system for private postsecondary institutions is complex and confusing. It includes a private, non-governmental process (accreditation), a state oversight function, and a federal recognition process – all of which address quality and consumer protection. Recent state legislation, the impending sunset of California’s Private Postsecondary and Vocational Education Reform Act of 1989, and the reauthorization of the federal Higher Education Act focus interest on these processes.

This report describes California’s postsecondary private for-profit educational institutions and provides an overview of the accreditation process, the state oversight role, and the federal recognition process. It includes an historical perspective and identifies current trends and issues. This report also includes a brief discussion of policy implications.

The content of this report is based on the literature, supplemented with information from key resource people who are familiar with these subjects. (The literature is identified in the Bibliography; Appendix A contains a list of the resource people.)

PRIVATE POSTSECONDARY EDUCATIONAL INSTITUTIONS

OVERVIEW OF POSTSECONDARY EDUCATION

Postsecondary educational institutions are schools, colleges, and universities that are designed to meet the continuing education needs and interests of adults. These institutions primarily serve students who have completed their high school education or are beyond the age of compulsory attendance (age 18 in California).¹

PUBLIC AND PRIVATE NONPROFIT INSTITUTIONS

Thousands of public and private nonprofit postsecondary institutions throughout the country offer academic instruction leading to degrees that range from two-year associate degrees to doctoral degrees requiring eight or more years of study. Public institutions, which are state supported, include the California Community Colleges, the California State Universities, and the University of California campuses.

Private nonprofit educational institutions are independent; they may have been established by a religious organization or other private entity, or through local community funds. Private nonprofit institutions include prestigious, traditional colleges or universities founded over a century ago, such as Stanford University. Other institutions, such as most of the Claremont Colleges and National University, were established in the last century to serve distinctive populations and growing urban areas,

PRIVATE FOR-PROFIT INSTITUTIONS

Postsecondary education in California also includes a diverse and growing proprietary/for-profit sector. According to the California Association of Private Postsecondary Schools, there are approximately 3,000 private proprietary institutions operating in California. Close to 500,000 students are enrolled at any given time and about 200,000 students graduate each year – more students than the University of California and State University systems combined.²

Proprietary/for-profit institutions serve about one-third the number of students educated in California community colleges. However, these institutions annually issue more vocationally related diplomas/certificates and degrees than

DEGREES, DIPLOMAS, AND OTHER CREDENTIALS

The higher education degree – associate, baccalaureate, masters, and doctoral – signifies that the student has acquired some mastery of general education and preparation for career or profession. The degree is intended to foster lifelong learning and useful involvement in the community and the larger world.

Other credentials, such as diplomas and certificates, are more targeted in their scope. They generally represent mastery of knowledge and skills that pertain to a specific course of study.

FOR-PROFIT INSTITUTIONS

“... For-profit institutions are unique organizational blends of business enterprise and academic institution. At the classroom level they look and behave like traditional colleges, but as you move up the organizational hierarchy...they look and feel more like businesses and less like academic institutions.”

“Higher Ed, Inc.: The Rise of the For-Profit University” R. Ruch, 2001

CHANGING VIEW OF POSTSECONDARY EDUCATION

Over the past two decades a growing percentage of the population is attending some form of postsecondary education. There is increasing agreement within society that higher education is not only desirable, but that education and training are the keys to economic well-being.

For many, postsecondary education means the more immediate acquisition of skills – with a strong emphasis on training and part-time nonresidential attendance, and a limited interest in acquiring a degree. This represents a transition from the concept of participating in higher education over a fairly extended period of time for the purpose of intellectual development

Taking a Look At Ourselves, Accreditation,
J. Eaton, 2001

CHARACTERISTICS OF FOR-PROFIT INSTITUTIONS

For-profit postsecondary institutions provide an educational experience that is geared to their students' needs:

- Customer orientation (student-centered approach)
- Academic and personal support services
- Accelerated programs
- Convenient locations and schedules
- Career-oriented degree programs
- Hands-on approaches to instruction
- Short program development cycle
- Availability of capital for program development and technology

Meeting Needs and Making Profits: The Rise of For-Profit Degree-Granting Institutions,
K. F. Kelly, 2001

the community colleges.³

Private proprietary/for-profit institutions are businesses. Institutions include small proprietary colleges run by owners who take the profits earned in the business as personal income; many are family-owned and operated. The for-profit sector also includes a decreasing number of medium-sized institutions and an increasing number of large higher education systems that are owned and operated by publicly traded for-profit corporations. Many of these large “super systems” operate multiple campuses in several states and enroll thousands of students. Examples are the University of Phoenix and Corinthian Colleges, Inc.

Several other terms have been used over the years to describe proprietary and for-profit institutions. These include “trade schools,” “enterprise colleges,” and “career colleges.” This report will use the term “for-profit institutions.”

Characteristics of For-Profit Institutions

To date, there are a greater number and proportion of jobs requiring postsecondary education. In addition, rapid changes in job skills mean new and expedited training is needed.

The primary purpose of for-profit postsecondary institutions is preparing graduates for jobs or career advancement. As a result, these institutions generally offer a small, focused range of programs limited to high-demand occupational or professional fields. Many offer instruction through electronic delivery methods, known as distance learning. (Specific characteristics of for-profit institutions are identified in the box at left.)

For-profit institutions consider their students to be “customers.” They focus their resources on student services instead of traditional campus life. Most have intake procedures and assessments to assist in placing students in training programs and identifying support

CORINTHIAN COLLEGES, INC.

The website for Corinthian Colleges, Inc. – “a global network of schools” – reports that it is one of the largest for-profit postsecondary education companies in the U.S. Founded in 1995, and taken public in 1999, the company’s objective is to “fulfill the ever-growing educational needs of individuals seeking to obtain relevant, career-training skills in a number of marketable fields.”

Headquartered in Southern California, Corinthian Colleges, Inc. operates about 87 institutions and two continuing education centers throughout the U.S. (and 46 institutions and 15 corporate training centers in Canada). The company has three divisions: Corinthian Schools, Inc., Rhodes Colleges, Inc., and Titan Schools, Inc. Institutions in these divisions offer diploma and degree programs in a variety of fields. Corinthian Colleges, Inc. also offers online degree programs such as master’s degrees in business administration and criminal justice; bachelor and associate’s degrees in accounting, business, and criminal justice; and an associate degree in the legal assistant/ paralegal fields.

The Corinthian Schools, Inc. division operates diploma-granting schools that primarily provide training in the healthcare field (these include programs in medical assisting, dental assisting, surgical technology, pharmacy technician, and massage therapy). In addition, the division operates programs in the business field. Institutions are located in several states, including 13 Bryman College campuses in California that are accredited by the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT). Corinthian also operates the National Institute of Technology, accredited by the Accrediting Council for Continuing Education and Training.

The Rhodes Colleges, Inc. division operates degree-granting colleges that primarily lead to an associate’s degree; some campuses offer bachelor’s and master’s degrees. In California, Everest College offers degrees in the business and criminal justice fields and is accredited by the Accrediting Council of Independent Colleges and Schools.

Titan Schools, Inc. is the technical division of Corinthian Colleges, Inc. These schools offer associate degrees and diploma programs in such disciplines as automotive technology, aviation maintenance, computer technology, electrical technology, and heating/ventilation/air conditioning. California campuses include Sequoia Technical Institute and Wyotech; both are accredited by ACCSCT.

Since its inception, Corinthian Colleges, Inc. has reported steady growth. Its corporate growth strategy includes acquiring additional schools (53 of the 71 campuses managed in 2003 were added through purchase), and continuing to add branch campuses (since the public offering, 18 new branch campuses have been added based on market demands). The company also plans to continue expanding internally through developing and adopting relevant, high-demand curricula into current schools; remodeling, increasing and relocating existing campuses; and expanding the online learning component.

Corinthian Colleges, Inc. Website
Accessed April 2004

NONTRADITIONAL STUDENTS

“Nontraditional” generally means that the student has one or more of the following characteristics: delayed enrollment from high school; attends part-time; is financially independent for purposes of financial aid eligibility; has dependents other than a spouse; is a single parent; or did not complete high school.

According to the National Education Center for Statistics (NECS), students who are moderately or highly nontraditional are more likely than traditional students to enroll in a for-profit or a public two-year institution. They are also more likely to participate in distance learning.

NECS, 2002

Student Population

Today’s undergraduate population at all types of institutions is different than a generation ago: more students are enrolled part-time, women outnumber men, and more students are older. The “traditional” undergraduate (a full-time student just out of high school who depends upon parents for financial support) is no longer typical. Non-traditional students make up the majority of all postsecondary students (see box at right).⁴

For-profit institutions typically attract two groups of students: recent high school graduates and nontraditional students – adults who are attempting higher education for the first time: “*These individuals have often been described as being the other “other 75 percent” – people who were not in the top 25 percent of their high school classes and who would be unlikely to enroll or be successful at other types of institutions.*”⁵

Young adults who enroll in for-profit institutions are ready to pursue training in their selected career field. They are generally not interested in general education requirements or traditional campus life; instead, they want focused training that can be completed in a specific number of months.

The older students, parents (especially single parents), and students who work full-time, have family and work responsibilities that compete for their time and resources. They are also interested in short, focused training to gain skills to advance in their job or for a new career.

