

Ohio's Proprietary Colleges: Gateway to the 21st Century Workplace



The State of Ohio ranks 38th in the nation for the number of citizens with an associate's degree. The Chancellor and the Ohio Board of Regents have vowed to improve that troubling statistic. Guess who has the best record for producing graduates with an associate's degree?



“More than 60 percent of jobs that our businesses will create by the year 2012 will require some college education. Census data shows that just two years of education, such as an associate’s degree, is worth \$400,000 to an adult who pursues additional education.”

–Gov. Ted Strickland
Learning for Life: Skills for High-Quality Jobs, Turnaround Ohio series





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March 8, 2009

Mr. R. David Rankin, Executive Director
Ohio Association of Career Colleges and Schools
1857 Northwest Blvd.
Columbus, OH 43212

Dear Director Rankin:

Enclosed, please find the research we conducted on your behalf related to the contribution of fully accredited two-year proprietary colleges in Ohio. This research represents our first foray into the state's proprietary educational institutions and the role they play in the larger higher education setting.

For those of us engaged in this project, it was both an enlightening and revealing excursion into a corner of higher education that we suspect is not widely known to most Ohioans. In short, you asked us to conduct this research during a budget cycle when the State of Ohio wants to reduce the amount of state assistance to students who attend degree-granting career colleges and restructure the way the funds are disbursed to these students.

This research, we think, poses a compelling story about the success of your students and institutions and we think the data might well invite reconsideration of a public policy that would diminish not only your educational mission, but the educational mission of the State of Ohio.

For those of us who toil in the research industry, we sometimes fail to effectively communicate the real story behind our numbers, statistics and calculations. It is easy to lose the human factor while poring over streams of data and navigating our way through mountains of information and statistics. In this report, we have endeavored not to lose sight of the human factor.

As you wind your way through this report, we feature short vignettes of the four young people featured on the cover of this report. They are graduates and alumni of Ohio's career colleges who are using their education to build lives for themselves and their families that embrace and fulfill the vision of Gov. Ted Strickland's 21st century workforce.

In presenting this final report to you, we offer our thanks for using Underwood & Associates for your research needs. We believe this report accomplishes the objectives we discussed in your office now more than a month ago. We have developed this research quickly, but we have high confidence in the accuracy of its content and analysis.

Our best to you, your board of directors and colleagues at the Ohio Association of Career Colleges and Schools.

Very truly yours,

JIM UNDERWOOD
President
Underwood & Associates

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Putting a face on proprietary education: Crystal Hodgkinson



Take a young mother with an eight-year-old son who is pregnant with another child. She has a high school education and has stitched together several part-time jobs, but she knows that without more education and acquiring the skills she needs to earn a decent living in an increasingly competitive workplace, she and her children are at risk of becoming just another Ohio welfare statistic. She refuses to let that happen.

Meet Crystal Hodgkinson, a graduate of one of Ohio's proprietary colleges.

A few short years ago, Crystal was that mother with a son and another child on the way. She enrolled at one of Ohio's proprietary colleges where she took the first step toward becoming a fully certified medical assistant.

Life is a lot different than it could have been for Crystal and her children. And she is quick to tell you, "I'm glad I changed my life when I did."

An overview of proprietary education in Ohio

There are about 40,000 students enrolled in about 75 proprietary colleges in Ohio that offer fully accredited two-year associate's degrees.¹ When most people think about proprietary schools they think about a non-accredited business school or someone training to be a bartender or massage therapist.

Indeed, there are proprietary schools around the state that offer certificates and diplomas for an array of education and training, ranging from medical transcription and dental assisting to automotive and heavy-equipment training. In total, the State of Ohio Board of Career Colleges and Schools lists about 291 proprietary schools in the state with a total of more than 70,000

¹ Our calculations include DeVry University and Bryant and Stratton College, two proprietary colleges that offer both two-year associate degrees and four-year baccalaureate degrees. DeVry and Bryant are regulated exclusively by the Ohio Board of Regents. All other proprietary schools included in this research are regulated by both the Ohio Board of Regents and the State of Ohio Board of Career Colleges and Schools.

Fast Facts

- *About 60 percent of proprietary students in Ohio are age 25 and older.*
- *Women make up about 70 percent of the enrollment in Ohio's private, for-profit proprietary colleges.*

students.² But only schools on about 75 of those campuses actually offer fully-accredited two-year degree programs that are accredited to award an associate's degree.

Some might describe these two-year proprietary colleges as a private version of Ohio's public community colleges. But, notwithstanding that both institutions are authorized by the state to grant two-year associate's degrees, the similarity pretty much ends there. Ohio proprietary schools existed long before the advent of community colleges. Davis College in Toledo, for example, just celebrated its 150th anniversary.

But there are a number of other factors that distinguish proprietary students from their public community-college counterparts.

First, proprietary students tend to be older. In fact, data developed by the U.S. Department of Education suggests that about 60 percent of proprietary students in Ohio are age 25 and older.³ Many of them are like Crystal Hodgkinson – working Ohioans who are looking for education and training that will earn them a better paycheck or maybe a promotion.

Crystal Hodgkinson is also an excellent example of the typical proprietary student because women make up about 70 percent of the enrollment in Ohio's private, for-profit proprietary colleges.⁴ She is also an appropriate example because she represents a young person who is looking for training or retraining and specific skill acquisition that will provide them entry into some of the fastest growing and most employable jobs and professions.

² State Board of Career Colleges and Schools Annual Report, compiled by Executive Director John Ware, 2008.

³ Integrated Postsecondary Education Data System (IPEDS), U.S. Department of Education, 2009.

⁴ IBID.

