

March 28, 2014

Private Colleges and Universities in California

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Select Committee on
Higher Education in San Diego County
Hon. Shirley Weber, Chair





California Higher Education Segments



University of California (UC): 10 Campuses California State University (CSU): 23 Campuses

- Public universities offer bachelors and masters degrees in a wide range of disciplines spanning the arts, sciences, and technical fields. In addition, UC offers doctoral degrees, awards professional degrees in law and medicine, and conducts research. (CSU is authorized to offer doctoral degrees in a few areas, including teaching and nursing.)



California Community Colleges: 112 Colleges

- Locally governed community colleges provide academic and vocational education at the lower division level and award associate degrees and certificates. Community colleges also provide remedial and recreational classes.



Nonprofit (Independent) Institutions: 177 Colleges

- Primarily offer programs similar to public universities.



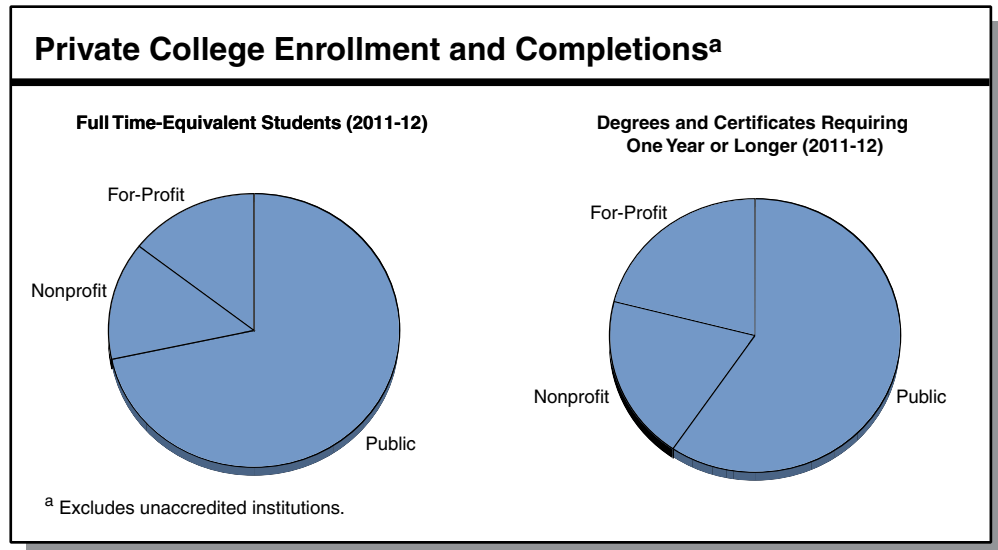
For-Profit Institutions: More Than 1,000 Colleges

- Wide variation among institutions, but sector primarily offers vocationally oriented degree and certificate programs in a narrower range of disciplines than other segments.



Comparing Enrollment and Completions Across Segments

- Private Colleges Account for More Than a Quarter of State's Enrollment and Completions**

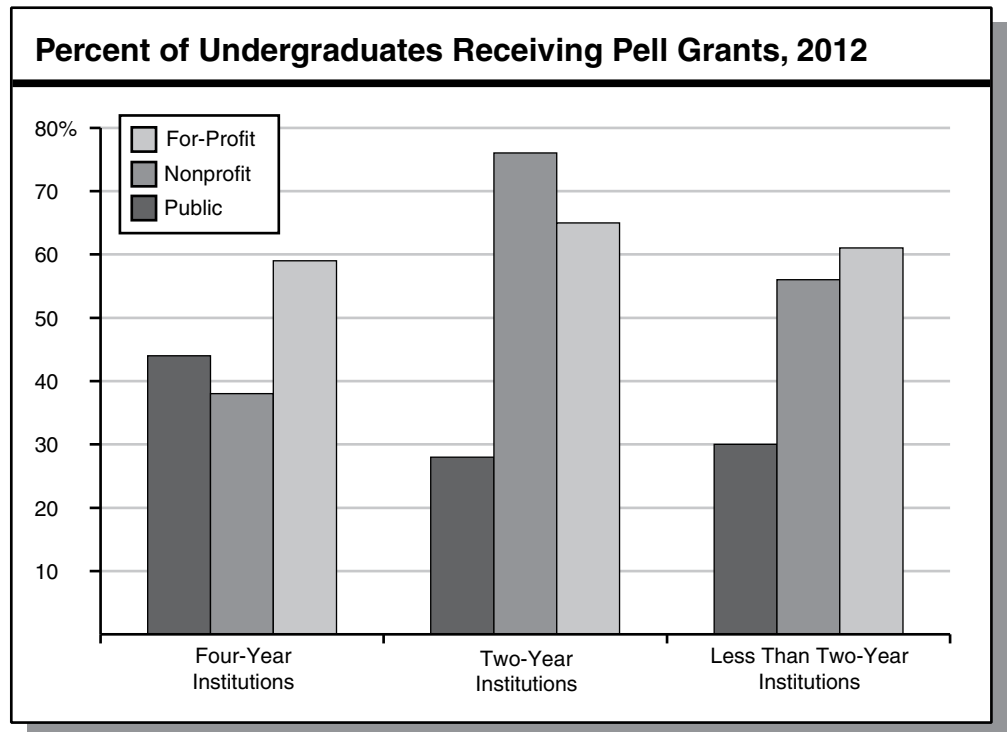


- Public Colleges Award Nearly Three-Quarters of State's Undergraduate Degrees**
- For-Profit Colleges Award More Than 60 Percent of Certificates Requiring at Least One Year**
- Nonprofit Colleges Award Half of Graduate Degrees**