For-profit institutions also serve a disproportionate number of minority students. Although they enroll only 8 percent of all postsecondary students in the U.S., for-profit institutions enroll 16 percent of all black students and 14 percent of Hispanic students. They enroll four percent of Native American students.⁶ (See Appendix B for an article related to this issue; this article also provides a good overview of for-profit institutions.)

Students enrolled at private, for-profit institutions are also more likely to be low-income than students at other types of institutions.⁷ (This situation raises concerns among some that the students with the lowest incomes – the least able to afford it – are paying more for a postsecondary education than they would if they attended a public institution.)

Faculty and Programs⁸

Faculty at for-profit institutions are required to have credentials (degrees and experience) that demonstrate their expertise in a field. They are trained to deliver a curriculum that typically has been developed by the corporate office and are expected to develop

relationships with their students. The majority of faculty is full-time; they are not tenured.

Programs offered by for-profit institutions are expected to be based upon the local community's business/industry needs. The institutional structure requires a link with the local business community and allows for-profit institutions to redirect resources and faculty as needs dictate. Proponents believe that one of the primary strengths of for-profit institutions is their ability to create and get a new, customized training program up and running very quickly.

Institutions generally require that students have a high school diploma or equivalent (GED) to enroll in their programs. In order to enroll without a diploma or GED, students must pass a nationally recognized test, administered by the institution, to determine their ability to learn from the instruction provided and obtain employment in that field.

Most classes at for-profit institutions are smaller than traditional college classes. Instruction cycles are shorter. Classes are offered year round and average about 20 hours per week; they generally take from eight to 12 weeks to complete. In addition, classes are typically offered sequentially; students take one class at a time – learning content and practicing skills – before they move to the next class.

Distance Education

“The changes occurring inside higher education institutions are directly linked to changes in society itself.”⁹

California is evolving rapidly into a knowledge-based society whose key strategic resource is knowledge itself.¹⁰ Recent advances in technology allow for alternative means to meet the educational needs of students. These include distance learning (also called “e-learning”): the electronic delivery of programs, courses, services, and degrees. For-profit institutions, like their nonprofit counterparts, are increasingly delivering instruction using technology that links students and instructors in different locations.¹¹

Distance learning routinely involves three key components that are not found in traditional learning settings:

- Computer-mediated classrooms where teachers and students interact with one another electronically through the written word rather than face-to-face.
- Separation in time between communications and activities.
- Online services such as advising, counseling, and access to research resources.

Student Outcomes Retention, Completion, and Placement

There is growing pressure on all types of institutions to be more accountable to their varied stakeholders by demonstrating their efficiency, effectiveness, and relevance to students. Increasingly, students are seen as consumers with expectations to be met.

The measures of success for for-profit institutions are completion, placement, and retention. These institutions use support services and early intervention to retain students and prevent dropouts. Completion rates are important to both the students and the institution; students need to complete training to meet their goal, and the institution needs to demonstrate the success of its training program.¹²

The ultimate outcome measure is the placement of graduates (or in some cases, career advancement). Placement rates indicate the proportion of graduating students placed in careers related to their educational program within six months of graduation. Career placement of graduates is viewed as a measure of the return on educational investment that students can expect after they graduate.¹³

In contrast, public and nonprofit institutions do not measure accountability in the same way. For example, these institutions generally place a higher value on the percentage of undergraduates who go on to graduate school than on the percentage of who get jobs following graduation.

PUBLIC/PRIVATE NONPROFIT AND PRIVATE FOR-PROFIT ISSUES

“From the point of view of an adult student who wants to go to college, there is no difference between an accounting degree received from a for-profit or proprietary institution and the same degree gained at a public or private nonprofit institution. There is no evidence that employers feel differently about such distinctions as long as the institution is appropriately accredited or approved by the state licensing agency and the graduates have adequate skills to do their jobs.”

Higher Education: Are For-Profit Institutions Treated Differently?
T. Brimah, 2000

Value of Degree

An overriding issue is whether, compared with public and private nonprofit postsecondary institutions, for-profit institutions provide their students with a quality education. Some believe that what for-profit institutions provide to students is employability, not necessarily education, and that the degrees they bestow are not “true” degrees like the liberal arts-based associate and bachelor’s degrees awarded by traditional institutions. This view considers a degree from a for-profit institution to be of lesser value. It also encompasses the concern that concentrating on the private benefit of education to the individual dismisses half the value of higher education, which is for the individual to add to society as an informed and engaged citizen.¹⁴

Proponents of for-profit institutions assert that their programs are generally equivalent to their nonprofit counterparts in content and expectations for student performance. They point out that the public and private nonprofit and the for-profit sectors have increasingly similar characteristics. For example, for-profit institutions provide education as a context for training; they provide theory and analysis in addition to skills and practice. In addition, their degrees conform to commonly recognized standards and have the same integrity as degrees from nonprofit schools when conferred by licensed and accredited for-profit institutions.¹⁵

Private v. Public Benefit

In addition to seeking to make a profit for their owners and shareholders, a key distinction between public/nonprofit and for-profit postsecondary education is that for-profit institutions are fundamentally oriented to producing a private benefit: enhanced employment outcomes for individuals. While public/nonprofits are also committed to producing that benefit, they have a broader mission that incorporates producing public benefits, such as long-term research that contributes to basic knowledge, service to the community, and a broad education.

However, there are a number of intersections between the private benefits of nonprofits and the public-service missions of public and nonprofit institutions. For-profits contribute to the public good and generate public benefits. For example, the institutions themselves pay taxes, and the students they educate generate higher taxes. They also play an important role in preparing students for the workforce.

Similarly, public benefits lead to private benefits. For example, higher levels of civic engagement afford individuals the opportunity to live in more collegial communities.¹⁶

HISTORICAL OVERVIEW¹⁷

In the United States, proprietary and for-profit schools have existed from the Colonial era. Private career colleges were established on a parallel track with apprenticeship programs and public education to meet the social and economic need for knowledge and skill training. For example, in 1832, a proprietary school in Boston was founded to train students in clerical and paraprofessional accounting activities because the public school systems and apprenticeship programs were not meeting the specific needs of industry.

Additional skill training targeted at women was accelerated by the number of who had moved into the workforce as a result of the Civil War and the inventions of the typewriter and shorthand. Entrepreneurs developed a chain of “commercial colleges” that focused on training in all areas of business skills. These grew both in size and number over the next 100 years. During the 1940s and 50s, for-profit institutions expanded in both numbers and training fields due to the large number of returning World War II soldiers and the demand for customized training by business and industry. Returning veterans of the Vietnam War plus the growth of the economy again fueled demand for private career colleges during the 1970s. Many of these new schools were located in urban areas where low-income students could qualify for federal grants and guaranteed student loans.

IMPACT OF MARKET FORCES

The increasing number of private for-profit postsecondary institutions is an indication of the prevalence of market forces on postsecondary education. Determining its impact leads to several questions:

- How does increased reliance on successful market performance affect an institution’s commitment to serving the public purpose?
- When higher education is considered to be a private good and students are treated as consumers, what is the impact of students exercising their prerogatives as shoppers?
- What is the return on public investment in higher education when students increasingly define their own paths of study, largely apart from the degree requirements of universities and colleges?

Beyond Dead Reckoning, National Center for Postsecondary Improvement, 2001

DIPLOMA MILLS

“Diploma mills” are operations that grant diplomas and/or degrees in exchange for money. A broader definition includes those that grant degrees in exchange for money and some work – without requiring the student to do substantive coursework and show proof that they are properly qualified. Diploma mills not only defraud students and the public, their existence casts doubt on legitimate alternative and non-traditional education options like distance learning.

During the 1970s and 80s, institutions operated with little or no oversight and few constraints in recruiting and training students. A large number of institutions did not provide the training advertised, did not comply with fair consumer practices, and mismanaged finances. As a result, thousands of students became victims of substandard education, fraudulent practices, and low completion, placement, and wage rates – and loan default rates escalated – during this period. California, in particular, earned a tarnished reputation as a haven for substandard education and diploma mills.

In response to this situation, the State Legislature passed the Private Postsecondary Reform Act of 1989 (see the “State Oversight” section for a further discussion of this Act). And, in 1992, Congress mandated stricter eligibility requirements for institutions receiving federal funds, tightened recruiting and admission procedures, and

established more stringent accreditation standards to weed out marginal institutions (see the “Federal Role: Recognition of Eligibility for Financial Aid” section for a further discussion of the Higher Education Act).

FOR-PROFIT INSTITUTIONS TODAY

The Education Commission of the States completed a three-year, multifaceted study of for-profit, degree-granting institutions in 2000. The Commission concluded that these institutions have overcome scandal and become a major force in higher education. Their rapid growth has attracted attention from both traditional higher education institutions – public and private colleges and universities – and the business world. An example of their impact is that public and private nonprofit institutions have borrowed some features common to for-profit institutions.

The Rise of For-Profit Degree-Granting Institutions, K. Kelly, 2001

POST REFORM: DIFFERENT VIEWS

Over the past decade there has been an increase in for-profit institutions, especially large institutions that are accredited to grant degrees at all levels. For example, the number of two-year institutions increased by 78 percent and the number of four-year institutions grew by 266 percent.¹⁸ This increase engenders strong feelings, both in support and critical of for-profit institutions.

