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VOTERS ACROSS THE POLITICAL SPECTRUM WANT FOR-PROFIT COLLEGES TO INVEST IN STUDENTS, NOT SHAREHOLDERS

January 2021

For-profit colleges have a long and well documented history of consumer abuses, deception, and fraud. These schools tend to provide low-quality education to their students, frequently targeting vulnerable groups such as veterans, low-income students, and students of color, and leaving them buried in debt.

For-profit colleges enroll just 8 percent of all postsecondary students, yet they account for 30 percent of all student loan defaults. These institutions soak up 12 percent of all federal student aid from the U.S. Department of Education; for many, federal aid is the primary source of revenue. In other words, most for-profit colleges exist thanks to taxpayer dollars.

The differences between for-profit colleges and other public and private nonprofit schools are more important than just tax status: these schools have drastically different operating incentives and governance structures. Public colleges are overseen by public officials and legislatures, and nonprofit colleges are required by law to reinvest any profits into their educational mission, as directed by boards that are prohibited from profiting themselves. For-profit colleges, on the other hand, are run as private businesses with a purpose of making a profit, which in turn creates a natural incentive to cut costs on the "product" of education and maximize revenue.

Many for-profit institutions that rely on federal student aid turn around and spend that money on advertising and marketing campaigns to the detriment of their enrolled students. TCF's research has shown that for every dollar in tuition revenue, for-profit colleges on average spend just 26 cents on student instruction. By comparison, nonprofit and public colleges on average spend 79 cents and $1.13, respectively, on education per tuition dollar. Some for-profit colleges that are the largest recipients of public sources of funding spend less than twenty percent of their revenue on educating students. Instead, excess funds are channeled toward owner and shareholder profits.

Instructional spending is an effective proxy for the value of education being provided to students. It captures what a school invests in faculty and other resources that are needed to offer coursework, and signals an institution's intentions to meet student academic needs. Research has shown that one of the best ways to raise student outcomes is to invest more in education, rather than advertising and marketing. Doing so would mean students actually get what they're paying for: a quality education, and the ability to obtain good-paying jobs, successful careers, and pay back their student loans.

For these reasons, there are growing calls to monitor and analyze the level of investment a school directs toward instruction and student supports. If instructional spending is too low, the school's spending in other categories such as marketing and advertising should be scrutinized as well and limited in certain cases — *especially if the school derives most of its revenue from federal sources.*

Such policies would help level the playing field between for-profit colleges and prospective students who are at a significant disadvantage in the college selection process and often have difficulty assessing the true value of a degree or certificate program before enrolling. The fact that each student has a seemingly limitless source of funds available through federal, graduate, and parent-plus loans incentivizes institutions to set tuition prices as high as possible, and sends a message to students that it's a price worth paying. These characteristics of the U.S. higher education system, combined with the underlying motives of for-profit colleges, are a recipe for poor academic and career outcomes.

