Policy Matters Ohio

May 2017

Workforce and higher education

Risky business:
For-profit career colleges bad bet for public investment

Hannah Halbert

Policy Matters Ohio

Contents

Executive Summary

KEY FINDINGS:

Career college programs in Ohio on average cost more and leave students with more debt than similar programs offered through public institutions

- 30 Ohio based Career College programs failed the debt-to-earnings test, all were offered by for-profit schools.
- For-profit grads typically make less but have more debt than their public-school counterparts.
- Only three of the ten most commonly offered career college programs have typical graduates earning enough to eliminate the need for food assistance for a family of three.

Ohio's financial aid policy incentivizes enrollment in programs that will likely add to already disadvantaged students' burden. The state must enact common sense regulations and suspend financial aid to the sector.

Policy Matters Ohio

Executive Summary

Reform required: Ohio policy on for-profits creates wrong incentives.

When higher education goes wrong, once-hopeful students can be saddled with debt, no degree, fewer resources and less will to pursue education in the future. Costs, debt and earnings vary greatly depending on the type of institution running the program. Career training programs at for-profit institutions, also known as proprietary schools, have come under scrutiny for producing an outsized share of dubious outcomes:

- Nearly a third of for-profit certificate students were enrolled in programs where the typical graduate earned less than what a minimum wage worker would earn in a year,
- The average earnings of certificate earners at public institutions were nearly $9,000 more than their for-profit counterparts,
- 30 Ohio based career college programs failed to show their grads entered gainful employment, all were offered by for-profit schools; and,
- Only three of the ten most common career college programs offered by Ohio based schools have typical graduate earnings sufficient to eliminate the need for food assistance for a family of three.

Ohio does little to protect students and public dollars from these corporations. Rather, the state's financial aid policy incentivizes risky enrollment. In 2016, the same year the corporation closed its campuses, the state sent more than $1.1 million in Ohio College Opportunity Grants (OCOG), the state's only need-based student aid program, to ITT Tech. That is slightly more OCOG than the state's entire two-year public system received in 2016. Ohio spent more than $7.3 million for financial aid to students at for-profit schools. Most of that spending ($6.3 million) was from the Ohio College Opportunity Grant. Another $717,561 came from National Guard Scholarships. College Scorecard data show that 29 of the 32 for-profit schools that received OCOG funding had less than half their students pay even one dollar of principal on their loans three years after leaving the institution. Only 10 had more than 50 percent of their students earn more than the average high school graduate.

The state's need-based aid system preferences for-profit career colleges over more accountable and transparent public institutions.

The sector is self-regulated in the state, operating largely outside the Ohio Department of Higher Education. This must be corrected. Ohio should eliminate student aid to the sector and institute real oversight measures. As it now operates, students and the state are spending millions on profit-seeking schools, truly a risky business.

Introduction

Policy Matters Ohio

Introduction

Anyone who has watched late night T.V. is probably familiar with advertisements urging viewers to get their life together by getting an education. Call now! Job security and a big paycheck supposedly wait at the end of a career training certificate program. These programs target veterans, low-income workers, laid-off workers and others who are desperate for some traction in the labor market and likely to qualify for multiple sources of federal and state student financial aid.[1] But many who make the call find they cannot earn enough money to secure self-sufficiency let alone repay their student loans.

Ohio's financial aid policy currently incentivizes enrollment in risky programs. In 2016, the same year the corporation closed its campuses, the state sent more than $1.1 million in Ohio College Opportunity Grants (OCOG), the state's only need-based student aid program, to ITT Tech. That is slightly more OCOG than the state's entire two-year public system received in 2016.[2] College Scorecard data show that 29 of the 32 for-profit schools that received OCOG funding had less than half their students pay even one dollar of principal on their loans three years after leaving the institution. Only 10 had more than 50 percent of their students earn more than the average high school graduate ($25,000). Ohio spent more than $7.3 million for financial aid to students at for-profit schools. Most of that spending ($6.3 million) was from the Ohio College Opportunity Grant. Another $717,561 came from National Guard Scholarships.[3] Appendix A details scorecard data for each for-profit school that received OCOG last year.

When higher education goes wrong, once-hopeful students can be saddled with debt, no degree, fewer resources and less will to pursue education in the future. Costs, debt and earnings vary greatly depending on the type of institution running the program. Career training programs at for-profit institutions, also

1 Mark Huelsman, "Betrayers of the Dream," The American Prospect, July 2015, available at http://prospect.org/article/betrayers-dream, accessed April 28, 2017. For more on how for-profits target and sell an inferior educational product to black students, see Darrick Hamilton and William A. Darity, Jr., "The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap." Federal Reserve Bank of St. Louis Review, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2918735, accessed April 28, 2017.

2 Ohio Department of Higher Education, SGS Expenditures, State Financial Aid, 2015-16 Academic Year, available at https://www.ohiohighered.org/sgs/expenditures, accessed April 27, 2017.

3 Full expenditure data on financial aid across all institution types is available https://www.ohiohighered.org/sgs/expenditures, accessed April 28, 2017.

known as proprietary schools, have come under scrutiny for producing an outsized share of dubious outcomes. Nearly a third of for-profit certificate students were enrolled in programs where the typical graduate earned less than what a minimum wage worker would earn in a year.[4] The average earnings of certificate earners at public institutions were nearly $9,000 more than their for-profit counterparts.[5]

Ohio does little to protect students and public dollars from these corporations. The state's need-based aid system preferences for-profit career colleges over more accountable and transparent public institutions. The sector is self-regulated in the state, operating outside the Ohio Department of Higher Education. This must be corrected. Ohio should eliminate student aid to the sector and institute real oversight measures. As it now operates, students and the state are spending millions on profit-seeking schools, truly a risky business.

Gainful employment: new data on Career Colleges show many credentials are not pathways out of poverty, but dead ends.

This is not new news. The Harkin Report, investigations by the Consumer Financial Protection Bureau and the Securities and Exchange Commission, and most convincingly the scholarship of Tressie McMillan Cottom in her book, "Lower Ed," confirm that the for-profit model for higher education is not a solution to inequality but a response to and driver of it.[6] Independent data on earnings and debt for career college program graduates, available thanks to rule changes at the U.S. Department of Education, confirms this.[7] Now prospective students and policymakers can compare information on average debt, loan repayment rates and earnings for specific career training programs across institutions and institution types. The data on career college programs show that for-profit programs in Ohio on average cost more, leave students with more debt than similar programs offered through public institutions, and leave many graduates with earnings less than the poverty threshold.[8]

4 U.S. Department of Labor, "Education Department Releases New Graduate Earnings Data for Career College Programs," November 2016, available at https://www.ed.gov/news/press-releases/education-department-releases-new-graduate-earnings-data-career-college-programs, accessed April 6, 2017. This is double the rate for their public-sector counterparts which is only 14%.