Crystal, for example, earned her degree as a fully certified medical assistant. According to U.S. Department of Labor data, that makes her extremely employable.⁵ With an aging population and the retirement of the Baby Boomer generation, medical and health-care jobs are among those that will be in greatest demand in the next 10 years.⁶

But even before retiring Baby Boomers drive up the need for more healthcare workers, a recent report from the Labor Department notes, “Opportunities for medical assistants and other healthcare occupations, for example, have surged in response to rapid growth in demand for health services.”⁷ Thanks to her additional training and education, that makes Crystal employable now and well into the future.

If you look closely at the kind of degrees that are dispensed by proprietary institutions, they generally track a more practical, occupational curriculum that can be transferred to the workplace. A proprietary student, for example, will not earn a liberal arts degree at one of these institutions. A proprietary student might, however, pursue a two-year program where they learn to be a court reporter or hone their computer skills at a college with a focus on technology.

An example of the foregoing is the Academy of Court Reporting which offers court-related training and education to students in Akron, Cleveland and Cincinnati. On the technical-training side, there are eight ITT Technical Institute campuses in the state located in Columbus, Dayton, Hilliard, Maumee, Norwood, Strongsville, Youngstown and Warrensville Heights. And at each of those campuses, students can earn a two-year degree.

⁵ *Tomorrow's Jobs*, Occupational Outlook Handbook, 2008-09 Edition, Bureau of Labor Statistics, U.S. Department of Labor.

⁶ IBID.

⁷ IBID.

Fast Facts

- *About 30 percent of proprietary students in Ohio are African-American.*
- *About a third of Ohio's proprietary students first attended a state public college or university, mostly a community college.*

Many students who attend these career colleges fall into the retraining category. They might well be older students who have a skill that is no longer marketable and they have been laid off or displaced by technology. An example might be a student who was employed in Ohio's manufacturing sector and when their manufacturing job disappeared they turned to a proprietary college to acquire new skills.

Another example might be a woman recently divorced who was a homemaker most of her life, but now needs new training or skills to re-enter the workforce. About 30 percent of proprietary students in Ohio are African-American.⁸ Given the historic high unemployment among African-Americans both nationally and in the state, proprietary education is especially important to this segment of the population.

In combination, the service of these institutions to women, (especially single heads of households), and African-Americans means they address the training and education needs of two important constituencies that, traditionally, suffer the highest poverty and unemployment rates.

It should be noted that about a third of Ohio's proprietary students actually first attended one of the state's public colleges and universities in Ohio, mostly a community college. But for many of them, the proprietary college is a better fit. Part of the reason is because many of these older working students find class schedules at proprietary schools are better aligned with their work schedules and others prefer the smaller classroom to the larger classroom they might encounter at a public college or university.

But, mostly, these older working students prefer the proprietary classroom because that is where they are more likely

⁸ OPCIT. IPEDS, U.S. Department of Education

Fast Facts

- *In the past year, there were 58 student complaints investigated for all 291 of Ohio's career colleges and schools – a ratio of about one complaint for every 1,200 students in the proprietary system.*

to meet and learn in an environment with people their own age and experience.

All of these proprietary colleges are under the jurisdiction and regulation of the State of Ohio Board of Career Colleges and Schools. But a recent change in the law is also bringing these private for-profit schools under the jurisdiction, oversight and regulation of the Chancellor and Ohio Board of Regents. That transition is under way, but only a handful of Ohio proprietary colleges have wound their way through the Chancellor's certification process. In many ways, that dual oversight by the Ohio Board of Regents and the Board of Career Colleges and Schools means proprietary colleges are among the most regulated in the state.

In addition to the oversight by those two state agencies, these proprietary colleges must be approved by one or more certified accrediting agencies as well as the U.S. Department of Education. In some instances, there is even more oversight and regulation. A nursing student, for example, who successfully secures a two-year nursing degree at an Ohio proprietary college must still navigate their nursing boards to secure a nursing license in the state. Subsequently, proprietary colleges that offer nursing degrees in Ohio are also regulated by the State of Ohio Board of Nursing.

Given that degree of regulation, we would expect Ohio consumers, legislators and policymakers to enjoy a high confidence in the quality of the curriculum, instruction and educational mission of these institutions. Officials at the State of Ohio Board of Career Colleges and Schools indicate in their 2008 report, there were 58 student complaints investigated for all 291 of Ohio's proprietary colleges and schools. That translates to about one complaint for every 1,200 students in the proprietary system.

Putting a face on proprietary education: Andrew Collins



Some students go for their associate's degree just to put a few more dollars in their pay envelope. But others dream of moving into management ranks. Thanks to his education at one of Ohio's proprietary schools, a dream became a reality for Andrew Collins.

An already skilled information technology professional, Andrew needed that degree to move into management ranks. Meet Information Technology Manager Andrew Collins who relied on his Ohio College Opportunity Grant to earn that management degree.

A degree in business administration education gave him the edge in the workplace he needed to become a manager.

As he reflects on his education, he recalls, "There were a lot of things I could bring here right away," he said. "My last quarter I could tie things in to the externship and bring them right here (to the workplace.)"

Who benefits? Obviously Andrew benefits, but so does the State of Ohio who can add one more trained, talented and qualified manager to the ranks of the workforce.

About this research

Underwood & Associates was retained in February, 2009 by the Ohio Association of Career Colleges and Schools to conduct research to explore the impact of certain budget cuts and reductions affecting proprietary colleges as represented in the State of Ohio Executive Budget for the 2010-2011 Biennium.

Specifically, the executive director of the Ohio Association of Career Colleges and Schools, acting on behalf of his board, asked Underwood & Associates to develop research that would show the potential impact of these cuts and reductions on students, as well as developing data that would provide legislators and policymakers with a complete and thorough profile of these proprietary institutions and the students who attend these private colleges.