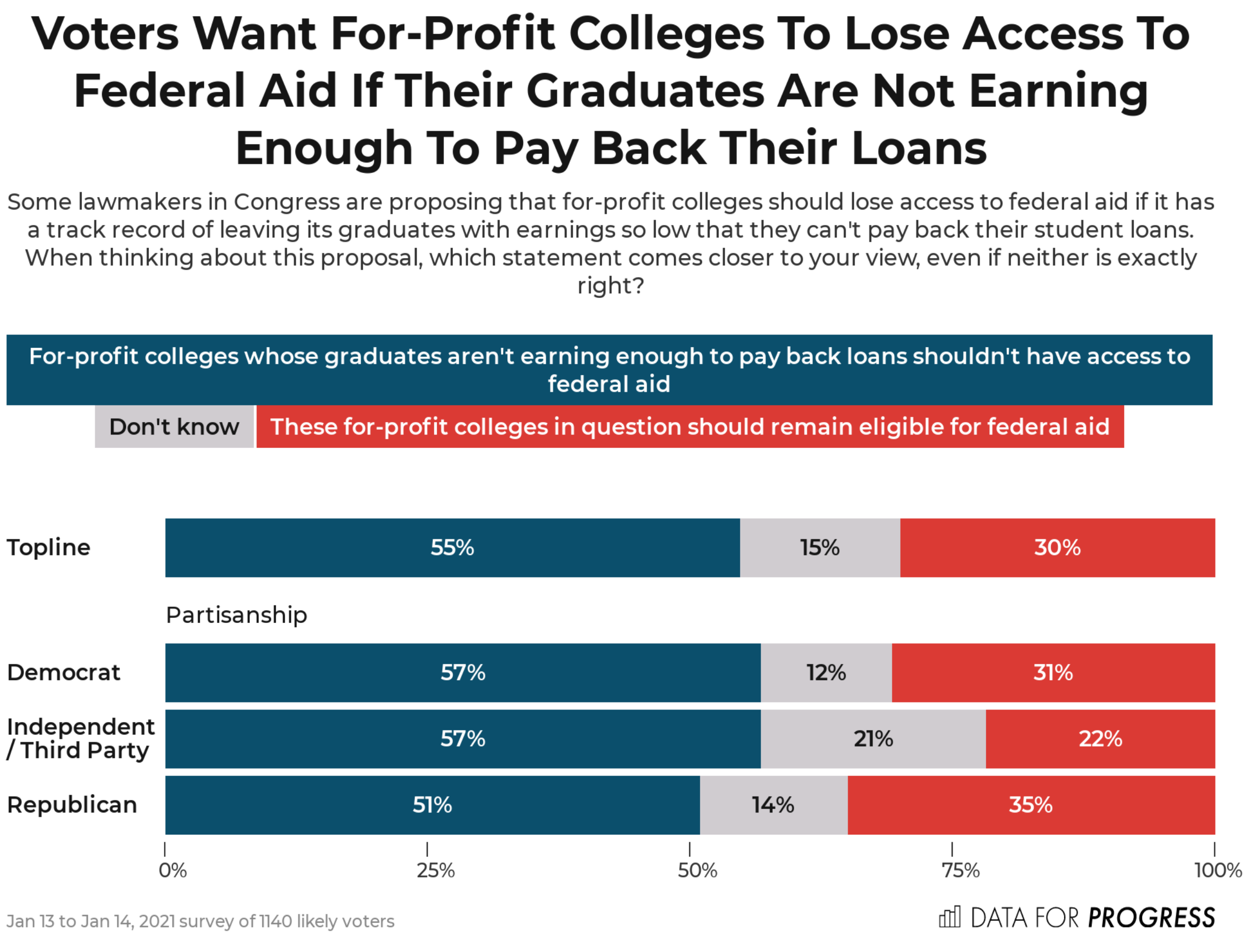
Institutions that take advantage of public resources in this way should be cut off from the source. Our new polling shows that voters support congressional action to make sure that higher education is a worthwhile investment for all students. Specifically, President Biden and the 117th Congress could:

- Restore the Obama-era "Gainful Employment" rule, which cut off programs from receiving federal funding if they routinely leave graduates with high levels of debt relative to incomes;
- Require colleges to spend a minimum amount on instruction and student supports. This could be achieved, for instance, through legislation stipulating that colleges which spend less than one-third of their revenue on instruction would be barred from spending federal funds on marketing and recruiting (a provision that was included in last year's College Affordability Act).