5 Id.

6 See, Tressie McMillan Cottom, "Lower Ed: The Troubling Rise of For-Profit Colleges in the New Economy," at http://thenewpress.com/books/lower-ed.

7 See Department of Education, Negotiated Rulemaking 2013-14, Gainful Employment, at https://www2.ed.gov/policy/highered/reg/hearulemaking/2012/gainfulemployment.html, accessed April 12, 2017.

8 Public two to three year schools in Ohio have an average debt-to-earnings ratio of 1.82 percent. Average annualized loan repayment for the sector is about $516. The average of typical graduate earnings is $28,258. Proprietary two-to-three year institutions have an average debt-to-earnings ratio of 9.04, with an average annualized loan payment of $1,766 and typical average earnings of $20,617.

For-profit Career Colleges: Earnings often do not justify the debt

The gap between the promise of career college training and the payout drove the federal government to increase regulations on for-profit colleges. The gainful employment rules go beyond disclosure. To be eligible for federal student aid, career and certificate programs — whether they are offered by for-profit, non-profit, or public institutions — must demonstrate that they prepare students for "gainful employment in a recognized occupation." According to the Department of Education, in order to pass the "gainful employment test" the estimated annual loan payment of a typical graduate cannot exceed 30 percent of their discretionary income or 12 percent of their total earnings. If the debt-to-earnings ratio for the program cannot meet this

Gainful Employment
New rules and new data on career college programs
Education programs can receive federal student aid, such as Pell grants, loans and work study in two ways: 1) The program leads to a degree at a non-profit or public institution; or, 2) The program demonstrates that it leads to gainful employment. This means non-degree programs at non-profit and public institutions and all programs at for-profit schools must show that graduates are earning enough money to repay their loans. This is determined by a debt-to-earnings rate based on the typical debts and earnings of a cohort of former students who are about two years into their careers. Generally, annual earnings rates between 8 and 12 percent are in the caution zone and those higher than 12 percent fail. A career college program that produces a high share of graduates with low earnings and high debt is not likely to pass the gainful employment test. Programs that fail in two of three consecutive years or are in the zone for four consecutive years are ineligible to receive federal student aid funds. See, US Department of Education, Gainful Employment Fact Sheet, Oct. 2014, available at http://www2.ed.gov/policy/highered/reg/hearulemaking/2012/gainful-employment-fact-sheet-10302014.pdf

9 Specifically, programs must demonstrate that the annual loan payment of a typical graduate does not exceed 20 percent of their discretionary income or 8 percent of their total earnings.

10 Schools have appeal rights and there is a process to challenge findings and program classification.

In January, the U.S. Department of Education named over 800 programs that failed to meet this basic accountability standard. Of these, 30 are based in Ohio. All 30 programs were offered by proprietary schools. Another 45 Ohio programs were in the "zone," meaning the program failed at one debt-to-earnings test but passed the other. All but one of those programs were at for-profit institutions.

Some of the failing rates are shocking. A business administration program at Daymar College in Chillicothe had a debt-to-earnings ratio of 30 percent, the highest in the state. This means it would take about 30 percent of a typical graduate's income to make their loan payments. Medical/clinical assistant programs, the second most commonly offered program in Ohio, had the most failures (five fails and five in the zone). When considering programs in the caution zone, cosmetology rose to the top with three fails and 13 listed for caution. The average annual earnings of graduates from these programs were just $17,478 and $13,407, respectively. A full list of the 30 programs with a main location in Ohio that failed is included in Appendix B. That list notes which programs were offered by institutions that received OCOG or other student financial aid from the state of Ohio.

Institutional type matters in terms of earnings and debt.

The average annual earnings for grads, across all sectors and career college programs located in Ohio was only $25,328. This is just $1,000 over the poverty line for a family of four — about half the median household income for Ohioans in 2015.

Table 1 shows the 10 most frequently offered programs at career college programs located in Ohio and the annual average earnings of grads two years into their careers. Graduates of seven of the 10 programs have average annual earnings that qualify them for food assistance. Six of the 10 have average annual earnings well below the poverty level for a family of three, $20,090. None report average earnings more than 200 percent of poverty for a family of three, $40,180.

11 Ahtabula County Technical and Career Campus' cosmetology program was the only program run by a public institution that did not receive a pass on the gainful employment test. The program fell into the "zone" meaning it did not fail or pass all three debt to income measures.

12 It is also important to note that gainful earnings data reports the program and institution based on the state where the main location of the institution is located. For that reason, some institutes that are receiving state financial aid but do not have a main location in Ohio are not easily identified in the data. Further, the institution's program information is provided for each program offered by the institution as a whole, not for the separate locations. The U.S. Department of Education provides this example: North-South University's main location is in Washington D.C. but there is a Toledo location offering a dental assisting program. That program is listed as a program out of DC not Ohio. For this reason, there will be other career college programs offered in Ohio that are not captured fully in this report. The author includes gainful employment data in Appendix B, Table 2 of institutions that received OCOG but are not reported as having main campus locations in the state.

Career college programs are not sure bets. In a broad sense, career training is not a silver bullet for lifting people into the middle class, but cost, debt and training quality does matter and can move a student toward a career path, or trap them in poverty.

Table 1

Skills aren't paying the bills:
Most prevalent Ohio-based career training programs, average annual earnings of graduates, and earnings as a share of poverty.

Program and number of Ohio schools offering it	Average annual earnings	Earnings as a share of poverty for family of 3
Licensed Practical Nurse (45)	$31,816	158%
Medical, Clinical Assistant (37)*	$19,412	97%
Cosmetology, General (31)*	$15,207	76%
Massage Therapy (13)*	$19,593	98%
Dental Assisting (13)*	$19,141	95%
Heating, Air Conditioning, Ventilation and Refrigeration Technician (12)	$28,793	143%
Criminal Justice, Police Science (11)	$37,603	187%
Medical office Assistant (9)*	$18,818	94%
Medical administrative, Executive assistance and medical secretary (9)*	$18,037	90%
Automotive Mechanics, Technician (8)*	$23,920	119%