Proponents of private for-profit institutions point out that they serve an important function by educating and training students for workforce positions that need to be filled. For-profit institutions allow many more students to obtain a postsecondary education than the public and private non-profit sector can accommodate. Proponents also believe that for-profit institutions in California by and large provide quality postsecondary programs that meet student, business, and societal needs.

Critics of private for-profit education believe that too many of these institutions – including those that are accredited, state approved, and operating without required approval – continue to engage in fraud and abuse; they

misrepresent their programs (regarding the transferability of units and job placements and starting salary) and provide a poor quality of instruction. They feel that many of these businesses, especially the large chain institutions (referred to by some as “McUniversities”), place financial considerations above the needs of their students.

OVERVIEW OF ACCREDITATION

In most countries, the accreditation function is a governmental responsibility (see definition at right). In the United States, accreditation is a voluntary process that is carried out by private, nonprofit organizations (accrediting agencies) designed for this purpose. Accrediting agencies have the ability to grant and withdraw accreditation; however, they have no statutory or regulatory control over educational institutions or programs. The institutions they accredit fund these agencies.

Accreditation means the status of public recognition that an accrediting agency grants to an educational institution or program that meets the agency's standards and requirements for quality.

Accrediting agencies review public and private postsecondary institutions and programs in all 50 states and a number of other countries. Accreditation is an extensive enterprise: in 2001, 80 accrediting agencies accredited approximately 6,350 institutions and 17,500 programs.¹⁹

Accreditation serves higher education, students, the government, and the public. It has two fundamental purposes: 1) to certify the quality of public and private postsecondary educational institutions or programs, and 2) to assist in the improvement of the institutions or programs.

ACCREDITING AGENCIES

Accrediting agencies (also known as accrediting councils or commissions) are legal entities (or part of a legal entity) that are incorporated to conduct accrediting activities and make decisions concerning the accreditation status of institutions or programs. Each accrediting agency has bylaws or a constitution that describes the legal framework for its operation. Higher education faculty and administrators, practitioners in specific fields, and members of the public are elected or appointed to commissions to work together to determine which institutions and programs are to be accredited and under what conditions. The commission may also function as the governing body for the accrediting agency. Agency staff carry out day-to-day accrediting activities.

There are two types of accrediting agencies that accredit public and private (nonprofit and for-profit) postsecondary educational institutions in California: regional and national accrediting agencies. In addition to institutional accrediting agencies, there are specialized or programmatic accrediting agencies that accredit specific programs or schools. Industry or trade associations also accredit postsecondary training institutions.

Regional Accrediting Agencies

Regional accrediting agencies operate in six geographic regions of the United States. There are close to 3,000 regionally accredited institutions, including most of the liberal arts colleges and large research universities. Most regionally accredited institutions (98 percent) grant degrees and are nonprofit.²⁰

The *Western Association of Schools and Colleges (WASC)* includes the Accrediting Commission for Community and Junior Colleges and the Accrediting Commission for Senior Colleges and Universities. WASC is the regional accrediting agency for California. It accredits all of the state's public postsecondary institutions and most of the private nonprofit institutions. It also accredits some for-profit institutions in the State.

The other five regional accrediting agencies are:

- *Middle States Association of Schools and Colleges, Commission on Higher Education (MSASC);*
- *New England Association of Schools and Colleges (NEASC);* *
- *North Central Association, Higher Learning Commission (NCA);*
- *Northwest Association of Schools and Colleges and Universities, Commission on Colleges and Universities (NASC);* and
- *Southern Association of Schools and Colleges, Commission on Colleges (SASC).*

The regional accrediting agencies are independent of one another. However, the six agencies have implemented a cross-regional framework and shared policy to better ensure quality among accredited institutions that operate sites in more than one region. This entails having the same regional accrediting agency accredit all of an institution's sites, with participation by the regional agency for the region in which the institution's off-campus site is located.

Regional accrediting agencies review *institutions*. The vast majorities of these institutions are *non-profit* and *grant degrees*.

National accrediting agencies also review *institutions*. The majority of these institutions are *for-profit*. Most grant *certificates* or *diplomas*.

National Accrediting Agencies

National accrediting agencies operate throughout the United States and accredit entire institutions. Several national accrediting agencies (such as the National Accreditation Commission of Cosmetology Arts & Sciences and the Accrediting Bureau of Health Education Schools) focus on

single-purpose institutions; others accredit distance learning. Some accredit faith-based colleges and universities.

There are close to 3,500 nationally accredited institutions. About two-thirds of the institutions confer diplomas and certificates; thirty-five percent grant degrees. In addition, the majority are for-profit entities; 21 percent are nonprofit.²¹

* The number of regional accrediting agencies is sometimes identified as eight because, in addition to WASC, the New England Association of Schools and Colleges includes the Commission on Institutions of Higher Education and the Commission on Technical and Career Institutions.

Specialized Accrediting Agencies

Specialized or programmatic accrediting agencies operate to ensure that students in educational programs receive an education consistent with standards for entry into practice or advanced practice in each of their respective fields or disciplines. Programmatic accrediting agencies operate throughout the county and review specific programs and single purpose schools, including law schools, medical schools, engineering schools, and health profession programs. They also accredit programs within institutions that are accredited by regional or national accrediting agencies. Close to 19,000 programs and institutions are accredited by specialized accrediting agencies.²²

ACCREDITATION STANDARDS AND PROCESS

Accreditation Standards

Each accrediting agency establishes its own standards by which institutions and programs are accredited and lays out a framework of expectations and practices that govern the conduct of accreditation review. The standards of accrediting agencies address similar areas (see box).²³

Standards do not remain static. Accreditation agencies revise their standards – both organization and content – in reaction to environmental changes in postsecondary education.

Accreditation Process

The accreditation process has five stages that are common among accrediting agencies:²⁴

- Preliminary application and review of eligibility for accreditation;
- A self-study by the institution using evaluation criteria determined by the accrediting agency;
- A site visit by a visiting team of peer reviewers;
- Action by the accrediting agency (including opportunities for appeal by the institution); and
- Ongoing monitoring, generally through periodic reports and site visits associated with reaccreditation.

ACCREDITATION STANDARDS

Accrediting agencies generally require that institutions address quality in the following areas:

- Success with respect to student achievement/ based on institution's mission
- Curricula
- Faculty
- Facilities, equipment and supplies
- Fiscal and administrative capacity
- Student support services
- Recruiting and admissions practices, academic calendars, catalogs, publications, grading and advertising
- Measures of program length and objectives of the degrees/ credentials offered
- Record of compliance with federal Title IV responsibilities

Institute for Higher
Education Policy

Institutions must demonstrate how they meet the accreditation standards within the context of their own institutional mission and goals. They are expected to demonstrate that they meet the accreditation standards in substantial measure and conduct their

activities in a manner consistent with the standards. They are required to engage in ongoing self-review and improvement, and submit periodic reports.

Accrediting agencies try not to be too prescriptive while ensuring that institutions meet their standards. As a result, institutions vary in how, and to what extent, they meet specific standards. In addition, regional and national accreditation processes differ in an important respect. Regional accrediting agencies review an institution as a whole; they evaluate the entire institution using qualitative standards. National accrediting agencies evaluate individual programs within an institution; they review for compliance with quantitative program-specific standards.

ACCREDITATION OF DISTANCE LEARNING

Around 3,000 regionally accredited institutions and more than 2,400 nationally accredited institutions offer this format. One national accrediting agency – the Distance Education and Training Council – accredits only distance learning institutions.

Distance learning presents accreditation challenges due to its alternative instruction method and instructor role, and expanded focus on training. As a result, accrediting agencies have developed additional standards, policies, and procedures, or modified existing practices, to address its unique features. Standards vary by the type of accrediting agency and the type of institution or program that is reviewed; however, the same key areas are addressed:

- Institutional mission, organization, and resources
- Curriculum and instruction
- Faculty support
- Student support
- Student learning outcomes

*Accreditation and Assuring Quality
in Distance Learning, CHEA Fact Sheets, 2001, 2002*

The accreditation process is labor-intensive; it involves the considerable investment of both time and resources. The process for initial accreditation can take from several months up to four years. Accreditation status is typically granted for a period of five to ten years, depending upon the accreditation agency and the institution. Regional accrediting agencies typically grant longer accreditation periods. Once an institution is accredited, accreditation becomes an ongoing process.

In addition to the labor costs associated with the accreditation process, there are substantial monetary costs. Costs vary among accrediting agencies; regional accreditation is generally more costly than national accreditation. Institutions pay the accrediting agency for the initial accreditation and reaccreditation (including the review team expenses), annual membership dues, fees for workshops and training, and other costs. These costs generally amount to several thousands of dollars per year.*

* For example, the initial accreditation fee for WASC is \$5000; the initial accreditation fees for three national accrediting agencies range from \$1800 to \$2500. In addition, WASC annual dues range from under \$5,000 to over \$19,000 based on enrollment; review costs are generally \$2,000 plus visiting team expenses. In addition, there are several other fees related to program and other changes.

Recognition of Accrediting Agencies

There are two recognition processes available for accrediting agencies. The first is the federal recognition process that functions as a gatekeeper for access to federal student aid funding. This process is discussed in the section titled “Federal Role: Recognition of Eligibility for Financial Aid.”

