For-Profit Higher Education & the Cal State University: A Cautionary Tale

FACT SHEETS

- **The Private For-Profit Model of Higher Education**
- The "For-Profit" Model in the CSU: Executive Compensation
- The "For-Profit" Model in the CSU: Soaring Tuition
- The "For-Profit" Model in the CSU: Expansion of Extended Education Operations
- The "For-Profit" Model in the CSU: Cal State Online
- Conclusion

The Promise

- Promoters of "edu-businesses" have been touting a For-Profit model as the "wave of the future" for higher ed – a boon for students and cash-strapped state governments – and even as a model for public, non-profit universities.
- Between 1998 and 2009, enrollment in For-Profit programs increased by 236% while enrollment at public and private non-profit universities grew by only 20%.
- Today, 12% of all college students are enrolled at For-Profits.
- Stocks of For-Profit higher education companies outperformed the S&P 500 by 40% between 2008 and 2010.

The Reality

- Congressional investigators found the majority of CEO's of the top For-Profits received more than $3 million annually; CEO's of DeVry, ITT, and University of Phoenix are paid over $6 million per year.
- Faculty teaching in For-Profit programs are mainly hired part-time on a short-term, temporary basis.
- Tuition at For-Profits ($61,000 for a BA) is almost *double* the cost of public universities ($36,000).
- 96% of all For-Profit grads have student loan debt (compared with 62% of public school grads).
- Student loan debt of For-Profit grads is $31,000 (compared with less than $8,000 for public school grads).
- Most students in For-Profit programs fail to complete their programs: withdrawal rates range from 67-84%.
- For-Profits account for 50% of all student loan defaults, but enroll only 12% of students.
- Investigations have uncovered numerous unethical outreach and recruitment practices including:
    - Paying recruiters by commission and pressuring them to misinform prospective students about true costs.
    - Falsifying student academic records and financial aid applications.
    - Registering students without student's consent
    - Manipulating enrollments to receive larger amounts of financial aid.

How did this Happen?

- Demand for higher education was strong and not being met by public colleges and universities.
- Entrepreneurs and investors saw opportunities to generate a profit by offering a low-quality product (education on the cheap), charging high prices (tuition) for it, and relying on large public subsidies (federal student aid) and aggressive marketing (unethical recruiters).
- The "success" (high profits) was based on a model designed to benefit executives and shareholders, not students or the community.
- Higher ed corporations grew almost overnight and became very powerful without the benefit of public scrutiny and democratic oversight.
- The cost in debt to millions of students and to taxpayers in wasted subsidies is the prices we are now paying for failing to look beneath the hype and ask hard questions.
- **The For-Profit model for higher education is a costly failure that should be reformed rather than replicated.**

CFA California Faculty Association

For copies of the full report, please visit http://www.calfac.org/forprofitcsu or contact the California Faculty Association at 916-441-4848