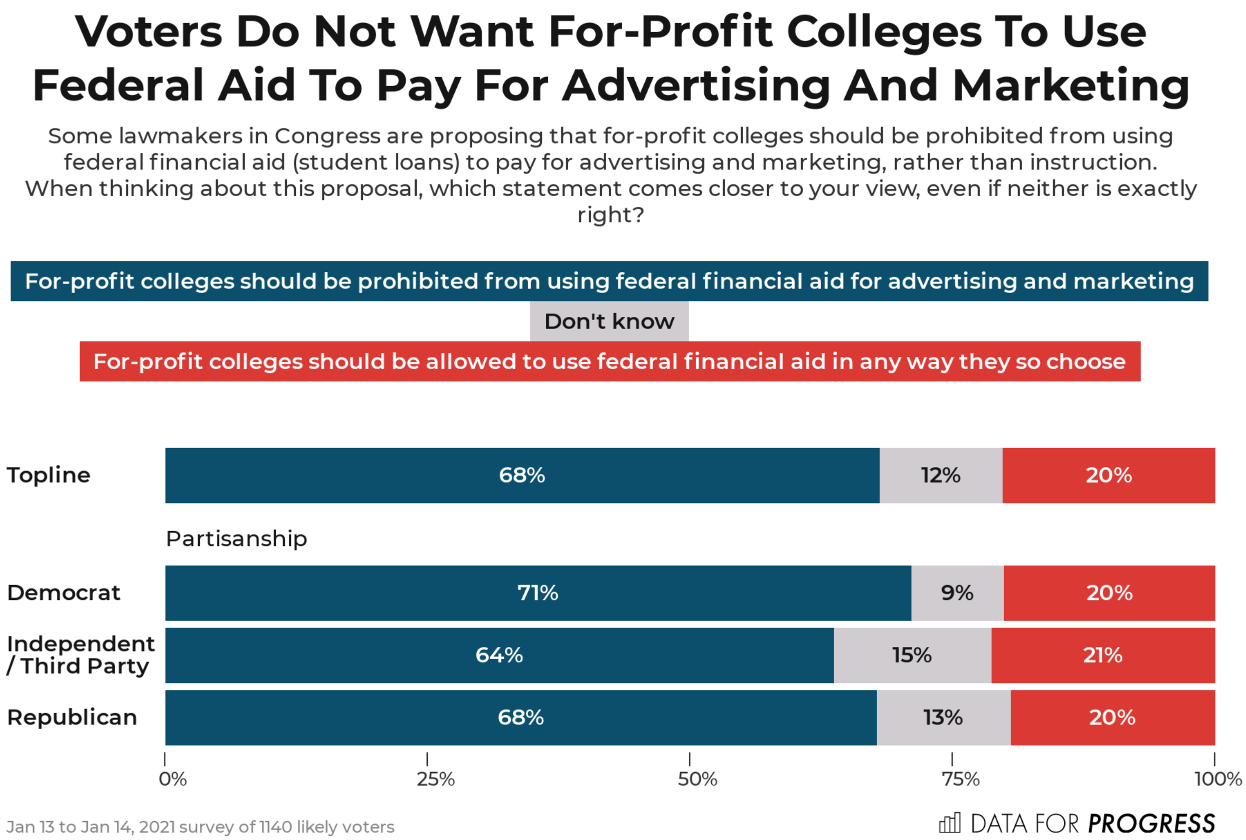
Our opaque, uneven marketplace for higher education isn't serving students or taxpayers well. Rather, the current system allows deceptive for-profit colleges and their shareholders to maximize profits by cutting corners on instruction, recruiting more and more susceptible students, charging ever-higher tuition prices, and offering low-quality education.

As part of a January survey conducted by Data for Progress and The Century Foundation of 1,140 likely voters nationally, we sought to measure public attitudes on how for-profit colleges should be regulated. Our results reveal broad, bipartisan support for policies that would ensure that for-profit colleges are investing in their students and providing a quality education. The polling shows that a large majority of voters do not want their taxpayer dollars — including COVID-19 relief funds — to flow to predatory for-profit colleges that prioritize big-budget advertising campaigns over student instruction. Rather, voters support protecting students by enacting guardrails on for-profit colleges reliant on federal funding, and requiring for-profits to prove their value and invest in their students' education.