The second process is by a private organization, the Council on Higher Education Accreditation (CHEA). Institutions and programs seek CHEA recognition status to demonstrate their academic quality to students and the public. CHEA recognition reviews, initiated in 1999, assess the quality and effectiveness of accrediting agencies to assure and strengthen academic quality and ongoing quality improvement (see box at right).

ORIGINS OF ACCREDITATION²⁵

Accreditation originated from the activities of regionally based associations of colleges and universities during the late 1800s. These associations were set up to foster closer relations between college administrators and administrators of secondary schools. Their primary purpose was to establish standards for adequate preparation for college study to determine whether students should be admitted to college. (In contrast, specialized program accreditation was developed to indicate how well the programs were preparing their graduates, not the quality of preparation for college study.)

The first accrediting activities, started in 1905 by the North Central Association, recognized institutions as suitable for membership in the regional association if they provided “worthy preparation” for their students. Decisions were made on factual information that colleges provided about their resources. Accreditation did not address any wider issues of educational quality or student experience and achievement.

This initial activity established a central role for private accreditation associations in setting definitions and standards. Accreditation processes developed slowly and became more detailed. By the late 1920s and early 30s, the accreditation process had placed emphasis on understanding the total pattern of an institution’s activities – its purposes and plans, resources and capabilities – in light of its stated purpose. During the 1950s, accrediting agencies added new requirements related to quality such as limiting

THE COUNCIL ON HIGHER EDUCATION ACCREDITATION

The Council Higher Education Accreditation (CHEA) is a private, nonprofit national organization that coordinates the accreditation activity of institutional and specialized accrediting agencies that accredit degree-granting universities.

CHEA recognizes around 58 accrediting agencies that meet standards in the following areas:

- Advance academic quality.
- Demonstrate accountability.
- Encourage purposeful change and needed improvement.
- Employ appropriate and fair procedures.
- Continually reassess accreditation practices.

CHEA Fact Sheet, 2003

accreditation to a specific period and requiring reassessment on a regular basis, and instituting self-study and site review processes.

STATE OVERSIGHT

State approval means that the state has determined and certified that an institution meets its minimum standards for integrity, financial stability, and educational quality.

Educational quality standards include offering bona fide instruction by qualified faculty and the appropriate assessment of students' achievement prior to, during, and at the end of its program.

STATE APPROVAL AND OVERSIGHT

*Bureau of Private Postsecondary and Vocational Education*²⁶

State oversight authority is vested in the Bureau of Private Postsecondary and Vocational Education (BPPVE), Department of Consumer Affairs. With some exemptions, all private postsecondary institutions, both accredited and non-accredited, must be approved by the Bureau to operate in California.

Categories that are exempt include degree-granting institutions that are accredited by WASC, religious institutions whose degrees pertain to their religious beliefs, and USCD recognized accredited institutions that comply with very specific criteria. In addition, degree-granting institutions accredited by the other five regional accrediting agencies are exempt from programmatic and institutional review and approval processes; however, they are subject to all other BPPVE regulatory and oversight provisions.

- The BPPVE approves and regulates around 1,500 private nonprofit and for-profit postsecondary institutions; these institutions serve over 400,000 students.²⁷
- Approximately 300 of these institutions grant degrees; most of the approved institutions have non-degree programs that issue certificates or diplomas or lead to licensing.²⁸

State statutes do not distinguish between private nonprofit and for-profit status; statutes distinguish between degree-granting and non-degree institutions. There are specific standards and evaluation procedures in state statute for degree-granting institutions and non-degree institutions.²⁹ Standards for non-degree institutions are more compliance oriented; for example, they require specific information and documentation about instructors, courses, and students. In contrast, standards for degree-granting institutions

AREAS OF STATE QUALITY STANDARDS

- Curricula
- Instruction
- Faculty
- Physical facilities
- Administrative personnel
- Admission standards
- Financial resources
- Governance
- Institutional purpose and mission
- Degrees offered
- Graduation requirements
- Financial aid policies and practices
- Library
- Student services
- Ethical principles and practices
- Financial stability

Bureau of Private Postsecondary
and Vocational Education

are based on factors that reflect the quality of education provided. This process is more similar to an accreditation review.

There are an increasing number of “hybrid” institutions that originally had a vocational/career orientation and are now offering degrees in addition to certificates and diplomas. Once institutions grant degrees in any of their programs, the institution is subject to the standards for degree-granting institutions.

The BPPVE requires annual reports and conducts on-site reviews of institutions to determine if the institution is meeting the standards. It collects fees from institutions to pay for its operations.

Consumer Protection

Consumer protection is a major function of the BPPVE. The Bureau provides consumer information and maintains an interactive website that lists school closures and provides a directory of approved degree and non-degree institutions on its website.

STUDENT TUITION RECOVERY FUND

The Student Tuition Recovery Fund (STRF) was created to help reimburse the tuition of California resident students if the school they are attending closes unexpectedly. The STRF is funded through mandated student fees. A student may be eligible for a refund from the STRF if a school closes before the student completes his or her education, a breach of the enrollment agreement occurs, a judgment is made against the school, or a student is denied a refund.

California Education Code
Sections 94944 - 94948

The BPPVE also responds to and mediates student complaints, and oversees the Student Tuition Recovery Fund (see box at left). Students who cannot obtain a refund or federal loan discharge when the school they are attending closes can file a claim with the Bureau. The BPPVE will review the application to determine eligibility and the amount of refund that may be available.

The vast majority of complaints are generated about non-accredited institutions. Among accredited institutions, more complaints are registered about nationally accredited institutions than those that are regionally accredited. (However, legal aid attorneys believe that most students who have been misled by institutions do not complain; and, as a result, the

number of complaints is not an adequate indication of the level of fraud and abuse perpetuated by some for-profit institutions.)³⁰ See Appendix C.

Complaints generally include a mix of educational quality problems and financial issues. It is usually due to a combination of issues when an institution becomes known as a “problem school.”³¹ School closures are usually related to the institution’s financial inability to continue business. Financial problems usually arise long in advance and severely impact the quality of education in many different ways. For example, financial problems can lead to a lack of qualified instructors, oversized classes, lack of books and other educational material, out-of-date equipment, and pressure on recruiters to use aggressive and often misleading recruitment tactics to enroll more students and bring in more revenue.³²

LEGISLATIVE HISTORY

Private Postsecondary and Vocational Education Reform Act of 1989

In 1989, the Private Postsecondary and Vocational Education Reform Act and the Maxine Waters School Reform and Student Protection Act (see box at right) were enacted to establish state oversight of private postsecondary and vocational education institutions.

The purpose of this legislation was to: 1) protect consumers from deceptive and unfair practices, 2) assure quality education through the establishment of minimum standards, and 3) require institutional stability (fiscal responsibility) of private postsecondary and vocational educational institutions. The two Acts together set standards for instructional quality, ethical and business practices, health and safety, and fiscal responsibility.

The Council for Private Postsecondary and Vocational Education, an independent agency, was established in 1991 to regulate California's private postsecondary and vocational degree granting and non-degree granting institutions. Its functions were moved to the Department of Consumer Affairs in 1997. (Prior to 1991, institutions were monitored and approved by the Private Postsecondary Education Division of the California Department of Education.)

Impact of Reform Act

Prior to the Reform Act when state oversight was minimal, scam vocational schools and diploma mills that engaged in aggressive and misleading marketing tactics become a major law enforcement burden. During the late 1980s and early 90s, several actions were taken against a number of accredited and non-accredited schools and accrediting agencies. This effort resulted in closing more than 1,500 institutions.

According to the State Attorney General's Office, the Reform Act significantly reduced deceptive conduct by private postsecondary institutions. However, Attorney General staff and others are concerned that some for-profit institutions are engaging in the same type of deceptive and fraudulent practices that previously occurred.³³

Proposed Legislation

The Reform Act is repealed on January 1, 2005. However, Senate Bill 1544 (Figueroa) and Assembly Bill 2457 (Goldberg) extend the Reform Act for two and one-half years – until July 1, 2007 – and repeal it on January 1, 2008.

MAXINE WATERS SCHOOL REFORM AND STUDENT PROTECTION ACT

The intent of this Act is to protect students, reputable schools, and the state from fraud and unfair practices. It applies to certificate, diploma or degree programs that are less than 17 months. The Act requires that programs annually report to the Bureau of Private Postsecondary and Vocational Education the number of students enrolled, completion rates, and employment and placement data. It mandates specific requirements regarding refunds and testing for prospective students to ensure they can benefit from the instruction. It also addresses other student protections such as prohibiting students from waiving or limiting any right or remedy.

California Education Code
Sections 94850 - 94882

The Senate bill also requires the Director of Consumer Affairs to appoint a BPPVE Operations and Administration Monitor to assess the bureau's operations and submit a report to the Director and Legislature by October 1, 2005.*

2003 SUNSET REVIEW REPORT ON BPPVE

Conclusions of the Joint Legislative Sunset Review Committee about the Bureau of Private Postsecondary and Vocational Education (BPPVE) include:

- The statutes under which the BPPVE operates are extremely complex and difficult to administer (some are vague, confusing, or contradictory).
- The time period for a school to obtain BPPVE approval is extremely long.
- There is no clear rationale for the various statutory exemptions or different reporting requirements for degree-granting and non degree-granting institutions.
- The BPPVE process for handling complaints has been criticized for being unresponsive and very slow.