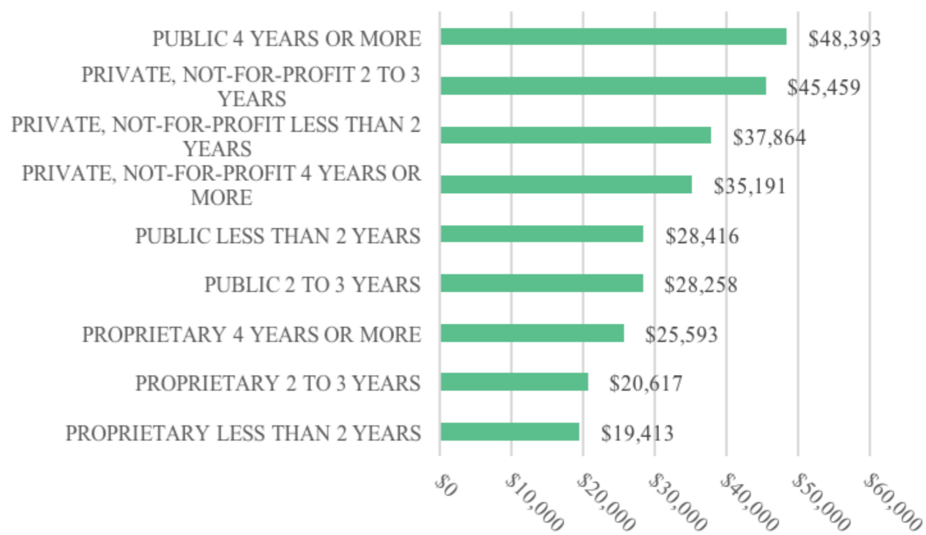
Source: U.S. Department of Education, Gainful Employment data, for 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. Programs with (*) have average annual earnings less than 130 percent of poverty, which broadly is the threshold for food assistance eligibility. Annual earnings data is from Social Security Administration records and is the higher of the mean or median earnings gained at least two years after graduates have left a program, giving them time to become established in their jobs. Data in this report is most recent available and reflects students who gradated between July 2010 and June 2012. Earnings data in this table is average of earnings by program across all institution types. Poverty rate based on 2015 level for a family of three, $20,090.

Proprietary schools, which on average carried the largest debt payments, also had the lowest earnings. Training programs offered by shorter term for-profit schools had the lowest earnings of all institution types, about $20,000 a year. Comparable public institutions had average annual earnings of $28,252 and much smaller average annual debt payment ($648 compared to $1,185).

Chart 1

Big promises: Small payoff

Annual earnings of Ohio career college programs, averaged by institution type



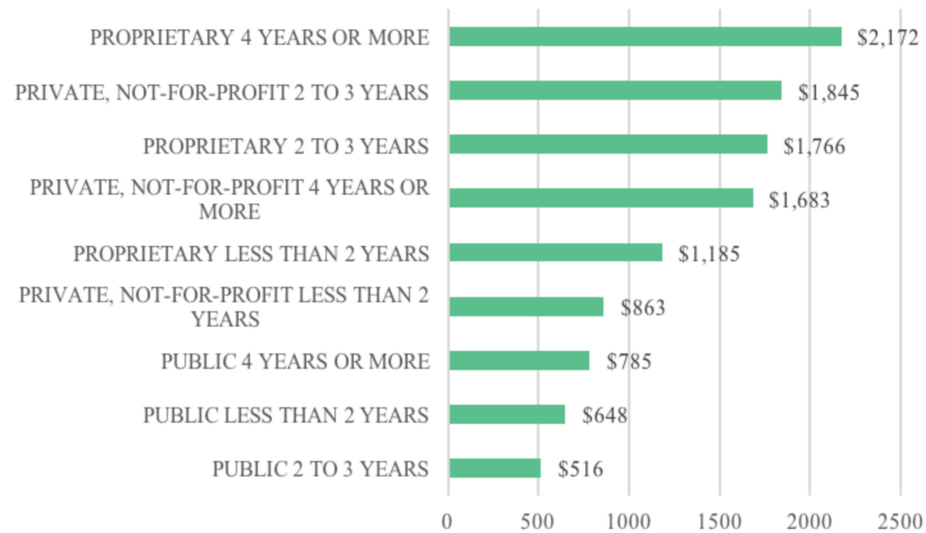
Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. Earnings are the across sector averages the median or mean annual earnings, whichever is the higher amount, of the career training students who completed the program in the cohort period. The median and mean earnings amounts are from Social Security Administration records.

Debt load is an important consideration for any student. But when earnings are so low, high debt and loan defaults eliminate access to traditional, safe credit for emergencies; take away future opportunity for higher education; extract wealth and earnings through high debt payments; and ultimately trap a family in poverty. The gainful employment data show that students completing career training programs at public institutions have far smaller debt payments compared to their for-profit and non-profit counterparts. Chart 2 compares average annualized debt payment for career college grads in Ohio by institution type.

Chart 2

Debt burden varies by institution type

Median annual loan repayment for career college programs in Ohio, averaged, by institution type



Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. The average is calculated on the median standard loan debt incurred by students for attendance in the career college program, who completed the program during the calendar year 2014-2015, amortized over 10 years for certificate and associate's programs; 15 years for bachelor's and master's career college programs; and 20 years for graduate doctoral and first professional degree gainful employment programs.

Cross program comparisons

Cross program comparisons

Cross-program comparisons reinforce value of low-debt public options.
The debt differences remain even when comparing specific programs of instruction. In general earnings are low, even for in-demand occupations, making a low-cost, low-debt public pathway to credentials all the more valuable. This series of charts (3-5) compares programs with the same Classification of Instructional Programs (CIP) code and same level of terminal award, i.e. undergraduate certificate or associate degree.

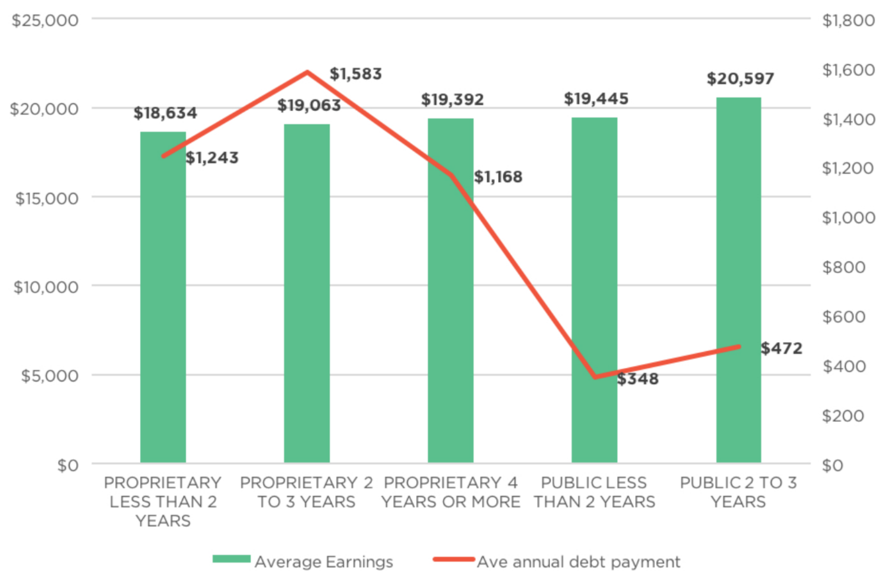
Medical, Clinical Assistant
Across all sectors, graduates of medical, clinical assistant program have average earnings of about $19,400. This occupation is listed as an in-demand job with a bright future on Ohio Means Jobs.[13] The state's job board notes that the bottom 10 percent of workers in this occupation earn about $21,900 a year. According to the gainful employment data, only graduates from public 2-3 year schools have average earnings in this range. Those grads also have substantially less annual debt than their for-profit counterparts ($472 compared to $1,956). Public institutions offer an advantage to these students who will likely have earnings that fall below the poverty threshold for a family of three. Not only do those students earn more on average, they also have significantly less debt. Chart 3 summarizes these findings.