Additionally, the executive director and his board asked Underwood & Associates to measure the economic impact of



these colleges and their students on the State of Ohio and provide an analysis of the relative benefit of these institutions on the state and the communities they serve.

Finally, since students at these privately owned proprietary colleges share allocation of certain grants and funds with students from public colleges and universities, the executive director and his board asked Underwood & Associates to measure the quality and effectiveness of these proprietary schools relative to the public colleges and universities.

Given those parameters, Underwood & Associates agreed to conduct independent, arms-length research absent further direction and control of the Ohio Association of Career Colleges and Schools and its representatives. It was agreed that Underwood & Associates would conduct its research using generally accepted research techniques and methodologies, and would, during the course of its research, disclose its sources, techniques, methodologies, findings and recommendations in a report to be delivered to the Association by a date uncertain in March, 2009.

As further evidence of the independence of this report, no part of this document was edited or revised by any employee or representative of the Ohio Association of Career Colleges and Schools.

How this research was conducted

Underwood & Associates deployed generally accepted research techniques and methodologies in compiling this report. The reader is able to discern the source of data and information that appears in this report through the detailed footnoting that appears throughout the pages of this document. Most of the information and data that appears in this report was secured from known and reliable sources. For example, we relied on data and statistics about both proprietary and public colleges and universities we obtained from the Integrated Postsecondary Education Data System, a database maintained by the U.S. Department of Education.

We obviously relied on a host of data and reports maintained by the Ohio Board of Regents and the Ohio Office of Budget and Management. An obvious source that is reflected throughout this report is the state's Executive Budget itself. But we also acknowledge the assistance and contribution of John Ware, executive director of the State of Ohio Board of Career Colleges and Schools, who graciously took time from his schedule to meet with us and discuss not only our research but some of the issues explored in this document.

We actually used Director Ware's 2008 Annual Report and a database he used as the source for that report as a vehicle to check the accuracy, integrity and reasonableness of some of our calculations. Later in this report, for example, the reader will see an estimate we advance for the income and revenue generated by these two-year proprietary career colleges. Director Ware's estimate of the aggregate income of these institutions closely tracks our own estimates, even though we used a different methodology to perform our calculation.

That exercise indicated to us that our methodology was sound, our estimate, when compared with other reliable research,



passed a “reasonableness” test and the accuracy of our data meets a “high confidence” standard. In some instances in this report we will share specific formulas with the reader to show precisely how we arrived at certain calculations and estimates.

Putting a face on proprietary education: Catherine Wood

Measuring how desperately you want something can be determined by showing just how much you are willing to work to achieve your objective.

“I did night classes, day classes ... whatever it took to get me through,” said Catherine Wood.

But, all things considered, this single mother knew the only way to take charge of her own future was to acquire an education that would give her choices.

Today, Catherine is a surgical technologist and she used OCOG to build that better life for her and her family. It’s a different life than the life she was struggling with.

“You know, downsizing and right-sizing, they had a different name for it every two years,” she said of her old job.

Catherine got a return on her investment. And she can make a strong argument that the State of Ohio got a good return on its OCOG investment.



The OCOG issue

Underwood & Associates was invited to conduct its research during a state budget cycle when Gov. Ted Strickland and his higher-education representatives advanced a biennium budget that would reduce the amount of state grant money received by students in proprietary colleges. Specifically, the state budget drafted by Gov. Strickland would reduce Ohio College Opportunity Grants (OCOG) to proprietary students by almost half. At the same time, the budget calls for changing the way these funds are currently distributed by shifting the

Fast Facts

- *Currently more than 22,500 career college students receive OCOG, a program that can provide almost \$4,000 a year in state assistance, based on family income.*
- *The proposed budget allocates only \$60 million in total for career college students over the next two years, effectively reducing OCOG funds by about a half.*

distribution away from students and making funds available to proprietary colleges as a block grant.

Currently more than 22,500 career college students receive OCOG, a program that can provide almost \$4,000 a year in state assistance, based on family income.

For career college students, allocated OCOG funding for the current fiscal year is expected to be more than \$61 million. But the proposed budget allocates only \$60 million in total over the next two years, effectively reducing OCOG funds by about a half.

Proprietary college administrators and their association believe this reduction and new funding structure will adversely affect students and the ability of these two-year proprietary institutions to continue to deliver a quality educational product.

In conducting this research, we include among our list of proprietary colleges DeVry University and Bryant and Stratton College. It is noteworthy that both of these institutions are four-year colleges that also offer two-year associate's degrees. They are also different from other proprietary schools in the state because they come under the regulation of the Ohio Board of Regents, but, unlike the other proprietary colleges, they are no longer subject to regulation by the State of Ohio Board of Career Colleges and Schools. We have included DeVry and Bryant because, despite those differences, both are part of the mix of for-profit proprietary schools, both offer two-year degrees and both would be affected by the reduced OCOG funding and new distribution structure.

To provide the reader with a better view of OCOG and how it is distributed under the current formula, the following table shows the distribution of OCOG funds by public four-year and two-year colleges, private non-profit colleges and the two-



year proprietary colleges that are the subject of this research.

This table reflects the FY2008 distribution:

FY2008 OIG/OCOG Distribution by Sector						
Type of Institution	OIG			OCOG		
	No. of Recipients	Dollars	Average	No. of Recipients	Dollars	Average
4-Year Public	26,781	28,332,762	1,058	18,342	31,757,084	1,731
2-Year Public	17,831	16,032,628	899	19,597	28,919,427	1,476
Pvt. Not-for-Profit	8,394	21,034,585	2,506	5,561	18,971,668	3,412
2-Year Proprietary	10,321	21,574,103	2,090	8,313	25,006,720	3,008
	63,327	86,974,078	1,373	51,813	104,654,899	2,020

Source: Summary of Program Expenditures by Institution, State Grants and Scholarships, 2007-2008 Academic Year, FY08, Ohio Board of Regents

We use 2008 data because it reflects the actual disbursement of these funds. The FY2009 data is a projected number.