Related Legislation on BPPVE Oversight

Recent and proposed legislation highlights a current BPPVE oversight issue: does the accreditation process duplicate some of the Bureau's activities and, if so, should accreditation substitute for these activities?

Effective January 2004, Senate Bill (SB) 967, authored by Senator John Burton (Chapter 340/2003), eliminated provisions requiring the BPPVE to conduct specified programmatic and institutional reviews of non-WASC regionally accredited institutions before granting them approval to issue degrees. (A "non-WASC regionally accredited institution" is a degree-granting institution that has been accredited by one of the other regional accrediting agencies that is recognized by the USDE.)

This bill was introduced to respond to concerns about the adverse impact of the BPPVE backlog and continuing delays in approving new schools and changes within existing accredited institutions. The primary argument in favor was that some of the

BPPVE's regulatory activities were duplicative and unnecessary because regionally accredited institutions are already subject to programmatic and institutional oversight by their accrediting agencies.³⁴

AB 967 was intended to significantly streamline the Bureau's review process for regionally accredited institutions while not diluting consumer protection standards. (The University of Phoenix is an example of a non-WASC regionally accredited institution; see box on opposite page.)

The State Attorney General's Office and others expressed concerns that SB 967 eliminated some of the Reform Act's consumer protection provisions, including fiscal requirements and information reporting. However, the BPPVE management believes that

* SB 1544 and AB 2457 are scheduled to be heard in the Assembly and Senate Appropriations Committees (respectively) in early August. A third bill, AB 1807 (Liu), also extends the Reform Act. However, it remains in the Assembly policy committee and is not scheduled for a vote.

it retains adequate authority to protect students because the complaint and enforcement provisions continue to apply. In their view, the Bureau retains authority to review the critical aspects of institutions' financial responsibility and business practices, and to conduct any investigation it deems necessary.³⁵

Clean-up legislation that clarifies the Bureau's oversight authority is included in AB 711, carried by Assembly Member Lou Correa.* AB 711 also extends the exemption for non-WASC regionally accredited institutions to institutions accredited by five national accrediting agencies that have been recognized by the USDE.† The bill's proponents argue that the programmatic and institutional oversight of these nationally accredited agencies is comparable to that of regional accreditation agencies.

UNIVERSITY OF PHOENIX

"The University for Working Adults"

The University of Phoenix (UOP) is the largest private for-profit university in the United States. UOP offers undergraduate and graduate programs in business, technology, education, human services, criminal justice, and nursing/health care. Classes are provided at over 100 campuses and learning centers in several states, including California, Canada, and Puerto Rico. UOP also offers distance learning.

UOP is accredited by the Higher Learning Commission of the North Central Association of Schools and Colleges, a regional accrediting agency. It is approved by the BPPVE and recognized by the USDE.

University of Phoenix Website
April 2004

* AB 711 is scheduled to be heard in the Senate Appropriations Committee in early August.

† The national accrediting agencies identified in AB 711 are: the Accrediting Council for Independent Colleges and Schools, the Accrediting Commission of Career Schools of Technology, the Accrediting Council for Continuing Education, the Distance Education and Training Council, and the Accrediting Bureau of Health Education Schools.

FEDERAL ROLE: RECOGNITION OF ELIGIBILITY FOR FINANCIAL AID

Federal financial aid plays an important role in financing postsecondary education. In 1999-2000, more than half (55 percent) of all undergraduates attending all types of postsecondary schools received some type of federal financial aid. At for-profit institutions, 85 percent of undergraduates received financial aid (including 67 percent with loans and 60 percent with grants). The federal government is the largest source of financial aid in the form of both loans and grants.³⁶

Accreditation is one eligibility criteria for federal financial aid to institutions and students. It functions as a tool to ensure that basic standards of quality are being met in order to help protect the federal investment in financial aid.

FEDERAL RECOGNITION STANDARDS AND PROCESS

United States Department of Education

A postsecondary institution must be accredited by an agency that is *recognized* by the United States Department of Education (USDE) in order to receive federal funds. In addition, students must attend a USDE recognized institution that is authorized to provide postsecondary education by the state in which it is located to be eligible for federal loans and grants to pay for education costs such as tuition, fees, and living expenses.³⁷

The USDE reviews the quality and effectiveness of accrediting agencies to make sure that federal student aid funds are paying for quality courses and programs. It determines if the accrediting agency has sufficiently rigorous standards to be “a reliable authority regarding the quality of the education or training provided by the institutions or programs it accredits.”³⁸

Federal review criteria apply to both regional and national accrediting agencies. In addition, national accrediting agencies that accredit non-degree granting (career/technical) institutions are required to establish standards that set quantitative thresholds for student retention rates and job placement rates, and are expected to take appropriate action when an institution falls below the established threshold. Similar career/technical programs within regionally accredited institutions (usually community and

FEDERAL FINANCIAL AID

Student federal financial aid programs include **Pell Grants**, the largest single source of grant aid. Pell grants are need-based and targeted to the lowest income students; they do not have to be paid back.

Institutions can participate in different federal low-interest loan programs such as the **Federal Family Education Loan Program (FFELP)** or the **Direct Loan Program (DLP)**. Both programs are governed by federal regulations that determine the loan limits and repayment options. In the FFELP, private lenders provide the loan funds and work with guarantors to back the loans. In the DLP, the government provides the funds and backs the loans.

Stafford Loans are the largest source of student loans. Subsidized loans are awarded based on need and are interest-free while students are enrolled; unsubsidized loans require no need test and charge interest. In addition, **Perkins Loans** provide low-interest loans to students with exceptional financial need.

National Center for Education Statistics
and Student Loan Network Website

junior colleges) are not currently required to meet these requirements, and the regional accrediting agencies are not required to enforce quantitative standards in these areas.³⁹

The Secretary of Education is required by statute to publish a list of USDE recognized accreditation agencies. In California, the six regional accrediting agencies (including WASC) and 29 national accrediting agencies are federally recognized. These accrediting agencies accredit a total of 430 private postsecondary institutions.⁴⁰

The National Advisory Committee on Institutional Quality and Integrity

The National Advisory Committee on Institutional Quality and Integrity (NACIQI) was established under the Higher Education Act Amendments of 1992. The Committee primarily makes recommendations to the Secretary of Education regarding whether accrediting agencies seeking recognition meet the Secretary's criteria for recognition. NACIQI is composed of 15 members appointed by the Secretary. Members represent all sectors and types of postsecondary institutions, and include a student representative.⁴¹

HISTORY OF FEDERAL LINKAGE TO ACCREDITATION

In the decades after World War II, the federal government took a series of actions – the Servicemen's Readjustment Act of 1944 (known as the G.I. Bill), the Higher Education Act (HEA), and federal financial aid programs – that expanded the role of higher education from its traditional emphasis on educating the elite for leadership roles to providing mass education.⁴²

Students attending public, private nonprofit, and private for-profit institutions have been eligible for federal student financial aid programs since that time.⁴³ However, as previously discussed, the education benefits for World War II veterans not only provided educational opportunity, they also provided an opportunity for fraud by sub-par higher education institutions that targeted the large number of veterans and other students.

Accreditation was first linked to the federal government in 1952 when the government chose to rely on private accreditation instead of developing its own certification process. This decision was reaffirmed in 1965 when the first HEA was enacted and in 1992 when the HEA was amended as a result of new fraud and abuse problems in the 1970s and 80s.⁴⁴

HEA REAUTHORIZATION ISSUES

Funding authorization for HEA programs expires at the end of federal fiscal year 2004. The HEA reauthorization allows “a fresh look” at several issues in relation to HEA’s goal to “improve the quality of . . . postsecondary education, promote greater emphasis on achieving results, improve student achievement, and ensure accountability for taxpayer funds.”⁴⁵

The HEA reauthorization discussion recognizes the changes in demographics and purposes of students who are pursuing postsecondary education. One issue is whether the

current HEA student aid, student support, and institutional aid programs adequately promote expanded access to postsecondary education for non-traditional student populations, including those attending private for-profit institutions.⁴⁶

The role and effectiveness of the accreditation process in ensuring quality is again part of the HEA reauthorization discussion. There continue to be opposing views as to whether accreditation should continue to be used as a gatekeeper to federal funding. Some believe that accreditation no longer performs a useful role and does not ensure quality.

For example, the American Council of Trustees and Alumni advocates severing the connection between accreditation and eligibility for federal financial aid. It suggests that states should require competitive bidding for accreditation services if they are desired. This action would eliminate the captive market for accreditation and ensure that, if it survives, it would do so only by providing postsecondary educational institutions with valuable services that are worth what they cost.⁴⁷

Standards and accountability also continue to be a primary subject of HEA discussion. Efforts around accountability have historically been focused primarily on ensuring that participating institutions are properly administering HEA funds. This has been measured by fraud and student loan default rates. Concerns about mismanagement of funds continue; however, there is increasing interest in holding all postsecondary education institutions – public and private – accountable for their students’ educational outcomes. Alternative accountability measures include program completion rates or the rates at which graduates secure professional licensing or certification.

The appropriateness of specific accountability measures is a related issue. This discussion centers on whether outcome measures should be different for students at public and private institutions whose educational objective is a general education and degree, and students attending private for-profit institutions whose objective is to obtain specific education and training for career purposes?