13 See, Medical Assistants, Ohio Means Jobs, available at jobseeker.ohiomeansjobs.monster.com accessed April 28, 2017.

Chart 3

Debt burden varies by institution type

Medical, Clinical Assistant, Undergraduate Certificate



Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. The average debt payment is calculated on the median standard loan debt incurred by students for attendance in the career college program, who completed the program during the cohort year (2014-2015), amortized over 10 years for certificate and associate's programs; 15 years for bachelor's and master's career college programs; and 20 years for graduate doctoral and first professional degree gainful employment programs.

Medical and clinical assistant programs are one example of a program where programs with the same CIP code have different terminal awards at different institutions. There are eight associate level medical assistant programs in the Ohio data. All are offered by proprietary schools. Those programs have combined average earnings of only $18,890 and annualized average debt payments of $2,285. The medical, clinical assistant programs that offer undergraduate certificates have average earnings of $19,556 and annualized average debt payments of $782. This suggests these associate programs for this occupation at for-profits are a particularly bad bet for students, despite the fact that they terminate in associates level degrees.[14]

Licensed Practical Nursing

Licensed Practical Nursing (LPN) is offered across nearly all institution types. An LPN is considered an in-demand job with a bright outlook by the state's workforce development system.[15] It is also the most common career college program offered by institutions located in Ohio. Compared to many programs, LPN grads have relatively better earnings outcomes. On the state's job board, Ohio Means Jobs, the bottom 10 percent of LPNs earn about $32,500 a year. The earnings data shows that two years into their careers, graduates of these programs earn about $30,000. That's still only 158 percent of the poverty line.

LPN grads from for-profit schools have higher earnings than grads from shorter-term public institutions (two-three year, for-profit: $34,572, compared to two- three year, public: $32,113). The data lists far fewer for-profit LPN programs with main locations in Ohio (8) and most of those programs are in cities or suburbs, with one in Niles, Ohio. The public programs are located throughout the state including Appalachian counties. Some of the earnings difference is likely due to regional economic conditions. Overall, the earnings differences are relatively small but the debt burden varies widely. Chart 4 shows the annual average earnings and average annualized debt payment of graduates of LPN undergraduate certificate programs, by institution type.

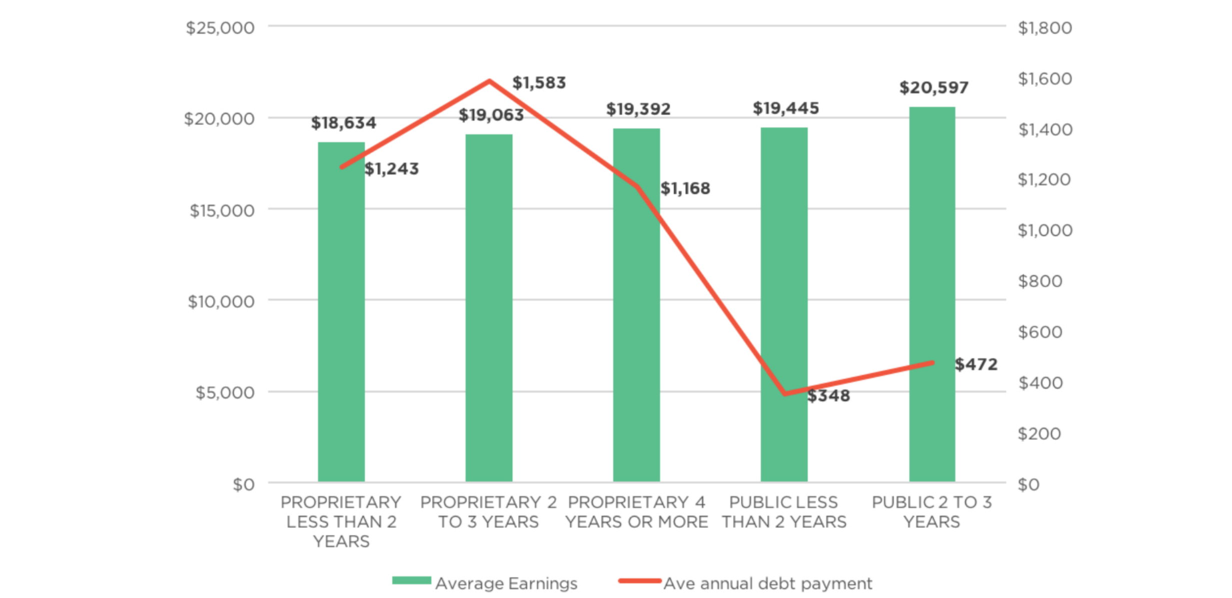
14 Four of the eight associate programs in medical, clinical assisting failed the debt-to-earnings test: ETI Technical College at Niles, Trumbull Business College, Stautzenberger College and Fortis at Centerville. All of these schools received either Ohio need-based student aid or national guard aid, although it isn't possible to determine which courses of study that aid supported. Two programs are in the "zone" — Antonelli College and Fortis in Cuyahoga Falls. They are eligible to receive state need-based aid. Only two passed: Davis College and Bradford School.

15 See, Licensed Practical and Licensed Vocational Nurses, Ohio Means Jobs, available jobseeker.ohiomeansjobs.monster.com accessed April 28, 2017.

Chart 3

Debt burden varies by institution type

Medical, Clinical Assistant, Undergraduate Certificate



Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. The average debt payment is calculated on the median standard loan debt incurred by students for attendance in the career college program, who completed the program during the cohort year (2014-2015), amortized over 10 years for certificate and associate's programs; 15 years for bachelor's and master's career college programs; and 20 years for graduate doctoral and first professional degree gainful employment programs.

HVAC technician

This disparity in outcomes also occurs in programs outside health care. HVAC technician is one of the most frequently offered programs of study in the state. It is classified as an in-demand job with a bright future by Ohio Means Jobs.[16] Again, public institutions offer much better outcomes for this course of study. Grads from public, two to three year schools (community colleges) have average annual earnings of $35,746 two years into their career. Proprietary school graduates earn much less, about $23,000. They are earn-