The following table shows what would happen under the proposed executive budget advanced by Gov. Strickland.

OIG/OCOG vs. Proposed Block Grant						
	FY2008 (Actual)	FY2009 (Projected)	Total	Proposed FY2010	Proposed FY2011	Total
OIG	21,574,103	21,568,647	43,142,750			
OCOG	25,006,720	39,466,849	64,473,569	30,000,000	30,000,000	
	46,580,823	61,035,496	107,616,319	30,000,000	30,000,000	60,000,000

As indicated, adoption of the budget as currently drafted would mean a loss of about \$47.6 million in OCOG funds for students attending the state's proprietary colleges.

Fast Facts

- *The average cost for attending career schools is about \$12,652 a year for tuition, books and supplies*
- *About 88 percent of all proprietary students in Ohio enrolled in these two-year programs receive some kind of financial assistance to attend college.*

Proprietary education: By the numbers

First, we offer a few threshold statistics to set the scene for later calculations. Specifically, this research is confined to a focus on 44 accredited proprietary colleges in Ohio that offer two-year associate-degree programs. These 44 colleges are located on 78 campuses in Ohio and boast a total enrollment of 40,019 students.⁹

The tuition at Ohio's proprietary schools is generally higher than the cost for attending public colleges and universities. Based on our research, we calculate the average cost for attending these schools at about \$12,652 a year for tuition, books and supplies.¹⁰ Proprietary school operators acknowledge higher tuition and fees, but note they do not receive direct subsidies and assistance from the state. State institutions are able to charge lower tuition and fees because they are subsidized by state tax dollars and are further subsidized by a capital budget that provides funds for buildings, construction, land acquisition and other capital improvements.

Our research indicates that about 88 percent of all proprietary college students in Ohio who are enrolled in these two-year programs receive some kind of financial assistance to attend college.¹¹ That assistance can take the form of federal money, from programs like the Pell Grant; state money, from programs such as OCOG; or by student loans. According to IPEDS, the following graphic shows the percent of students attending the two-year proprietary colleges in Ohio who depend

⁹ We arrived at these numbers based on a variety of data provided to us by the State of Ohio Board of Career Colleges and Schools, the Ohio Association of Career Colleges and Schools and IPEDS data maintained by the U.S. Department of Education.

¹⁰ OPCIT. IPEDS, U.S. Department of Education.

¹¹ OPCIT. IPEDS, U.S. Department of Education.

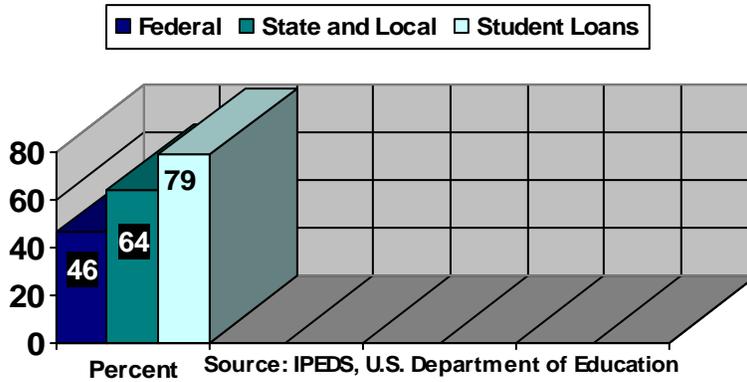
Fast Facts

The average career college student:

- Receives about \$2,637 in federal assistance;
- Receives about \$2,252 in state and local assistance;
- Carries student loan debt of about \$5,886.

on state and federal assistance and student loans to finance their education.

Percentage of state, federal assistance and student loans



Translated into dollars, the average student at Ohio's proprietary colleges receives about \$2,637 in federal assistance, mostly from Pell Grants, and \$2,252 in state and local assistance through programs such as OCOG.¹² The average student at these proprietary schools carries a student loan debt of about \$5,886.¹³

¹² OPCIT. IPEDS, U.S. Department of Education.

¹³ OPCIT. IPEDS, U.S. Department of Education.

Fast Facts

- *We estimate the loss of \$47.6 million in OCOG funds could drive student loan debt from \$5,886 per student to \$8,441 – a difference that might mean attending college and not attending college for some students.*

Putting a face on proprietary education: Julius Chambers

When Julius Chambers got out of the U.S. Navy, he wondered what he would need to transition back to civilian life. The answer was education and he opted for one of Ohio's proprietary colleges.

It took him two years, but he got the business degree to do what he wanted to do.

"I'm using those skills," he says of what he learned while in college. And today, the young veteran has traded his uniform for a shirt and tie in his new job as a Front Desk Concierge.

He's putting his new management skills to good use in the hospitality industry. That education is paying him dividends and his contribution to the local economy is paying dividends in his community and to the State of Ohio.

Julius is a success story about proprietary education and OCOG.



How students are affected by OCOG reduction

The mere loss of more than \$47 million in available funds will most likely have a consequence of causing more students to borrow more money for their education. We estimate the loss of OCOG funds could drive student loan debt from \$5,886 per student to \$8,441. For some students, that might mean the difference between attending college and not attending college.

We estimate the loss of OCOG funds means an average of about \$2,555 in additional debt for students – an increase of about 30 percent – based on the number of students who received OCOG money in 2008. Here is the formula we applied to arrive at that calculation:

Fast Facts

- *With a student population that is 70 percent women and 30 percent minority, we conservatively estimate it is possible that as many as 15 percent of these career college students, or about 2,800, would likely leave school.*

- $\$47,616,319$ (OCOg reduction) \div $18,634$ (number of OCOg recipients in FY2008) = $\$2,555$ + $\$5,886$ (average student loan) = $\$8,441$ (to offset OCOg reduction.)