Distance education challenges the traditional definitions of what constitutes a student, a program, and measures of student engagement. The growing use of distance education also raises issues related to HEA student aid funds. For example, some point out that federal statutory and regulatory student aid provisions that were enacted to address student aid abuses unduly restrict the legitimate growth of distance education and restrict access to postsecondary education. (For example, requirements specifying weekly instructional time may be difficult for distance-learning students to meet.)⁴⁸

Current Status of Reauthorization

In spite of the upcoming expiration date for the HEA, the reauthorization legislation (HR 4283) is not expected to come up for a vote before Congress adjourns due to differing positions on several provisions.* These include imposing additional requirements on

* California Representative Howard McKeon attributes its stall to “politics” and a debate that had become “too partisan.” *The Chronicle of Higher Education*, July 2, 2004.

accrediting agencies (such as making their findings public), easing restrictions of for-profit institutions, and calculating interest rates for consolidated student loans.

Postponing action on HR 4283 should not affect most of the student-aid programs it governs. However, Congress may pass a one-year extension of these programs to assure lenders that they will continue to have federal backing.⁴⁹

POLICY IMPLICATIONS

Private for-profit postsecondary education institutions contribute to the state's economy on several levels. They contribute to the welfare of the state's citizens by providing an opportunity for a postsecondary education and increased earning potential. For-profit institutions train students to fill jobs in high-growth technical and vocational occupations. They also employ staff, spend money for goods and services, and pay state taxes. As a result, the state has an interest in supporting these businesses.

The state also has an interest in protecting students and reputable schools from the fraudulent, deceptive, and unfair conduct of some for-profit institutions. In addition, it has an interest in safeguarding state funds that are used to provide student grants and loans to attend for-profit institutions. The 1989 Private Postsecondary Education and Vocation Reform Act and the Maxine Waters School Reform and Student Protection Act spell out the state's intent in these areas and establish control of business and operational standards.

At times, state interests may conflict. For example, state requirements and processes that restrict the growth of business may be necessary to protect its citizens from fraud and abuse; or, conversely, state requirements that restrict consumer protections may be necessary to promote the growth of business. A policy task facing the state is reconciling the varied interests associated with for-profit postsecondary education and institutions and establishing the appropriate balance for state authority and oversight.

Another basic policy question is whether the current state oversight process (including accreditation and its link with federal recognition) best ensures quality and protection for California students attending private postsecondary institutions. For example, there are questions about duplication of state approval requirements and accreditation requirements, and whether oversight of for-profit postsecondary education institutions should continue within the Department of Consumer Affairs or should more appropriately be re-linked with education entities (such as the California Postsecondary Education Commission).

The state has had over a decade of experience with regulating the provisions of the Private Postsecondary and Vocational Education Reform Act. The 2003 Joint Legislative Sunset Review Committee and others have identified several problems and concerns with current statute, and with its implementation. The sunset of the Reform Act provides an opportunity for California to remedy the shortcomings in the current state oversight function of private postsecondary education institutions.

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USEFUL WEBSITES

- Bureau for Private Postsecondary and Vocational Education (BPPVE). BPPVE, part of the California Department of Consumer Affairs, is responsible for protecting students attending privately operated postsecondary educational institutions. The Bureau establishes minimum standards of educational quality, institutional stability, and other consumer protections for students. The following website includes basic consumer information and data: <http://www.bppve.ca.gov/>.

California Association of Private Postsecondary Schools (CAPPS). CAPPS is the oldest and largest association of private postsecondary in the state. The following website includes data on schools: <http://www.cappsonline.org/index.html>.

California Postsecondary Education Commission (CPEC). CPEC is the state planning and coordinating entity for postsecondary education. It provides analysis and recommendations to the Legislature and the Governor on statewide policy and funding priorities for postsecondary education institutions. The following website includes student demographic profiles and information on issues: <http://www.cpec.ca.gov/>.

Council for Higher Education Accreditation (CHEA). CHEA is a private, non-profit national organization that coordinates accreditation activity in the United States. The following website provides informational material on the accreditation process, accrediting agencies, and related issues: <http://www.chea.org/>.

Education Commission for the States (ECS). The ECS is a nonprofit, nonpartisan organization whose purpose is to improve public education by facilitating the exchange of information, ideas, and experiences among state policymakers and education leaders. The following website provides material on for-profit institutions and accreditation: <http://www.ecs.org>.
ECS also provides a searchable For-Profit Degree Granting Institutions Database at <http://www.ecs.org/clearinghouse/27/20/2720.htm>.

United States Department of Education, National Center for Educational Statistics (NCES). The NCES is the primary federal entity for collecting, analyzing, and reporting data related to education in the U.S. and other countries. The following website includes data, reports, and specialized analyses of education statistics: <http://nces.ed.gov/pubsearch>.

United States Department of Education, Office of Postsecondary Education (OPE). The OPE formulates federal postsecondary education policy and administers programs that address critical national needs in support of our mission to increase access to quality postsecondary education. The following website includes information about accreditation and the process for obtaining federal financial aid: <http://www.ed.gov/about/offices/list/ope/index.html?src=oc>.

APPENDIX A – Resource Persons

During the course of producing this report, the following people provided information, reviewed material, or both:

- Michael Abbott, former Executive Director, Bureau of Private Postsecondary and Vocational Education, Department of Consumer Affairs
- Elena Ackel, Senior Attorney, Legal Aid Foundation of Los Angeles
- Steve Baker, Education Administrator, Degree Program, Bureau of Private Postsecondary and Vocational Education, Department of Consumer Affairs
- Mary Barry, Executive Vice President, Academic Affairs, Corinthian Colleges, Inc.
- John Barth, Director, Office of Postsecondary Education, United States Department of Education
- Barbara Beno, PhD., Executive Director, Accrediting Commission of Community and Junior Colleges, Western Association of Schools and Colleges
- Laura Brown, Laura Brown and Associates, (Lobbyist for California Association of Private Postsecondary Schools)
- Marge Chisholm, Legislative Coordinator, California Postsecondary Education Commission
- Jeannine English, Lehman-English-Kelly & O’Keefe (Lobbyist for Corinthian Colleges, Inc.)
- Amy Eganey, Accreditation Coordinator, Accrediting Bureau of Health Education Schools
- Steven M. Gevercer, Deputy Attorney General/Legislative Advocate, Department of Justice
- Scott Govenar, Government Advocates, Inc. (Lobbyist for University of Phoenix and DeVry University)
- Sheila Hawkins, Sr. Education Administrator, Degree Program, Bureau of Private Postsecondary and Vocational Education, Department of Consumer Affairs
- Robert Johnson, Executive Director, California Association of Private Postsecondary Schools
- Carl Krueger, Policy Analyst, Education Commission for the States
- Michael Lambert, Executive Director, Distance Education and Training Council
- Bonnie L. LeBold, Executive Director, National Advisory Committee on Institutional Quality and Integrity, U.S. Department of Education
- Robert Moore, Director, California Postsecondary Education Commission
- David Pacheco, Principle Consultant, Assembly Business and Professions Committee

- Laura Palmer Noone, PhD. J.D., Vice-Chair, National Advisory Committee on Institutional Quality and Integrity; and President, University of Phoenix
- Mark Pelesh, Executive Vice President of Legislative and Regulatory Affairs, Corinthian Colleges, Inc.
- Elise Scanlon, Executive Director, Accrediting Commission of Career Schools and Colleges of Technology
- Betty Sundberg, Ed.D. Education Advisors
- Marcia Trott, Education Administrator, Vocation Programs, Bureau of Private Postsecondary and Vocational Education, Department of Consumer Affairs
- Ralph Wolff, PhD., Executive Director, The Accrediting Commission of Senior Colleges and Universities, Western Association of Schools and Colleges

APPENDIX B – Minority Enrollment at For-Profit Institutions

For-Profit Colleges See Rising Minority Enrollments

By Elizabeth F. Farrell

May 30, 2003

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From an early age, 21-year-old Beatriz Arca knew she wanted to be a pharmacist. But after taking a few classes at a community college in California, her plans became muddled.

“I felt like I wasn’t getting the classes I needed,” says Ms. Arc. “It was getting frustrating, and it was hard to get a counselor’s help to see what courses I should be taking. It was this big, complicated communication process.”

So Ms. Arca left the college, unsure what to do next. Her parents, immigrants from Southeast Asia who never attended college, suggested DeVry University, in nearby Fremont, Calif., which they saw as a quicker ticket to a job. Even though the \$16,500 price tag for a year’s tuition meant she’d have to take out \$49,500 in loans to complete a computer-technology degree, Ms. Arca decided it was worth it.

The college doesn’t offer a pharmacology degree, but Ms. Arca says she chose to attend because a representative at DeVry sat down with her when she visited and clearly outlined the courses she would need for computer technology.

Ms. Arca says DeVry worked for her “because I just wanted to get my degree done with so I can move on to the next step. She plans to pursue a master’s in pharmacology after she graduates in a few months, and she figures her degree in computers will help her in the job market and provide a good technology background for her future education plans.

As minority students make up a larger proportion of students seeking higher education, a burgeoning number of them are choosing for-profit colleges. At least half of the enrollment at DeVry, ITT Technical Institute, and Strayer University – all of which have numerous campuses across the United States – is minority students.