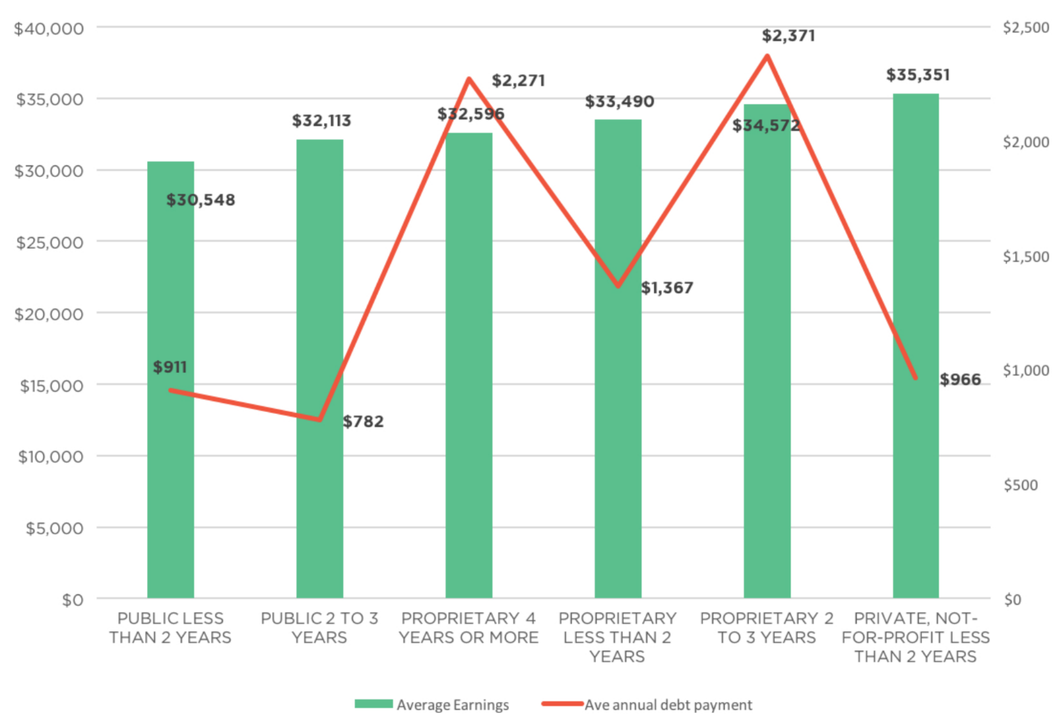
16 Ohio Means Jobs, Career Profile: Heating and Air Conditioning Mechanics and Installers, available jobseeker.ohiomeansjobs.monster.com accessed May 2, 2017.

ing below the bottom 10 percent of workers in this field, which, according to Ohio Means Jobs, is about $28,490. For-profit grads have lower earnings, on average, but are also saddled with high debt. The average annualized debt payment for HVAC grads at 2-3 year for-profits is $1,387. Chart 5 summarizes these findings.

Chart 4

Institutions matter: Debt burden varies by institution type

Licensed Practical Nursing, Undergraduate Certificate



Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. The average debt payment is calculated on the median standard loan debt incurred by students for attendance in the career college program, who completed the program during the cohort year (2014-2015), amortized over 10 years for certificate and associate's programs; 15 years for bachelor's and master's career college programs; and 20 years for graduate doctoral and first professional degree gainful employment programs.

Regulating career colleges

Regulating career colleges

Ohio financial aid spent at for-profits that receive poor marks

Schools don't have to fail the gainful earnings test to be of questionable value to students and a risky investment for our state. College Scorecard data, also generated by the U.S. Department of Education, shows additional metrics on school value and performance, by institution. The scorecard helps cut through college marketing and gives students and their families a way to evaluate potential schools. This information includes the share of students that earn more than a typical worker with a high school diploma and the share of students paying down their loans.

Scorecard data confirms that many of these students are leaving with debt and relatively low earnings potential. Very small shares of students attending these schools are paying down their student loan debt. Only three of the 32 for-profit schools that received Ohio need-based student aid had even half their students pay even one dollar of principal on their loans, three years after leaving the institution. Only ten of the schools had more than 50 percent of their students earning more than the average earnings of a high school graduate ($25,000). Graduation rates ranged from 7 percent at Bryan & Stratton College in Cleveland to 79 percent at the Art Institute of Cincinnati. Fifteen schools fell below the national average of 42 percent. Appendix A includes a table showing key indicators for all proprietary institutions that received state need-based financial aid last year.

Ohio's student financial aid policy creates the wrong incentives

For-profit higher education institutions are not new. They once were largely operated as independent entities or small regional chains. These schools typically offered two-year degrees or shorter-term credentials in vocational skills that required hands-on learning, such auto repair or culinary training. But the model has changed. The Harkin report on proprietary schools found that as of 2009, the majority of students at a for-profit college were attending a school either traded on a major stock exchange or owned by a private equity firm.[17] As Tressie McMillian Cottom lays out in her work, the financial success of the

17 U.S. Senate Committee on Health, Education, Labor and Pensions report, "For Profit Higher Education: The Failure to Safeguard the Federal investment and Ensure Student Success," Executive Summary, July 2012, available at https://www.help.senate.gov/imo/media/for_profit_report/ExecutiveSummary.pdf, accessed May 1, 2017.

institution, increasing profits and growth, is tracked by analysts and investors who demand increasing financial returns.[18] This structure creates incentives that run counter to the goals of the student and the public, who foot the bill for these schools through federal and state-based financial aid programs.

Proprietary schools can receive as much as 90 percent of their revenue from federal taxpayer sources.[19] Some schools skirt the 90 percent rule by aggressively targeting veterans, whose benefits from the VA and Department of Defense are not included under the rule.[20] Ohio further sweetens the pot by allowing some state revenue to for-profit career colleges in the form of student financial aid. Ohio spent more than $7.3 million for financial aid to students at for-profit schools. Most of that spending ($6.3 million) was from the Ohio College Opportunity Grant. Another $717,561 came from National Guard Scholarships.[21]

Ohio does little to encourage transparency and accountability at for-profits.
Protections are minimal and compliance is monitored by a board outside the state Department of Higher Education.[22] Ohio is one of twenty-one states that compensates students if a for-profit school closes or commits fraud.[23] The Student Tuition Recovery Fund in Ohio is limited to students enrolled at the time the school closed, and provides some

18 See, Tressie McMillan Cottom supra at note 3.

19 U.S. Department of Education, "New analysis finds many for-profits skirt federal funding limits," December 2016, available at https://www.ed.gov/news/press-releases/new-analysis-finds-many-profits-skirt-federal-funding-limits, accessed April 14, 2017.

20 Seventeen schools failed the 90/10 test. Kaplan located in Brooklyn, Ohio was the only Ohio connected school to fail the test with 91 percent of the school's revenue coming from federal sources. If the 90/10 rule included veteran benefits from the VA and DOD, six Ohio schools would have received more than 90 percent of their total revenue from federal sources (American School of Technology (94.0 percent), Daymar College (91.7 percent), Kaplan Career Institute (91.4 percent), International College of Broadcasting (91.2 percent), Gallipolis Career College (91.2 percent), Antonelli College (90.0 percent). Id. Data included at link in press statement. If the 90/10 rule were rolled back to its original language, requiring no more than 85 percent of an institute's revenue from federal title ix sources, then 563 schools would have failed the test, including 15 in Ohio. In addition to Kaplan, which has since closed and been sold to a different corporation and operates under the institution name "Brightwood," the Gallipolis Career College (88.10 percent), Davis College (87.69 percent), Antonelli College (87.41 percent), the International College of Broadcasting in Dayton (87.35 percent), Hondros College n Westerville (86.61 percent), and Daymar College in Chillicothe (86.01 percent) would fail an restored federal revenue limit and all also received money from the Ohio College Opportunity Grant. U.S. Department of Education, Federal Student Aid, Proprietary School 90/10 Revenue Percentages Data, 2014-15 Report and Summary, most recent available at https://studentaid.ed.gov/sa/about/data-center/school/proprietary, accessed April 14, 2017.