Private Colleges in California Serve Many Financially Needy Students

- ✓ **Among Four-Year Colleges in California, Proportion of Pell Grant Recipients Is Highest in For-Profit Segment**
- ✓ **Differences Most Notable Among Public and Private Two-Year Colleges**
- ✓ **Large Differences Also at Less Than Two-Year Colleges**



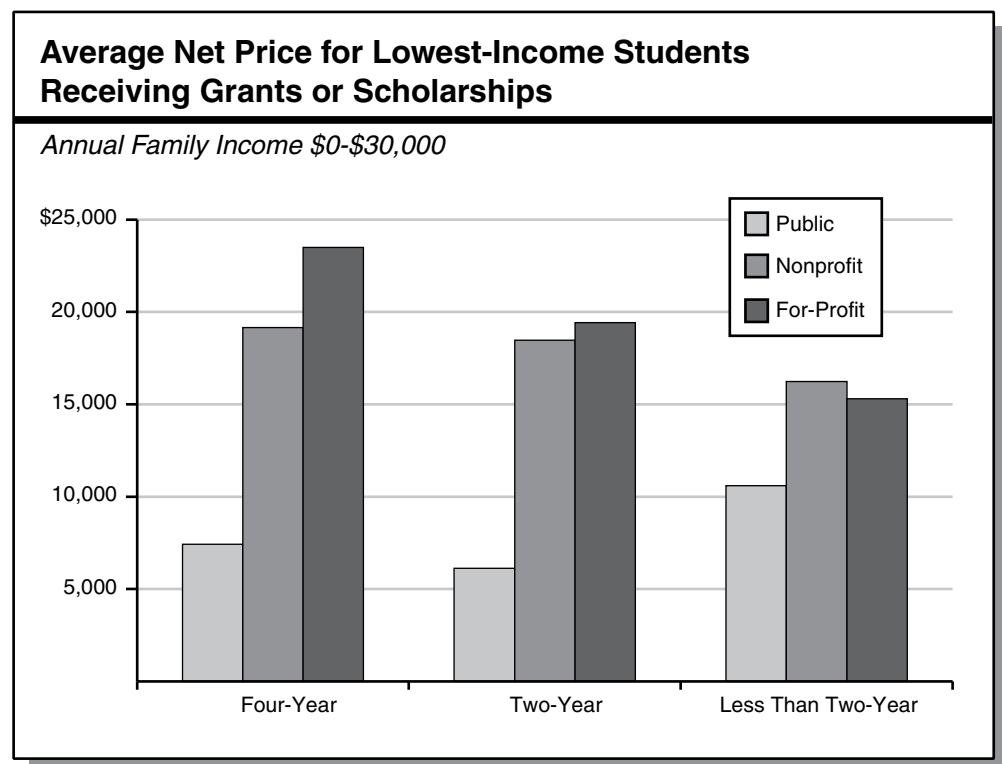


Students Pay More to Attend Private Colleges



Even Lowest Income Students Pay Significantly More at State's Private Colleges

- Annual net price to students (after grants and scholarships) is more than \$10,000 higher at four-year and two-year private colleges.

