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THE WALL STREET JOURNAL.

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REVIEW & OUTLOOK | JULY 21, 2009, 9:23 P.M. ET

Bashing Career Colleges

Democrats have promised to make college education another taxpayer-financed entitlement, but some post-secondary schools appear to be more favored than others. Specifically, for-profit institutions are becoming political targets, notwithstanding their generally strong educational record.

Often called career colleges, for-profit schools don't rank with the Ivies for prestige. But schools like DeVry or Kaplan that specialize in computer technology, physical therapy and other tangible skills provide a valuable service in training young and even not-so-young people to compete in our information economy.

Yet despite increases in enrollment, the median stock price of the top 12 publicly traded for-profits (companies like Apollo Group and Corinthian Education) has fallen 20% since February. One reason are reports that the Department of Education may soon change the rules for how recruiters at these schools are compensated—i.e., whether payment should be tied to the number of students admitted. The feds also may expand regulations to make sure that these schools are providing students with what the DOE deems “gainful employment” after graduation. Failing to meet these new standards could mean less access for their students to such federal aid as Pell grants.

States are also giving the schools a hard time. Ohio Governor Ted Strickland and the state legislature have agreed to eliminate scholarships for 22,500 students attending Ohio's career colleges for the next two fiscal years. And in New Jersey, poorer students at these colleges will see their aid reduced by almost 40% next year.

So what don't the politicians like? Apparently, it's merely the profits. Jane Oates, who advised New Jersey Governor Jon Corzine before joining the Obama Administration, told the Newark Star-Ledger that the schools should reduce their earnings by offering more student aid. Ohio Board of Regents Chancellor Eric Fingerhut told state legislators that “it is simply untenable for . . . a publicly or privately held company, seeking the maximum return for their owners [to] set tuition in a manner that is designed to maximize the public dollars they receive and then expect the taxpayers to pay the bill.”

But the subsidy-for-profit argument isn't as simple as it seems. The for-profit schools are a pretty good deal for taxpayers, especially compared to the state-supported community colleges that they compete against for students. Ohioans have to fund community colleges twice—directly by financing most of their budgets and indirectly through tuition aid. The only state help for career colleges is through tuition assistance.

For-profit schools also generally do a better job. In Ohio, Columbus State Community College has a 6% graduation rate while Kaplan College Columbus graduates 51%. In New Jersey, Passaic Community College has a 6% graduation rate, while at the nearby for-profit Berkeley College in West Paterson 40% of the students graduate.

These results help explain why for-profit companies went from 2% of the student population in 1997 to 7% 10 years

later. Students who attend career colleges are generally older and often have jobs and families. Taking the time to go to school is a sacrifice and they wouldn't pay as much as \$10,000 a year if they didn't see a measurable benefit.

One reason U.S. higher education tends to be so much better than our K-12 schools is more educational choice. Pell grants and other public aid can be used like a voucher for public or private colleges and universities. Students decide which schools to attend, and the money follows them. This makes for a diverse and competitive market, in contrast to the K-12 public school monopoly.

As a policy matter, we'd prefer to see Congress spend less on higher education, whose costs keep rising in substantial part because of the subsidies. But as long as politicians want to subsidize students, they shouldn't penalize some merely because they choose to attend schools whose owners make a profit.

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