21 Full expenditure data on financial aid across all institution types is available at https://www.ohiohighered.org/sgs/expenditures, accessed April 28, 2017.

22 O.R.C. § 3332.081.

23 CFED, Assets & Opportunity Scorecard, "For-profit school regulation," 2016, available at http://scorecard.assetsandopportunity.org/latest/measure/for-profit-school-regulation, accessed May 17, 2017.

recovery of pre-paid tuition lost to the school shuttering.[24] Ohio does not have effective regulations of online schools and our state authority is undermined by state reciprocity agreements, allowing home state rules to govern authorization of online institution serving Ohio students.[25] Since 2015, Ohio has required recruiters to be employees of the school or obtain an agent permit. Schools must administer student satisfaction surveys, and abide by registration rules prohibiting fraud and discrimination.[26]

In Ohio, proprietary school regulations are monitored and enforced by the State Board of Career Colleges and Schools. This board has eight members. Of the six members appointed by the governor, three must be from vocational and technical schools. In 2015, those members were from Educational Management Services, Trumbull Business College and Bradford College. Trumbull Business College had three programs failing the debt-to-earnings test: business administration (debt to earnings rate of 12.64, median earnings, $18,839); medical insurance coding specialist (rate of 15.89, median earnings of $18,748); and medical, clinical assistance (ratio of 22.83, median earnings of $14,805).

Accreditation also serves a regulatory function. According to the most recent annual report published by the Board, of the 261 schools registered with the state in 2015, about half (135) were accredited by an agency recognized by the U.S. Department of Education. However, one of those agencies, the Accrediting Council for Independent Colleges and Schools (ACICS) lost U.S. Department of Education recognition in February. The ACICS directory currently lists 32 Ohio schools that it accredits.[27] The list includes schools that also received state financial aid last year.[28]

---

24 See, Student Recovery Fund at http://scr.ohio.gov/ConsumerInformation/StudentTuitionRecoveryFund.aspx, accessed May 17, 2017.

25 *Id.*

26 O.R.C. § 3332 et seq.

27 Mary Morgan Edwards, "Feds may strip authority from accrediting agency for Ohio's for-profit colleges," The Columbus Dispatch, Jun 2016, available at http://www.dispatch.com/content/stories/local/2016/06/16/accrediting-agency-may-lose-authority-to-approve-colleges.html, accessed April 14, 2017. See also, ACICS letter to members, available at http://www.acics.org/news/content.aspx?id=6931.

28 Brown Mackie – Akron, Cincinnati, and Findley; Daymar College, Fortis College, Gallipolis Career College, Hondros College of Business, Hondros College of Nursing, Miami-Jacobs Career College, Ohio Business College, and Stautzenberger College. Brightwood College is also included, this is a rebranding of Kaplan's Dayton location after it was sold to the Education Corporation of America.

As the sector's recent history of closings and the gainful earnings data demonstrate, oversight by the Ohio State Board of Career Colleges and accreditation is not necessarily a stamp of quality or an indication that the training pathway is low-risk. This existing regulatory structure did not redirect state financial aid or student support away from failing schools like ITT. There is no indication that the existing regulatory scheme has interest or capacity to hold the institutions under its charge accountable for dismal earnings and exceedingly high levels of debt. These for-profit corporations are primarily funded by federal and state public dollars. The state must stop sending aid to these institutions and should quickly build a regulatory system that has the capacity and independence to protect students.

Recommendations

Recommendations

1) Restrict access to student aid funds: Ohio's financial aid policies should not be a seal of approval on risky programs.

State financial aid is Ohio's stamp of approval for an often risky and predatory sector. By providing aid to students at these institutions, Ohio is steering them towards businesses that have been called "low-value debt bomb, backed nearly entirely by government funding."[29] These for-profit institutions, unlike public community colleges in Ohio, can fully access state-funded student aid, including the state's only source of need-based financial aid, the Ohio College Opportunity Grant. The $6 million in OCOG funding spent at for-profit institutions last year provided awards to 10,157 students, roughly $624 per award.[30] In comparison, the state sent $1 million to community colleges serving 3,130 students, or about $327 per award. For the same amount of OCOG spent at for-profits last year, public community colleges could have served more than 19,000 students.[31]

2) Create a regulatory system to ensure accountability in career college programs.

Some policymakers acknowledge the need for reform. The Ohio House of Representatives put forward its version of the state budget bill in April. That substitute bill included several proposals that would have created new oversight of for-profit career colleges. The proposals would have made the following changes to Ohio's regulatory practices:

- Eliminate the State Board of Career Colleges and transfer oversight to the Chancellor of the Department of Higher Education,
- Prohibit current and former for-profit employees from evaluating for-profit schools and require audits of any proprietary school accepting any state funding; and,
- Require school accreditation by an agency recognized by the U.S. Department of Education.

29 Huelsman, supra at note 1.

30 Ohio Department of Higher Education, SGS Expenditures, State Financial Aid, 2015-16 Academic Year, available at https://www.ohiohighered.org/sgs/expenditures, accessed April 27, 2017.

31 Author calculation based on per award OCOG amounts in 2016.

The rules would also refund junk student disclosure fees, restrict military seals in advertising, and allow veterans to be reimbursed for all courses, including completed courses if a proprietary school closed.[32] All but the prohibition and refunding of the junk "student success fee" were removed from the bill through the House Omnibus Amendment.[33]

These changes would resolve the more shocking oversights in Ohio's for-profit regulatory scheme and should be enacted. Research by the Federal Reserve Bank of Philadelphia shows that enrollment losses in for-profits schools are offset by gains at local community colleges.[34] The research eases concern that decreasing student aid to these schools would lead to lower rates of college going. The study also found that students who enrolled in community colleges after their for-profit school was sanctioned were less likely to default on their loans. Tightening the reins will not lead to worse outcomes for students, rather it would steer students toward a less risky path to credentials.

3) Require for-profit schools operating in the state to submit gainful employment disclosures to the state as a condition of authorization.

Ohio should also move to monitor disclosures under the gainful employment rule and require schools that operate in the state, including online schools that recruit students in Ohio, to release that same information to the state. The state should use this information to set floors for operating in Ohio and minimum standards of disclosure.[35] This would eliminate the worst offenders and create transparency so students and the state can make informed decisions on where to spend their money.

