Policy Matters Ohio

Education and Training
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Written testimony to the Senate Finance Higher Education Subcommittee

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Chair Gardner, Vice Chair Williams, and members of the committee, thank you for the opportunity to submit written testimony on the state budget bill. I am a researcher with Policy Matters Ohio and I focus on policies that support working poor families.

When higher education goes wrong, once-hopeful students can be saddled with debt, no degree, fewer resources and less will to pursue education in the future. Costs, debt and earnings vary greatly depending on the type of institution running the program. Career training programs at for-profit institutions, also known as proprietary schools, have come under scrutiny for producing an outsized share of dubious outcomes:

- Nearly one-third of for-profit certificate students were enrolled in programs where the typical graduate earned less than what a minimum wage worker would earn in a year,
- The average earnings of certificate earners at public institutions were nearly $9,000 more than their for-profit counterparts,
- 30 Ohio-based career college programs failed to show their grads entered gainful employment, all were offered by for-profit schools; and,
- Only three of the 10 most common career college programs offered by Ohio-based schools have typical graduate earnings sufficient to eliminate the need for food assistance for a family of three.

Ohio does little to protect students and public dollars from these corporations. Rather, the state's financial aid policy incentivizes risky enrollment. In 2016, the same year the corporation closed its campuses, the state sent more than $1.1 million in Ohio College Opportunity Grants (OCOG), the state's only need-based student aid program, to ITT Tech. That is slightly more OCOG than the state's entire two-year public system received in 2016. Ohio spent more than $7.3 million for financial aid to students at for-profit schools. Most of that spending ($6.3 million) was from the Ohio College Opportunity Grant. Another $717,561 came from National Guard Scholarships.

College Scorecard data show that 29 of the 32 for-profit schools that received OCOG funding had less than half their students pay even one dollar of principal on their loans three years after leaving the institution. Only 10 had more than 50 percent of their students earn more than the average high school graduate. This does not include ITT or Kaplan, which also received OCOG funds but was sold and rebranded last year.

The state's need-based aid system preferences for-profit career colleges over more accountable and transparent public institutions. The sector is generally self-regulated in the state, operating largely outside the Ohio Department of Higher Education. This must be corrected. Ohio should eliminate student aid to the sector and institute real oversight measures. As it now operates, students and the state are spending millions on profit-seeking schools, truly a risky business.

Policy Matters Ohio recommends these changes:

1. Restrict access to student aid funds. For-profit institutions, unlike public community colleges in Ohio, can fully access state-funded student aid, including the state's only source of need-based financial aid, the Ohio College Opportunity Grant. The $6 million in OCOG funding spent at for-profit institutions last year provided awards to 10,157 students, roughly $624 per award. In comparison, the state sent about $1 million to community colleges serving 3,130 students, or about $327 per award. For the same amount of OCOG spent at for-profits last year, public community colleges could have served more than 19,000 students.

2. Create a regulatory system to ensure accountability in career college programs. Some policymakers acknowledge the need for reform. The Ohio House of Representatives put forward its version of the state budget bill in April. That substitute would have made the following positive changes to Ohio's regulatory practices:
    - Eliminate the State Board of Career Colleges and transfer oversight to the Chancellor of the Department of Higher Education;
    - Prohibit current and former for-profit employees from evaluating for-profit schools and require audits of any proprietary school accepting any state funding; and,
    - Require school accreditation by an agency recognized by the U.S. Department of Education.

The rules would also refund and restrict junk student disclosure fees, restrict military seals in advertising, and allow veterans to be reimbursed for all courses, including completed courses if a proprietary school closed. All but the prohibition and refunding of the junk "student success fee" were removed from the bill through the House Omnibus Amendment.

These changes would resolve the more shocking oversights in Ohio's for-profit regulatory scheme and should be enacted.

Research by the Federal Reserve Bank of Philadelphia shows that enrollment losses in for-profit schools are offset by gains at local community colleges. The research eases concern that decreasing student aid to these schools would lead to lower rates of college going. The study also found that students who enrolled in community colleges after their for-profit school was sanctioned were less likely to default on their loans. Tightening the reins will not lead to worse outcomes for students, rather it would steer students toward a less risky path to credentials.