And proprietary colleges are among the top producers of minority college graduates in the country, according to an analysis of data from the National Center for Educational Statistics conducted by Black Issues in Higher Education, which list the top 100 institutions in number of degrees awarded to minority students. Individual campuses of Strayer and the University of Phoenix are ranked fourth and fifth, respectively, for granting bachelors’ degrees in business to African-Americans. And Strayer and DeVry Institute of Technology are the top two institutions to confer bachelors’ degrees in computer and information science to African-Americans. These three institutions also rank high in producing Hispanic graduates in these and other fields.

The success for-profit colleges have in attracting these challenges the conventional wisdom on what it takes to achieve diversity in higher education. Although many colleges say that they must add ethnic studies or multicultural centers to appeal to minority students, most for-profit colleges have neither. And while many educators say minority students do not pursue higher education because of costs, for-profit colleges are attracting these students even though they often charge much more than public institutions and many private ones.

In the Washington metropolitan area, students pay nearly \$9,000 per year to attend Strayer, while annual in-state tuition at the University of the District of Columbia is a mere \$2,070.

So what explains the for-profit colleges’ success? They have used a combination of aggressive marketing and convenience-centered student services to attract a more diverse student body than many traditional campuses.

Different Goals

Many higher-education experts praise these institutions for their effectiveness at providing practical training for a segment of the population that might not otherwise pursue postsecondary education.

“A lot of the job-placement data is pretty impressive,” says David L. Kirp, a professor of public policy at the University of California at Berkeley. “And you can just imagine how, if you’re someone who hasn’t spent a lot of time studying in the world of ideas, and your son or daughter can earn a bachelor’s degree from an accredited school and start a career with a salary in the mid-40’s, it’s pretty tempting. I’d fork over the money.”

But advocates for minority students in traditional higher education aren’t willing to fully embrace for-profit colleges.

Antonio R. Flores, president of the Hispanic Association of Colleges and Universities, says he has mixed feelings about such institutions. His organization, which represents over 300 colleges and universities throughout the world whose enrollment is at least 25 percent Hispanic, doesn’t allow for-profit institutions to join.

“These for-profits tend to zero in on skills and training necessary to get jobs, and not so much on developing their students as engaged citizens,” says Mr. Flores. “And we believe that institutions that are only concerned with the private benefit of education to the individual are really dismissing half of the value of education, which is for the individual to add to society as an informed citizen.”

Knowing the Market

The narrow focus on professional training at many for-profit colleges is precisely what attracts many minority students, however. In fact, the ability of these colleges to market the “real world” applicability of the skills they teach resonates particularly well with minority students, say some higher-education experts, because so many of them are the first generation in their families to attend college. For such families, economic concerns take precedence over intellectual development.

“For poorer students, as many minority students tend to be, the economic payoff is the main motivator for going to college,” says Thomas G. Mortenson, a senior scholar at the Pell Institute for the Study of Opportunity in Higher Education. “They don’t have the luxury, like many higher-income students, of thinking about the non-economic reasons for attending college, to pursue education for its own value.”

Ms. Arca acknowledges that DeVry’s practicality is what appealed to her. “The classes are a lot more focused because they all are about preparing me for one career,” she says. At the community college she attended previously, “I had to take a lot of general-education classes, fulfill requirements – I just didn’t see the point.”

As a college student in Canada, 21-year-old Bushy Joseph had a similar experience. Mr. Joseph is the son of Haitian immigrants. After attending a community college in Montreal, he enrolled in a four-year university there as a mathematics major, but quickly tired of his courses.

“I chose to major in math mainly because I was trying to figure out what I wanted to do with my life,” says Mr. Joseph. “But the program wasn’t interesting, and I became interested in doing telecom work, so I left.”

Mr. Joseph chose to move to Chicago and enroll in DeVry after seeing a television commercial advertising its telecommunications-management major. This time around, the more “specialized and technical” curriculum was “exactly what I was looking for,” Mr. Joseph says.

Target Audiences

For-profit colleges also work hard to market their programs to prospective minority students.

In recognition of the growing population of Hispanic students and the need to serve them, ITT Technical Institute has run commercials in Spanish and translated many of its brochures and informational materials into Spanish as well.

According to Rene R. Champagne, the chairman and chief executive officer of ITT Technical Institute, those materials were made with student's parents in mind.

"What we found in the majority of instances [with Hispanic students] is that the parents didn't have a good grasp of English," says Mr. Champagne. "As a result, they didn't understand much about the school and were confused. It made them more comfortable with supporting their students' decision when they knew more about the school."

Other institutions, including DeVry, also make sure their message is reaching their target audience by showing commercials on ethnic media outlets the Black Entertainment Television.

And many for-profit institutions are more adept than traditional colleges at reaching out to students who lack financial savvy.

A 2003 study commissioned by Sallie Mae found that 66 percent of African-American parents and 62 percent of Hispanic parents feel they don't have enough information on how to pay for college. Consequently, many families incorrectly assume that they can't afford higher education, according to Joyce Smith, the executive director of the National Association for College Admission Counseling.

To combat these misconceptions, places like ITT Technical Institute have created additional positions for aid counselors at their campuses, and they keep their financial-aid offices open at night and on the weekends to accommodate working students who might need help filling out forms.

"Students' perception that they can't afford tuition is the single biggest impediment at the moment," says ITT's Mr. Champagne. "So one of the primary responsibilities of our financial-aid people is to show the average prospective student that they can afford it if they're willing to take out loans."

Location is Key

Aside from techniques and services specifically aimed at minority and low-income students, campus locations also contribute to high minority enrollments at for-profit institutions. Many for-profit college campuses are situated in major metropolitan areas where large concentrations of minorities live.

"They tend to fish where the fish are," say Brian Pusser, an assistant professor of education at the University of Virginia who has studied the for-profit sector extensively.

While many young adults consider leaving home and living on a campus as part of the college experience, this expectation is not as prevalent in families in which the children are the first generation to attend college, as many minority students are. Aside from the added cost of going away to college, close family and cultural ties can also make a student less likely to want to trade family life for a dormitory.

"I think a lot of minorities are comfortable with the commuter environment." Say Mr. Champagne. "If a family doesn't have English as their primary language, generally the family bonds are much stronger and there's the assumption that the student will live at home until their education is complete."

In Ms. Arca's situation, she doesn't feel like she's missing out on anything by living with her parents while completing her degree, even though many students at her high school went away to college.

"It never really appealed to me to live on campus," says Ms. Arca. "I am really close with my family, so I wanted to stay with them. It's partially a cultural thing that I live with my parents."

Josue Rivera, who lives in New York City and is working to complete his associate degree in computer-network operations at the Katherine Gibbs School, a proprietary technology-training college, also made the decision to stay close to home to be with his parents, who are Hispanic.

“It’s the way I was brought up,” Mr. Rivera says. “Family always comes first. You have to have your education and priorities straight, but my parents wanted me to stay close by, and my mom needed my help.”

Diverse Campuses

Some minority students at for-profit colleges say the diverse racial composition of their classes did not affect their decision to enroll or the quality of their learning experience. But then again, with these colleges attracting so many minority students, few of those attending them are thrust into an educational scenario where they suddenly feel conspicuous because of their minority status.

Ms. Arca’s high school was fairly diverse, and she says that although most of her classmates at DeVry are Asian like herself, she does not think it would matter if they weren’t. In North Carolina, 20-year-old William Bellamy, who attended ECPI Technical College, said he “didn’t even take notice” of how many students were from minority groups, though he estimates that about half were African-American, like himself. Yet even though he liked his classes and the people at ECPI, he says he mainly stuck with his close group of friends from childhood who were all African-American.

Mr. Joseph, having attended a mostly white college, acknowledges that the diversity at DeVry’s Chicago campus makes him feel more at ease, however.

“When you’re around people like yourself, who have lived through the same experiences as you and are going through the same struggles as a minority, it definitely helps,” says Mr. Joseph. “It just seems to make everything easier because you feel more comfortable and willing to ask other people in the class for help.”

As many experts are quick to point out, the bulk of the tactics that for-profit colleges use to attract minority students can’t be applied to the challenges nonprofit traditional colleges face when attempting to increase diversity.

According to Jamie P. Merisotis, the president of the Institute for Higher Education Policy, the difference between the educational objectives of a liberal-arts college and those of a for-profit institution make it impossible for them to appeal to the same group of people.

“The motivations that students have for attending for-profit colleges is often very different,” says Mr. Merisotis. “The for-profits are focused on career training, so comparing them to four-year-liberal-arts colleges is like apples and oranges.”

Traditional colleges could learn a few things from the for-profit sector when it comes to communicating with students, however.

Mr. Flores, of the Hispanic Association of Colleges and Universities, says that the emphasis for-profit colleges place on informing students about different options for financing their education is one technique that nonprofit institutions could apply more often to attract minority students.

“I guess there is something to be said for the importance of for-profit colleges,” says Mr. Flores. “There’s a lot of things they do that nonprofits could do equally well or better.”