---

32 The veteran provisions should not only help make vets whole, but also discourage the sector from aggressively pursuing veteran financial aid. Ohio would be served well by extending these provisions to all stranded students.

33 See, Sub. HB 49 Omnibus Handout, available at http://www.ohiohouse.gov/committee/finance, May 1,2017 hearing, accessed May 2, 2017.

34 Stephanie R. Cellini, Rajeev Darolia, Lesley J. Turner, "Where do students go when for-profit colleges lose federal aid," Research Department, Federal Reserve Bank of Philadelphia, May 2017.

35 See, Ken Smith, "For-Profit Schools in Nebraska: Recommendations to Improve Student Protection," Nebraska Appleseed, January 2017, available at http://www.workingpoorfamilies.org/2017/01/23/new-report-improving-student-protections-in-for-profit-schools/, accessed May 17, 2017.

4) Local governments can take action if the state refuses to protect students.

In April, Milwaukee's council unanimously passed legislation to prohibit financial assistance, including support for development projects that will include selling or leasing real estate to a for-profit school, unless they meet federal financial aid regulations in force on January 1, 2017. This ordinance not only sets a floor of accountability for for-profits in their jurisdiction but it also serves as a backstop to any potential weakening of the existing federal rules.[36]

36 See, Milwaukee ordinance number 161548, "An ordnance relating to the provision of city financial assistance to for-profit institutions of higher education or to developers of projects that include for-profit intuitions fo higher education," available at https://milwaukee.legistar.com/LegislationDetail.aspx?ID=2973375&GUID=C6282D78-BE03-4F35-A93D-924EB632632B&FullText=1, accessed May 17, 2017.

Appendices

Appendix A

College Scorecard: Low marks for proprietary schools receiving OCOG

Institution	Location	OCOG spending in 2016	Median annual earnings	Share of grads earning less than average earnings of a high school graduate	Share paying down their debt
DeVry University	Columbus	$720,929	NA	NA	33%
Bryant & Stratton College Parma	Parma	$560,106	$22,400	40%	16%
Bryant & Stratton College Cleveland	Cleveland	$356,216	$22,400	40%	16%
Chamberlain College of Nursing	Columbus	$352,800	$52,600	91%	58%
University of Phoenix Ohio	Beachwood	$345,042	$51,100	64%	24%
National College of Business & Technology Stow	Stow	$259,543	$23,000	34%	12%
Brown Mackie College Cincinnati	Cincinnati	$252,155	$27,400	56%	18%
South University	Cleveland	$251,989	$28,800	61%	20%
Harrison College	Grove City	$195,921	$23,900	40%	22%
Fortis College Columbus Nursing	Westerville	$192,004	$62,900	46%	22%
Bradford School	Columbus	$187,170	$25,000	42%	51%
Ohio Business College Lorain, Sheffield	Lorain	$168,350	$22,400	35%	19%
Fortis College Centerville	Centerville	$144,759	$28,700	61%	19%
Fortis College Cincinnati	Cincinnati	$139,490	$26,900	46%	22%
Fortis College Cuyahoga Falls	Cuyahoga Falls	$129,417	$23,200	37%	26%
Ohio Business College Sandusky	Sandusky	$97,384	$22,400	35%	19%
Brown Mackie College Akron	Akron	$82,785	$27,400	56%	18%
Davis College	Toledo	$69,834	$25,600	34%	14%
Art Institute Ohio	Cincinnati	$69,338	$33,300	51%	33%
ETI Technical College Niles	Niles	$67,432	$22,700	30%	24%
Brown Mackie College Canton	Canton	$61,241	$27,400	56%	18%
Hondros College	Westerville	$57,395	NA	NA	37%
Daymar College Chillicothe	Chillicothe	$55,428	$20,100	33%	9%

Antonelli College	Cincinnati	$49,395	$21,100	29%	16%
Gallipolis Career College	Gallipolis	$49,136	$14,500	14%	12%
International College of Broadcasting	Dayton	$43,512	$22,900	25%	18%
Fortis College Ravenna	Ravenna	$42,713	$23,600	43%	19%
Trumbull Business College	Warren	$39,220	$20,000	23%	15%
Brown Mackie College Findlay	Findlay	$35,668	$27,400	56%	18%
Ohio Business College Columbus, Hilliard	Columbus	$35,668	$22,400	35%	19%
Ohio Technical College	Cleveland	$24,568	$34,300	63%	51%
Art Institute Cincinnati	Cincinnati	$14,208	$29,700	NA	43%

Source: Source: U.S. Department of Education, College Scorecard, available at https://collegescorecard.ed.gov/, accessed May 1, 2017. Earnings cover former students that received federal aid linked with earnings data from tax records. Repayment data from the National Student Loan Data system as reported on the College Scorecard. OCOG spending from Ohio Department of Higher Education, SGS Expenditures, State Financial Aid, 2015-16 Academic Year, available at https://www.ohiohighered.org/sgs/expenditures, accessed April 27, 2017. Some institutions had multiple campus locations author attempted to match institutes across the SGS tables and the scorecard by location. For Example, SSG data reports $168,350 in OCOG going to the Ohio Business College-Lorain. The Score Card data lists Ohio Business College at Sheffield, not Lorain. SSG also lists some schools broadly. For example, $345,042 went to the University of Phoenix but there is no further detail on program or location. The Score Card data lists one University of Phoenix location for Ohio, Beachwood, and that school's data is listed here. DeVry, Hondros, National College of Business, Daymar, and South University are similar. Greater transparency in reporting would alleviate these data matching issues. ITT and Kaplan both received OCOG in 2016, but ITT closed and Kaplan was sold and rebranded.