Given the student profile of a student body that is 70 percent women and 30 percent minority, we conservatively estimate it is possible that as many as 15 percent of these students, or about 2,800, would likely leave these proprietary programs either because they would be unable to secure additional loan money for school or because they would choose not to incur additional debt. In the next section of this report we calculate the value of a two-year degree and the derivative benefit to the state and local economy of an associate's degree. Likewise, we will calculate the economic implications of 2,800 students who might, for whatever reason, opt out of these degree programs.

Fast Facts

- *Ohio's proprietary colleges boast a graduation rate of 47.3 percent compared to a 17 percent graduation rate for the state's community colleges.*
- *Ohio career colleges represent only about 19 percent of all Ohio students enrolled in a two-year college program, but they represent about 40 percent of all the graduates in the state who successfully earn an associate's degree.*

Economic benefits Ohio and local communities derive from students and institutions

Some might be surprised to learn that proprietary colleges tend to post a graduation rate that is more than two-and-a-half times higher than Ohio's public community colleges. While Ohio's public community colleges award associate's degrees to only about 17 percent of their students (16 percent nationally), Ohio's proprietary colleges boast a graduation rate of 47.3 percent.¹⁴

The following table tracks enrollment and graduation rates at proprietary colleges and the state's two-year community colleges. The table yields a pretty stark statistic.

Graduation Rates: Proprietary Colleges vs. Ohio Community Colleges					
	Total Students	Percent	Graduation Rate	No. of Graduates	Percent
State Community Colleges	173,434 ¹⁵	81.2%	16.7%	28,963	60.4%
Ohio Proprietary Colleges	40,019	18.7%	47.3%	18,929	39.5%
Total	213,453			47,892	

What the table shows is that while Ohio proprietary colleges represent only about 19 percent of all Ohio students enrolled in a two-year program, the proprietary students represent about 40 percent of all the graduates in the state who successfully earned an associate's degree.

The graduation rate is yet another factor that marks the difference between two-year public community colleges and for-

¹⁴ OPCIT. IPEDS, U.S. Department of Education.

¹⁵ *Preliminary Headcount Enrollment at Ohio Public Colleges & Universities, Fall 2007-Fall 2008*, University System of Ohio, Ohio Board of Regents.

profit proprietary colleges that offer a two-year degree.

Educators say there are a variety of factors that contribute to the differences in the graduation rate. First, not every student who attends a community college does so with the objective of earning a two-year degree. In fact, some students at public community colleges attend only to brush up on skills by taking a few select courses, or they attend with the intent of transferring to a full four-year baccalaureate program.

What makes the proprietary graduation rate all the more remarkable is the student demographic for proprietary colleges. Graduation rates for low-income and minority students at two- and four-year colleges generally lag substantially behind those for middle- and high-income students, as well as for white students.

That factor made us all the more skeptical. Compared to public two-year and four-year programs, the 47.3 percent graduation rate for the proprietaries still seemed inordinately high even though we obtained the number from a known and reliable data source (the U.S. Department of Education.) A source in the field, however, offered this perspective.

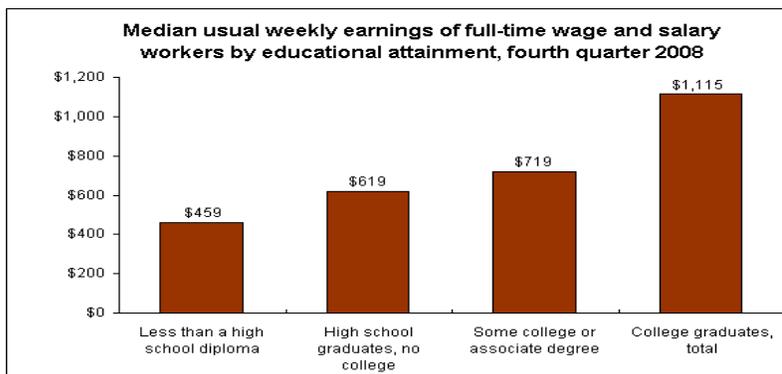
“In a public school if a student misses class, it might result in a checkmark in a grade book. But in a proprietary college, if a student misses a class, you can bet someone will be on the phone with that student wondering why he missed class,” said the industry source.

What’s the difference?

“The difference is the profit motive,” said our industry source. “When push comes to shove, it is in the best financial interests of career colleges to have students in the classroom. Attendance at a proprietary school is more than just a checkmark in a grade book – it’s money in the bank for proprietary colleges and it’s how it affects the school’s bottom line.”

But, in addition to the profit motive, the accreditation of proprietary schools is dependent, in part, on the schools posting a strong retention rate. Later in this report, we compare the retention rate of proprietary schools vs. the retention rate of Ohio's community colleges.

So, what does all that have to do with the economic contribution of proprietary graduates? A proportionality argument could be made that because of the higher graduation rate, the state gets a better rate of return when it invests in a proprietary student with OCOg dollars than it does when it earmarks those funds to students attending its own tax-subsidized community colleges. The importance of that graduation rate is manifest in how the associate's degree translates to income in the workplace and revenue for the state.



This chart¹⁶ shows weekly earnings based on educational attainment. Annualized, the chart essentially tells us that someone without a high school diploma was earning less than \$24,000 a year, on average, during the last quarter of 2008. Likewise the high school graduate was earning, on average, a little more than \$32,000 a year. The worker with some college or an associate's degree was earning a little more than \$37,000 a year.