Appendix C – BPPVE Approved Institutions

BPPVE APPROVED INSTITUTIONS*				
	Accredited			Not Accredited
	Regionally Accredited	Nationally Accredited	Total	Total
DEGREE	25	81	106	192
NON DEGREE	0	214	214	1010
TOTAL	25	295	320	1202

BPPVE APPROVED INSTITUTIONS - ENFORCEMENT FILES†							
		Regionally Accredited Institutions		Nationally Accredited Institutions		Not Accredited Institutions	
Fiscal Year	Total Complaints	Complaints	Percent	Complaints	Percent	Complaints	Percent
1998/99	758	34	5%	106	14%	618	82%
1999/00	590	37	6%	108	18%	445	75%
2000/01	609	37	6%	107	18%	465	76%
2001/02	855	48	6%	147	17%	660	77%
2002/03	826	40	5%	125	15%	661	80%

* Source: BPPVE, July 2004. This table does not include institutions that are not approved. BPPVE data does not differentiate between for-profit and nonprofit institutions. In addition, data is not available on the number of students served in institutions; in general, accredited institutions serve a greater number of students than non-accredited institutions.

† Source: BPPVE, July 2004. Enforcement files include actions generated by both BPPVE and complaints.

ENDNOTES

- ¹ California Education Code, Section 94739.
- ² The California Association of Private Postsecondary Schools (CAPPS), <http://www.cappsonline.org/about.asp?#a>
- ³ CAPPS, <http://www.cappsonline.org/about.asp?#a>; and Tunde Brimah, Higher Education: Are For-Profit Institutions Treated Differently?" *Education Commission of the States, State Education Leader* 18, no. 3, Fall 2000. For example, in 1990, for-profit institutions graduated 61 percent of students with degrees in trade and industry, while public community colleges graduated 21 percent of those students. That same year, 60 percent of students with degrees in communications technologies came out of for-profit institutions, while 21 percent graduated from public community colleges.
- ⁴ United States Department of Education, National Center for Education Statistics (NCES), *Nontraditional Undergraduate*, NCES 2002-012 (Washington DC: NCES, August 2002).
- ⁵ Gary Meers, *Exploring Sources of Career and Technical Training, For-Profit Career Colleges – a Part of the Future*, Association for Career and Technical Education. ACTEonline Techniques, http://acteonline.org/members/techniques/nov_dec02-story3.cfm?renderforprint=1, accessed April 2004.
- ⁶ Tunde Brimah, Higher Education: Are For-Profit Institutions Treated Differently?"
- ⁷ United States Department of Education, National Center for Education Statistics (NCES), *Student Financing of Undergraduate Education: 1999-2000: Statistical Analysis Report*, NCES 2002-167 (Washington DC: NCES, July 2002).
- ⁸ Gary Meers, *Exploring Sources of Career and Technical Training, For-Profit Career Colleges*.
- ⁹ National Center for Postsecondary Improvement (NCPI), *Beyond Dead Reckoning: Research Priorities for Redirecting American Higher Education*, (Palo Alto, California: NCPI, Stanford Institute for Higher Education Research, October 2002).
- ¹⁰ James J. Duderstadt, "New Roles for the 21st Century," The Future of Higher Education Issue, *Issues in Science and Technology Online*, Winter 1999.
- ¹¹ Council for Higher Education Accreditation (CHEA). *Accreditation and Assuring Quality in Distance Learning*, CHEA Monograph Series 2002, Number 2 (Washington, DC: CHEA, 2002); and Judith S. Eaton, "Maintaining the Delicate Balance: Distance Learning, Higher Education Accreditation, and the Politics of Self-Regulation," Distributed Education: Series Summary. American Council on Education Center for Policy Analysis (ACE) and EDUCAUSE (Washington, DC: ACE, 2003).
- ¹² Gary Meers, *Exploring Sources of Career and Technical Training, For-Profit Career Colleges*.
- ¹³ Richard S. Ruch, *Higher Ed, Inc.: The Rise of the For-Profit University* (Baltimore and London: The Johns Hopkins University Press, 2001).
- ¹⁴ Elizabeth F. Farrell, "A Common Yardstick? The Bush Administration wants to standardize accreditation; educators say it is too complex for that," *The Chronicle of Higher Education*, August 15, 2003.
- ¹⁵ Elise Scanlon, Executive Director, Accrediting Commission of Career Schools and Colleges of Technology; telephone conversation on April 7, 2004.
- ¹⁶ Brian Pusser and Dudley J. Doane, *Public Purpose and Private Enterprise: The Contemporary Organization of Postsecondary Education* (Washington, DC: National Academy Press, June 26, 2001); and David G. Moore, "Toward a Single Definition of College," *The Chronicle of Higher Education*, November 14, 2003.

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- ¹⁷ Thomas Bailey, Norena Badway, and Patricia J. Gumpert, *For-Profit Higher Education and Community Colleges* (Palo Alto, California: National Center for Postsecondary Improvement, Stanford Institute for Higher Education Research [2001]); and Gary Meers, *Exploring Sources of Career and Technical Training, For-Profit Career Colleges*.
- ¹⁸ Gary Meers, *Exploring Sources of Career and Technical Training, For-Profit Career Colleges*.
- ¹⁹ Council for Higher Education Accreditation (CHEA), *CHEA Almanac of External Quality Review* (Washington, DC: CHEA, 2001).
- ²⁰ CHEA, *The Fundamentals of Accreditation: What Do You Need to Know?* (Washington, DC: CHEA, 2002).
- ²¹ CHEA, *The Fundamentals of Accreditation*.
- ²² CHEA, *The Fundamentals of Accreditation*.
- ²³ CHEA, *The Fundamentals of Accreditation*.
- ²⁴ Thomas Wolanin, editor, *HEA: Reauthorizing the Higher Education Act: Issues and Options*, The Institute for Higher Education Policy, March 2003.
- ²⁵ Elaine El-Khawas, *Accreditation in the USA: origins, developments and future prospects* (Paris: International Institute for Educational Planning, 2001).
- ²⁶ Bureau of Private Postsecondary Vocational Education, Department of Consumer Affairs (BPPVE), website at <http://www.bppve.ca.gov/>.
- ²⁷ Updated numbers from BPPVE, July 2004; estimate of students from Michael Abbott, then Director, BPPVE, personal e-mail correspondence dated April 5, 2004.
- ²⁸ Updated numbers from BPPVE, July 2004.
- ²⁹ California Education Code, Title 3, Division 10, Part 59, Chapter 7, Private Postsecondary and Vocational Institutions; Article 8 and Article 9.
- ³⁰ Michael Abbott, then Director, BPPVE, personal e-mail correspondence dated April 5, 2004; and Elena Ackel, Legal Aid Foundation of Los Angeles, telephone conversation April 21, 2004.
- ³¹ Michael Abbott, then Director, BPPVE, personal e-mail correspondence dated April 5, 2004.
- ³² Steve Gerverser, Deputy Attorney General/Legislative Advocate, Department of Justice (DOJ), personal e-mail correspondence dated April 6, 2004.
- ³³ Steve Gerverser, Deputy Attorney General/Legislative Advocate, DOJ, personal e-mail correspondence dated April 6, 2004.
- ³⁴ SB 967 was based on the premise that non-WASC regional accrediting agencies have standards comparable to WASC. A 1998 study by the State Commission of Teacher Credentialing (CTC) was influential in this decision. Based on a review of the written standards and policies of the six regional accrediting agencies, the CTC concluded that they did not appear to have significant differences in their standards, organizational structures, or decision and sanction options. However, the CTC recognized that its review was not exhaustive; for example, it did not evaluate whether the accrediting agencies took actions consistent with their written standards.
- ³⁵ Steve Gerverser, Deputy Attorney General/Legislative Advocate, DOJ, personal e-mail correspondence dated April 6, 2004; and Michael Abbott, then Director, BPPVE, personal e-mail correspondence dated April 5, 2004.

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- ³⁶ United States Department of Education, National Center for Education Statistics (NCES), *Student Financing of Undergraduate Education: 1999-2000: Statistical Analysis Report*, NCES 2002-167 (Washington DC: NCES, July 2002).
- ³⁷ 34 C.F.R., Sections 600.4(a)(3) and 600.5(a)(4).
- ³⁸ The United States Department of Education, Office of Postsecondary Education (OPE) website at: <http://www.ed.gov/print/admins/finaid/accred/accreditation.html>, accessed January 11, 2004.
- ³⁹ John Barth, Director, Office of Postsecondary Education, United States Department of Education; personal e-mail correspondence dated January 16, 2004; and Patricia L. deCos, *Educational Opportunities for Adults in California*, CRB 04-004, Sacramento: California Research Bureau, February 2004.
- ⁴⁰ The California Postsecondary Education Commission website at: <http://www.cpec.ca.gov/>; and the CAPPs website at: <http://www.cappsonline.org/About.html>, accessed March 2004.
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- ⁴⁴ CHEA, "The Value of Accreditation," *Letter from the President* (Washington, DC: CHEA, May 2003).
- ⁴⁵ Thomas Wolanin, editor, *HEA: Reauthorizing the Higher Education Act: Issues and Options*.
- ⁴⁶ Almanac of Policy Issues, *Higher Education Act: Reauthorization Status and Issues*, adapted from an article by James B. Stedman, Congressional Research Service, updated October 2002. Available at: <http://www.policyalmanac.org>.
- ⁴⁷ George C. Leef, and Roxana D. Burris, *Can Accreditation Live up to its Promise?* (Washington, DC: American Council of Trustees and Alumni, October 2003).
- ⁴⁸ Almanac of Policy Issues, *Higher Education Act: Reauthorization Status and Issues*; and California Education Code, Section 94739.
- ⁴⁹ Stephan Burd, "Congress Puts College Bill on Hold for This Year," *The Chronicle of Higher Education*, July 2, 2004.