Appendix B/Table 1

Not making the grade: 30 Ohio based Career College program fail gainful employment test				
Institution	Program	Location	Median annual earnings	Debt to earnings ratio
Antonelli College*	Dental assisting	Cincinnati	$13,906	13.3
Art institute of Cincinnati*	Computer graphics	Cincinnati	$19,433	13.26
Brightwood College (formerly known as Kaplan)*/**	Criminal justice, safety studies	Dayton	$21,210	14.4
Daymar College*	Business administration and management, general	Chillicothe	$10,264	30.55
Daymar College*	Medical office assistant, specialist	Chillicothe	$15,157	24.23
Daymar College*	Criminal justice, law enforcement administration	Chillicothe	$14,795	23.27
EIT Technical College of Niles*	Medical, clinical assistant	Niles	$16,633	17.97
Fortis College*/**	Criminal justice, safety studies	Centerville	$13,518	20.79
Fortis College*/**	Legal assistant, paralegal	Centerville	$12,472	20.5
Fortis College*/**	Medical, clinical assistant	Centerville	$16,370	14.47
Fortis College*/**	Medical insurance specialist, medical biller	Centerville	$17,290	12.39
International College of Broadcasting*	Music, other	Dayton	$13,868	17.59
International College of Broadcasting*	Radio and television	Dayton	$16,494	12.82
Ohio Business College*/**	Accounting	Sheffield	$20,349	14.16
Ohio Business College*/**	Business administration and management, general	Sheffield	$20,577	17.22
Ohio Business College*/**	Medical administrative, executive assistant and medical secretary	Sheffield	$16,240	20.32
Ohio Business College*/**	Legal assistant, paralegal	Sheffield	$15,424	18.23
Ohio Business College*/**	Computer Technology, computer systems technology	Sheffield	$10,398	17.5
Paramount Beauty Academy	Cosmetology, cosmetologist, general	Portsmouth	$9,774	16.15
Regency Beauty Institute-Cleveland	Cosmetology, cosmetologist, general	Willoughby	$12,337	15.42
Stautzenberger College**	Massage therapy, therapeutic massage	Maumee	$15,875	16.36
Stautzenberger College**	Medical, clinical assistant (associates)	Maumee	$21,737	16.99
Stautzenberger College**	Medical, clinical assistant (certificate)	Maumee	$17,299	14.37
Stautzenberger College**	Medical administrative, executive assistant and medical secretary	Maumee	$22,397	15.1
Stautzenberger College**	Legal assistant, paralegal	Maumee	$26,227	13.29
Trumbull Business College*	Business administration and management, general	Warren	$13,386	12.64
Trumbull Business College*	Medical, clinical assistant	Warren	$14,094	22.83
Trumbull Business College*	Medical insurance coding specialist, coder	Warren	$18,748	15.89
Virginia Marti College of Art and Design	Fashion, apparel design	Lake wood	$20,674	13.7
Western Hills School of Beauty & Hair Design	Cosmetology, cosmetologist, general	Cincinnati	$13,821	15.98

Source: Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017. *Institutes that received OCOG dollars. **Institute did not receive OCOG funds, but did receive National Guard Scholarship funds. */** Institutes that received both.

In addition to the schools listed above, there are many which do not have a main campus in Ohio, but offer career training in the state. Gainful employment data is reported based on the institution's main campus location, so it is difficult to determine if these failing programs operated in Ohio. The following table lists programs that failed the debt-to-earnings test, are offered by out-of-state institutions, and are listed as receiving Ohio student financial aid.

Due to the aggregation of outcome data, it is difficult to determine whether Ohioans were in these programs, but such practices should raise questions about the operation of the entire school. One such institution is DeVry University. DeVry claimed the largest amount of OCOG among proprietary schools: $720,929 for 1,161 students. That institution had three programs fail the gainful employment test: Web and digital media, health information and records, and accounting. The programs had debt-to-income ratios of 18.26, 19.26 and 16.18, respectively. This means about 18, 19 and 16 percent of a typical graduate's total annual income would be required to make the annual average loan payment. The DeVry Education Group just settled allegations of "false advertising and deceptive practices" with the New York attorney general's office for $2.75 million.[37]

37 Alex Arriaga, "DeVry will pay $2.75 million to settle deceptive-advertising claims," The Chronicle of Higher Education, January 31, 2017, available at http://www.chronicle.com/blogs/ticker/devry-pays-2-75-million-to-settle-deceptive-advertising-claims-with-n-y/116650, accessed April 10, 2017.

Policy Matters Ohio

Appendix B/Table 2				
Not making the grade: Non-Ohio based schools, that receive OCOG and had programs fail the gainful employment test				
Institution	Program	Annual average debt	Median annual earnings	Debt to earnings ratio
DeVry University	Web page, digital, multimedia and information resources design	$4,424	$24,221	18.26
DeVry University	Health information, medical records technology, technician	$5,064	$26,280	19.26
DeVry University	Accounting	$4,846	$29,950	16.18
Bryant & Stratton College	Computer and information sciences and support services, other	$3,587	$28,635	12.52
Bryant & Stratton College	Criminal justice, law enforcement administration (Associates)	$2,692	$21,352	12.6
Bryant & Stratton College	Criminal justice, law enforcement administration (Bachelors)	$4,272	$29,036	14.71
Bryant & Stratton College	Administrative assistant and secretarial science, general	$2,533	$20,494	12.35
University of Phoenix	Teacher assistant, aide	$3,031	$18,094	16.75
University of Phoenix	Behavioral sciences (Associates)	$2,800	$20,844	13.43
University of Phoenix	Behavioral sciences Bachelors)	$3,512	$29,020	12.1
University of Phoenix	Human services, general (Associates)	$2,902	$21,663	13.39
University of Phoenix	Human services, general (Bachelors)	$3,717	$29,308	12.68
University of Phoenix	Health information, medical records technology, technician	$2,963	$18,977	15.61
University of Phoenix	Pharmacy technician, assistant	$2,953	$20,422	14.45
Harrison College	Medical, clinical assistant	$2,849	$19,789	14.39
Harrison College	Veterinary, animal health technology, technician and veterinary assistant	$3,427	$24,334	14.08
Harrison College	Criminal justice, law enforcement administration	$2,920	$18,957	15.4
Harrison College	Medical insurance specialist, medical biller	$3,201	$20,966	15.26
National College	Computer Technology, computer systems technology	$2,605	$20,155	12.92
National College	Health information, medical records technology, technician	$3,336	$21,265	15.68
National College	Medical, clinical assistant	$2,988	$18,551	16.1
National College	Pharmacy technician, assistant	$2,766	$21,347	12.95
National College	Business administration and management, general	$3,053	$20,247	15.07
National College	Administrative assistant and secretarial science, general	$2,612	$19,587	13.33
South University	Web page, digital, multimedia and information resources design	$4,413	$25,669	17.19
South University	Baking and pastry arts, baker, pastry chef	$3,103	$24,469	12.68
South University	Culinary arts, chef training	$4,488	$24,373	18.41

South University	Legal assistant, paralegal	$3,804	$29,691	12.81
South University	Commercial photography	$3,765	$20,565	18.3
South University	Fashion, apparel design	$3,038	$24,950	12.17
South University	Interior design	$3,866	$21,884	17.66
South University	Graphic design	$4,911	$27,082	18.13
South University	Intermedia, multimedia	$4,815	$28,619	16.82
South University	Medical administrative, executive assistant and medical secretary	$3,312	$25,676	12.89
South University	Medical, clinical assistant	$3,224	$19,721	16.34
South University	Mental health counseling, counselor	$4,823	$31,171	15.47
South University	Accounting technology, technician and bookkeeping	$4,024	$28,238	14.25
South University	Fashion merchandising (Associates)	$4,225	$20,677	20.43
South University	Fashion merchandising (Bachelors)	$4,555	$28,408	16.03

Source: Source: U.S. Department of Education, Debt to Earnings data, for the 2015 debt measure year, available at https://studentaid.ed.gov/sa/about/data-center/school/ge, accessed April 7, 2017.

Acknowledgments

This report was made possible by the generous support of the Working Poor Families Project, the Fowler Foundation, and Saint Luke's Foundation. Research assistance was provided by Policy Matters intern, Jessica Shakesprere.