¹⁶ *Median usual weekly earnings of full-time wage and salary workers by educational attainment, fourth quarter 2008*, Bureau of Labor Statistics, U.S. Department of Labor, January, 2009.

Fast Facts

- *Career graduates contribute more than \$700 million in income and wages to the state and local economy.*
- *Based on a 10.4 percent rate they pay about \$73.6 million a year in state and local taxes*
- *Proprietary colleges contribute about \$453 million a year in revenue to the Ohio economy and employ more than 5,000 workers.*
- *Career colleges contribute more than \$145.6 million a year in payroll and more than \$290 million annually in expenditures for goods and services.*

Let's take a look at the economic impact of that college degree across the universe of our proprietary school graduates to determine what happens when they move across the threshold from high school graduate to an employee with an associate's degree:

- $(18,929 \text{ graduates} \times \$32,188 = \$609,286,652) + (18,929 \text{ graduates} \times \$37,388 = \$707,717,452) > \$707,717,452 - \$609,286,652 = \$98,430,800.$

Simply stated, these graduates contribute more than \$700 million in income and wages to the state and local economy, each graduating class contributing an additional \$98.4 million than they would have otherwise earned without their degree. Based on a 10.4 percent rate that \$700 million-plus translates to about \$73.6 million in state and local taxes.¹⁷

But in addition to that economic contribution, the proprietary colleges themselves contribute about \$453 million a year in revenue to the Ohio economy and employ more than 5,000 workers. The economic impact of these institutions includes more than \$145.6 million a year in payroll and more than \$290 million annually in expenditures for goods and services. Our economic model reflects straight-line calculations absent multipliers.

Incidentally, we base the foregoing revenue figures on a full-time student population of about 79.5 percent and a part-time student population of about 21.5 percent.¹⁸ Some proprietary schools provided estimated gross income figures for the 2008 Annual Report of the State of Ohio Board of Career

¹⁷ *Ohio's State and Local Income Tax Burden Compared to U.S. Average 1977-2008*, Tax Data Series, The Tax Foundation, Jan. 12, 2009.

¹⁸ OPCIT. IPEDS, U.S. Department of Education.

Fast Facts

- *79.5 percent of students attending Ohio's career colleges are classified as full-time and 21.5 percent are part-time.*

Colleges and Schools. We developed our own estimate based on average tuition and fees and the number of full-time/part-time students at each institution.

It is our analysis that when you combine the economic impact of a better-educated workforce with the tax-and-revenue contribution of the proprietary colleges themselves to the state and local economy, the \$107.6 million in OCOG grants to proprietary students in the last biennium represents a strong return on investment for the state.

Added benefits: Advancing Ohio's higher education agenda

The foregoing measures the tangible economic benefits of Ohio's proprietary schools and the students who apply those newly acquired skills and knowledge in the workplace. But these students and schools also provide intangible benefits that are closely aligned with the public policy mission and objective of Gov. Strickland and Chancellor Eric Fingerhut.

In March, 2008, for example, the Ohio Board of Regents published its *Report on the Condition of Higher Education in Ohio: Meeting the State's Future Needs*. In that report, the Regents concluded, "Ohio needs educated college graduates in the numbers and disciplines required to meet the workforce needs of a thriving 21st century economy."¹⁹

That report provided some key issues that underscore the vital role that proprietary colleges are playing in preparing students for the 21st century economy.

Fast Facts

- Ohio produces more bachelor's degrees per capita than the national average, but, the net percentage of Ohioans with associate's or higher degrees is lower than most other states.²⁰
- Associate's degree and higher attainment for black males is about 61 percent, black females is about 71 percent, Hispanic males is about 68 percent and

¹⁹ *Report on the Condition of Higher Education in Ohio: Meeting the State's Future Needs*, Ohio Board of Regents, March, 2008.

²⁰ IBID. Page 8.

Hispanic females is about 84 percent of the white population.²¹

- Enrollment of 25-49 year-olds in Ohio's colleges and universities is almost 20 percent below the national average.²²
- Producing up to 30 percent more bachelor's or higher degrees and increasing the number of associate's degrees means an additional \$1.4 billion in annual expected earned income in 10 years and \$5.6 billion by 2030.²³

In the context of all the foregoing, we direct your attention again to the proprietary college demographic and the success rate of these institutions to produce workplace-ready graduates.

Perhaps the most compelling statistic to argue for equitable treatment and funding for students attending Ohio's proprietary college programs was noted by Chancellor Fingerhut in March, 2008: Ohio ranks 38th in the nation for the number of citizens with an associate's degree.²⁴ It would seem illogical to strip funding from the state's most successful program for producing associate-degree graduates at a time when the state wants to improve its dismal record for producing those graduates.

The first bullet begs the question: In a state where the percentage of the population with an associate's degree is lower than most other states, where is the wisdom of the state under-

²¹ IBID.

²² IBID.

²³ IBID. Page 20.

²⁴ *Ohio compared to the nation, Strategic Plan for Higher Education*, Ohio Board of Regents, submitted by Chancellor Eric D. Fingerhut, March 31, 2008.

funding the very institutions that have the best record of producing graduates with an associate's degree?

With regard to the second bullet point, we noted earlier in this report that about 31 percent of those attending the state's proprietary schools are African American.²⁵ Nearly 3 percent of the students attending Ohio's proprietary schools are Hispanic.²⁶ Now combine the institutions with the best record of producing graduates with an associate's degree with the institutions that best represent minority students in Ohio.

And finally, consider that 60 percent of the state's proprietary students are ages 25 and older. Now you have in proprietary colleges an institution that is best at producing graduates, that best represents minorities and best represents the age group vastly under-represented in the state's colleges and universities compared to other states.

