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State lawmakers: get tough on for-profit colleges

Today representatives from the for-profit college industry will testify before the Ohio Senate Finance Subcommittee on Higher Education. Forthcoming research from Policy Matters Ohio raises serious questions about whether state aid should continue to support this sector.

Career college programs are typically short-term and credential-based. They are offered at for-profit schools as well as public and non-profit institutions. Many programs make big promises on job placement and earnings. New data from the federal Department of Education shows that many times, these promises fall flat.

“These schools often target veterans, low-income workers, laid-off workers and others who are desperate for some traction in the labor market,” said Hannah Halbert, researcher with Policy Matters Ohio. “But new data shows that many graduates of career college training, particularly those from programs offered at for-profit schools, are not earning enough to support themselves, let alone repay student loans.”

The U.S. [Department of Education found](#) nearly a third of for-profit certificate students graduated from programs where the typical graduate earned less than what a minimum wage worker earns in a year. Moreover, the average earnings of certificate grads at public institutions were nearly \$9,000 more than their for-profit counterparts.

The federal government requires career college programs to demonstrate students are finding [‘gainful employment’](#) in order to be eligible for federal financial aid. Programs where the estimated loan payment is more than 30 percent of a typical grad’s discretionary income or 12 percent of their total earnings fail the federal government’s test and risk losing access to federal student aid programs.

In January, the Department found 30 programs based in Ohio failed the test. All were offered by for-profit schools. Policy Matters found that a business administration and management program offered by Daymar College in Chillicothe reported a debt-to-earnings rate of more than 30 percent, with an estimated annual debt payment of \$3,505 and average graduate earnings of \$11,471.

In 2016, Ohio spent more [than \\$7.3 million on financial aid](#) for students at for-profit schools, including \$6.3 million from the state’s only need-based student aid program, the Ohio College Opportunity Grant (OCOG), and \$717,561 from National Guard

Scholarships. State aid has gone to support failed schools like ITT Tech. In 2016, the same year the corporation closed its campuses, ITT Tech received more than \$1.1 million from OCOG. That is slightly more OCOG than the state's entire two-year public system received that year.

“State financial aid is Ohio’s stamp of approval for an often risky and predatory sector. By providing aid to students at these institutions, Ohio is creating the wrong incentives,” said Halbert. “We need real oversight and review of our spending policies not a rubber stamp.”

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.