First, we asked likely voters about the restoration of the "gainful employment" rule. We find that by a 25-percentage-point margin, likely voters back this proposal. Support for this proposal extends across party lines. Likely voters that self-identify as Democrats, Independent / Third Party, and Republican support the return of this rule by margins of 26-points, 35-points, and 16-points, respectively.



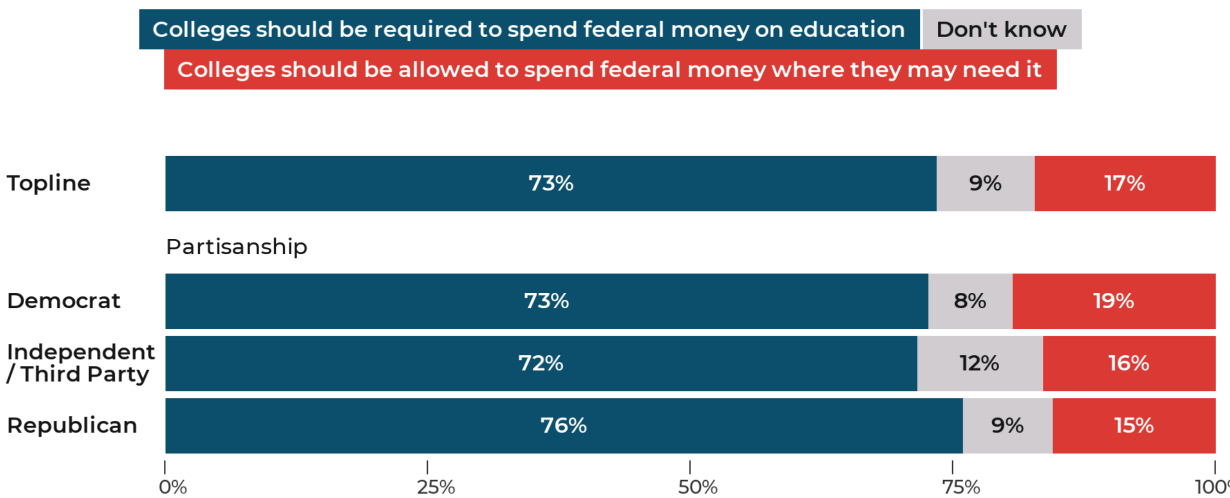
We then asked about a proposal regulating how for-profit colleges and universities spend federal dollars, making sure that money flows towards instruction and not advertising and marketing. We find that likely voters are enthusiastic about this proposal. Among all likely voters, this proposal is supported by a 48-point margin. Support is again bipartisan: By margins of 51-points, 43-points, and 48-points, Democrats, Independents, and Republicans, respectively, back this proposal.



Lastly, we asked about a similar proposal but this time about colleges and universities more generally. We again find high levels of support for policies that ensure that schools spend federal aid on student instruction. Among all likely voters, this is supported by a 56-point margin. Among Democrats, Independents, and Republicans this is backed by margins of 54-points, 56-points, and 61-points, respectively.

Voters Want Colleges To Spend Federal Grants And Student Loan Funds On Education — Not Advertisements

Some lawmakers in Congress are proposing that colleges should be required to spend federal grants and student loan funds on educating students, not on advertising and marketing.
When thinking about this proposal, which statement comes closer to your view, even if neither is exactly right?



Jan 13 to Jan 14, 2021 survey of 1140 likely voters

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Conclusion

Colleges that choose to operate without the commonsense spending and accountability oversight that is placed on nonprofit colleges must demonstrate their value in order to continue receiving federal funding. As our polling shows, **American voters across the political spectrum strongly support policies that ensure that when a student enrolls in a college or degree program, it's ultimately worth the investment**.

Methodology

From January 13 to January 14, 2021, Data for Progress conducted a survey of 1,140 likely voters nationally using web-panel respondents. The sample was weighted to be representative of likely voters by age, gender, education, race, and voting history. The survey was conducted in English. The margin of error is ±2.9 percentage points.

COVER PHOTO
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