Pertaining to the latter, Chancellor Fingerhut himself in his Strategic Plan for Higher Education calls for the state to raise the number of college students ages 25 and older by 105 percent, from current levels of 171,294 students to 351,347 students.²⁷

Ohio's fully accredited two-year proprietary schools are also aligned with the goals of Gov. Strickland's "Learning for Life" agenda.²⁸ In that document, Gov. Strickland observed, "More than 60 percent of jobs that our businesses will create by the year 2012 will require some college education. Census data shows that just two years of education, such as an associate's

²⁵ OPCIT. IPEDS, U.S. Department of Education.

²⁶ OPCIT. IPEDS, U.S. Department of Education.

²⁷ *The University System of Ohio: Accountability Measures*, Strategic Plan for Higher Education, Ohio Board of Regents, submitted by Chancellor Eric D. Fingerhut, March 31, 2008, pg. 104.

²⁸ *Learning for Life: Skills for High-Quality Jobs*, Turnaround Ohio series, Gov. Ted Strickland.

degree, is worth \$400,000 to an adult who pursues additional education.”²⁹

In that same document, Gov. Strickland connected higher education with business development, noting that “higher rates of educational attainment will result in higher small business survival rates.”³⁰ Ohio’s proprietary colleges have a strong record of connecting its graduates with the workplace. The placement rate for fully accredited proprietary schools in Ohio is 80 percent, according to a recent report by the State of Ohio Board of Career Colleges and Schools.³¹

“Career colleges and schools are removing some people from public assistance and once again making them taxpayers,” the report said.³²

According to our research, a superior graduation rate is not the only attribute of Ohio’s two-year proprietary education system.

Proprietary colleges in Ohio also post a higher retention rate than their public counterpart. Fully accredited proprietary colleges in Ohio that offer associate’s degrees have a 60 percent retention rate compared to 53 percent for the state’s tax-supported community colleges.³³

Retention rates measure the rate by which students leave college, for whatever reason, before completing a prescribed program or obtaining a degree.

²⁹ IBID.

³⁰ IBID.

³¹ OPCIT. 2008 Annual Report of the State of Ohio Board of Career Colleges and Schools.

³² OPCIT. 2008 Annual Report of the State of Ohio Board of Career Colleges and Schools.

³³ *First-to-Second-Year Retention, First-Time, Full-Time, Degree-Seeking Freshmen in Fall 2006 Persisting to Fall, 2007*, First to Second Year Retention at Ohio's Public and Private Colleges and Universities, Ohio Board of Regents, January 2009, pg. 1 and IPEDS, U.S. Department of Education..

Proprietary education: A choice in the marketplace

Ohio has one of the largest career education systems in the nation.³⁴ That fact, alone, might speak to the success of these privately owned fully accredited colleges. Proprietary education in Ohio has proven its ability to get the job done and it has demonstrated its capacity to nimbly react to the needs of Ohio's workforce with strategic planning and flexibility.

Consider that in 2008 alone, the Ohio Board of Career Colleges and Schools approved 394 new programs, degrees and majors while renewing 808 existing programs and degrees.³⁵ The empirical evidence to underscore proprietary education's contribution to higher education in Ohio and across the nation is clear and abundant. And in many instances, career colleges are serving and succeeding with segments of our population that are traditionally underserved at public colleges and universities.

The Imagine America Foundation reports that 21 percent of all African Americans and 20 percent of all Hispanics who received an associate's degree in recent years earned it at a career college.³⁶ That same report explores the return on investment for taxpayers that career colleges offer:

Fast Facts

- It costs taxpayers \$18,998 to enroll a community college student for two years compared with \$11,982 for two years at a career school or college.³⁷

³⁴ OPCIT. 2008 Annual Report of the State of Ohio Board of Career Colleges and Schools.

³⁵ OPCIT. 2008 Annual Report of the State of Ohio Board of Career Colleges and Schools.

³⁶ *2007 Fact Book: A Profile of Career Colleges and Universities*, Imagine America Foundation, prepared by JBL Associates, February, 2007, pg. 5.

³⁷ IBID.

- A career college graduate will have paid enough additional taxes to repay the public cost of his or her education within four years of graduation. By comparison, it will take seven years for a community college graduate to repay the government investment in their education.³⁸
- Taxpayers' annual net return on investment for each public dollar spent is 15 percent per community college graduate and 24 percent per career college graduate.³⁹

Those statistics speak to the important role proprietary education plays as a partner in higher education in Ohio and in the lives of those who view these private colleges as their doorway to a new future. Not everyone belongs in a proprietary classroom, but, as thousands of Ohio students have demonstrated by choosing to attend these proprietary schools, not everyone fits in the public classroom. In the final analysis, Ohio students are best served when they have choices that fit their needs and circumstances.

³⁸ IBID.

³⁹ IBID.

Questions about this research?

If you have questions about this research product, we welcome your letter, phone call or email.

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About Jim Underwood and Underwood & Associates



Jim Underwood is president of Underwood & Associates, a strategic research company he launched in 1993. Underwood also is a Professor of Journalism at Ohio Wesleyan University where he is celebrating his 16th year as a faculty member at that institution.

Underwood & Associates has conducted research for a number of high-profile clients including Lloyds of London, Conrail/CSX, the Ohio State Bar Foundation, AT&T, the Women's Fund of Central Ohio, the Ohio Lottery Commission and the City of Cincinnati, just to name a few.

Before starting his business and teaching at Ohio Wesleyan, Underwood was an award-winning journalist who worked for a number of Ohio daily newspapers, including *The (Cleveland) Plain Dealer*, where he was Statehouse Bureau Chief. As a reporter and editor, Underwood was honored by a number of groups and organizations including the NAACP and the Society of Professional Journalists. In 1987, he was inducted into the Bowling Green State University Journalism Hall of Fame.

