Policy Matters Ohio

Risky Business:

For-profit career colleges bad bet for public investment

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.