Former President Jimmy Carter recognized Underwood, who served in the U.S. Marine Corps, as one of the nation's Outstanding Vietnam Veterans and in 1992, former Ohio Governor and now U.S. Sen. George Voinovich said of him, *"Few people will ever be as knowledgeable about the workings of state government, politics and journalism as Jim Underwood."*

Underwood is married to Michelle Kelly-Underwood, CPA, Finance Director for the City of Hilliard, Ohio.

Executive Summary: Findings and analysis

This is the summary section of the report that provides readers with a brief recap of our findings and analysis. Here we cut through the narrative to provide the reader with the core findings of our research:

- There are about 291 proprietary colleges and schools in Ohio that serve more than 70,000 students.
- This research focuses on about 44 of those schools and specifically those that offer a fully accredited two-year associate's degree program. These schools are located on 78 campuses around Ohio with a total enrollment of about 40,000 students.
- 60 percent of students attending these for-profit colleges are age 25 and older.
- The student population of these schools is predominantly female. 70 percent of those attending these two-year proprietary schools are women.
- About 30 percent of the students attending these proprietary schools are African American and Hispanics account for about 3 percent of the student enrollment.
- 79.5 percent of those attending these proprietary colleges are classified as full-time students. 21.5 percent are part-time.
- The placement rate for fully accredited proprietary schools in Ohio is 80 percent.
- Proprietary colleges in Ohio enjoy a 60 percent retention rate compared to 53 percent for the state's tax-supported community colleges.
- About a third of the students attending proprietary schools transferred from public colleges and universities, and primarily from community colleges.

- These degree-granting career colleges are regulated by the State of Ohio Board of Career Colleges and Schools, but recent changes in law will also bring them under the jurisdiction of the Ohio Board of Regents. Only a handful of the proprietary colleges have been certified by the Chancellor.
- In 2008, the Ohio Board of Career Colleges and Schools approved 394 new programs, degrees and majors while renewing 808 existing programs and degrees
- The State of Ohio Board of Career Colleges and Schools investigated 58 student complaints in 2008. The ratio is one complaint for every 1,200 students.
- This research draws on a wide range of data and sources, but a primary source for this report was data extracted from the Integrated Postsecondary Education Data System, U.S. Department of Education. Some of the data in this report was obtained from the State of Ohio Board of Career Colleges and Schools.
- The current state budget for FY2010/2011 would reduce Ohio College Opportunity Grants by more than \$47 million. Additionally, funding would be allocated by block grants to individual colleges instead of direct assistance to students.
- In FY2008/2009, students attending proprietary colleges received about \$107.6 million in OCOg assistance. In FY2010/2011 the amount of available funds would total \$60 million.
- We estimate average tuition at these fully accredited two-year schools at \$12,652.
- According to IPEDS, about 88 percent of all proprietary college students in Ohio who are enrolled in these two-year proprietary schools receive some kind of financial assistance.
- 46 percent of the students receive federal assistance through programs such as the Pell Grant. 64 percent receive state assistance through programs such as OCOg. 79 percent of these students have a student loan.

- On average, the students receive \$2,637 in federal assistance and \$2,252 in state assistance. Student loans at these proprietary schools average about \$5,886.
- We estimate the reduction in OCOG funds will mean a loss of about \$2,555 per student, based on 2008 distribution.
- We estimate the student loan debt for students could rise from \$5,886 to \$8,441. We further estimate that level of debt could reduce enrollment by 15 percent, or by about 2,800 students.
- The graduation rate for these two-year proprietary schools is 47.3 percent. By comparison, the graduation rate for Ohio's public community colleges is about 17 percent.
- While proprietary colleges represent only about 19 percent of all Ohio students enrolled in a two-year program, the proprietary students represent about 40 percent of all graduates in the state who successfully earn an associate's degree.
- Based on current wage rates published by the U.S. Department of Labor, we estimate these proprietary students will contribute more than \$700 million in income and wages to the local economy. That is \$98.4 million more than would have otherwise contributed without their degree.
- At that income level, we estimate these graduates will pay \$73.6 million a year in state and local taxes.
- The economic contribution of the proprietary schools to the Ohio economy is about \$453 million a year. They employ more than 5,000 workers and post a payroll of more than \$145.6 million. They contribute about \$290 million annually for purchased goods and services.
- Ohio ranks 38th in the nation for the number of citizens with an associate's degree.

- Associate's degree and higher attainment for black males is about 61 percent, black females is about 71 percent, Hispanic males is about 68 percent and Hispanic females is about 84 percent of the white population.
- Enrollment of 25-49 year-olds in Ohio's colleges and universities is almost 20 percent below the national average.
- Producing up to 30 percent more bachelor's or higher degrees and increasing the number of associate's degrees means an additional \$1.4 billion in annual expected earned income in 10 years and \$5.6 billion by 2030.
- The success of Ohio's proprietary schools is aligned with several higher-education and workforce objectives outlined by Gov. Strickland and Chancellor Fingerhut.
- Chancellor Fingerhut, in his Strategic Plan for Higher Education, calls for the state to raise the number of college students ages 25 and older by 105 percent, from current levels of 171,294 students to 351,347 students.
- 21 percent of all African Americans and 20 percent of all Hispanics who received an associate's degree in recent years earned it at a career college.
- It costs taxpayers \$18,998 to enroll a community college student for two years compared with \$11,982 for two years at a career school or college.
- A career college graduate will have paid enough additional taxes to repay the public cost of his or her education within four years of graduation. By comparison, it will take seven years for a community college graduate to repay the government investment in their education.
- Taxpayers' annual net return on investment for each public dollar spent is 15 percent per community college graduate and 24 percent per career college graduate.