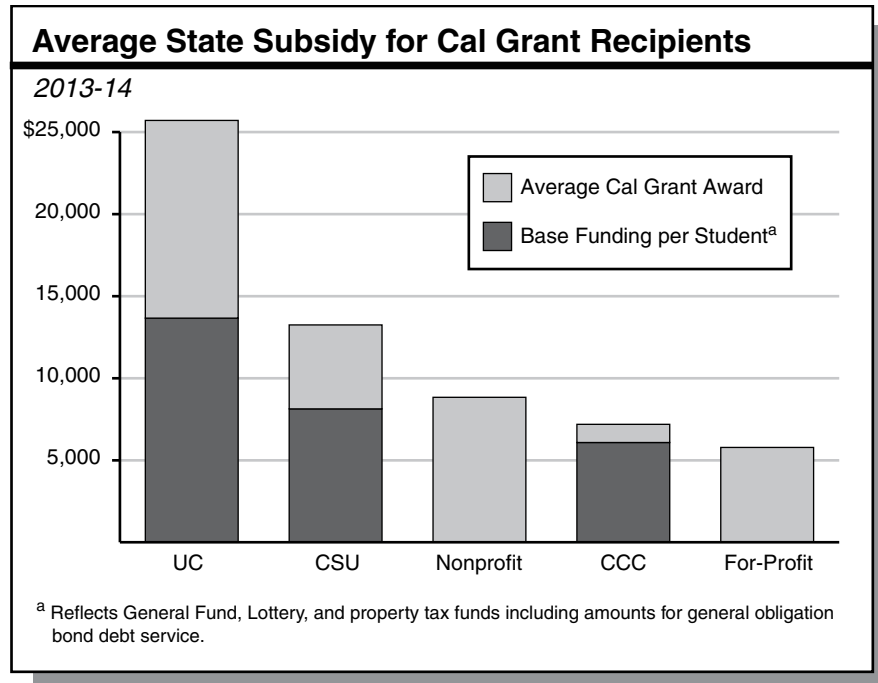


Borrowing Higher at Private Colleges Overall, Defaults Higher Among For-Profit College Students

- The percent of students borrowing is 13 percent, 54 percent, and 68 percent at public, nonprofit, and for-profit colleges, respectively.
- Three-year student loan default rates are 10 percent, 6 percent, and 18 percent at public, nonprofit, and for-profit colleges, respectively.



State Subsidy Varies Significantly by Segment

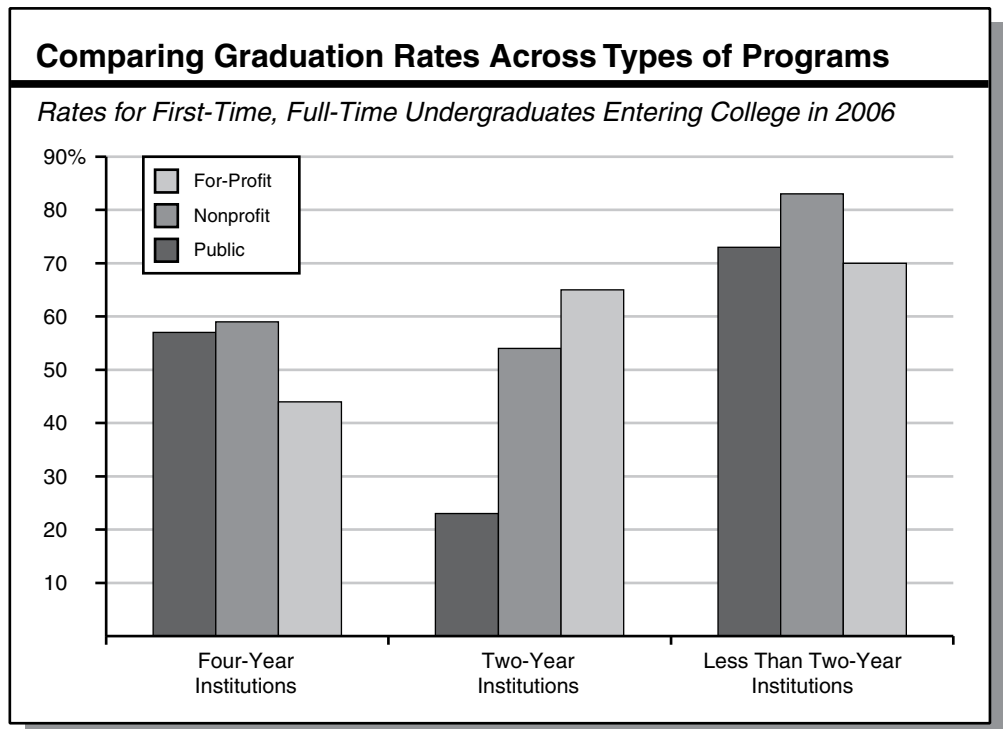


- State Provides Less for Low-Income Students at Private Colleges Than More Affluent Students at UC and CSU**
- State Does Not Provide Institutional Subsidies to Private Colleges**
- State Provides Cal Grants to Private College Students**
 - Original state grant program was specifically for private college students.
 - Policy recognizes contribution of private colleges to meeting state's educational needs.



Comparing Graduation Rates Across Segments

- ✓ **Many Private Colleges in the State Have Graduation Rates Comparable to or Higher Than Public Colleges**
- ✓ **Differences Most Notable at Two-Year Colleges**





Three Entities Help Oversee Private Colleges



U.S. Department of Education Sets Standards for Institutions Participating in Federal Student Aid Programs

- Institutional standards include administrative capability and financial responsibility.
- Student outcome standards include maximum student loan default rates.



Accrediting Bodies Verify Institutions Meet Acceptable Levels of Educational Quality

- Focus on meeting minimum education standards (including faculty qualifications and student learning outcomes).
- Process promotes best practices and continual improvement.
- Three main types of accreditation: regional, national, and specialized.



State Agencies Protect Students From Unfair Business Practices

- Authorize schools to operate within state.
- Enforce regulatory requirements mainly focused on consumer protection issues.
- Resolve student complaints.
- Some schools are unaccredited and thus not eligible for federal aid. For these schools, a state agency often is the sole oversight body.



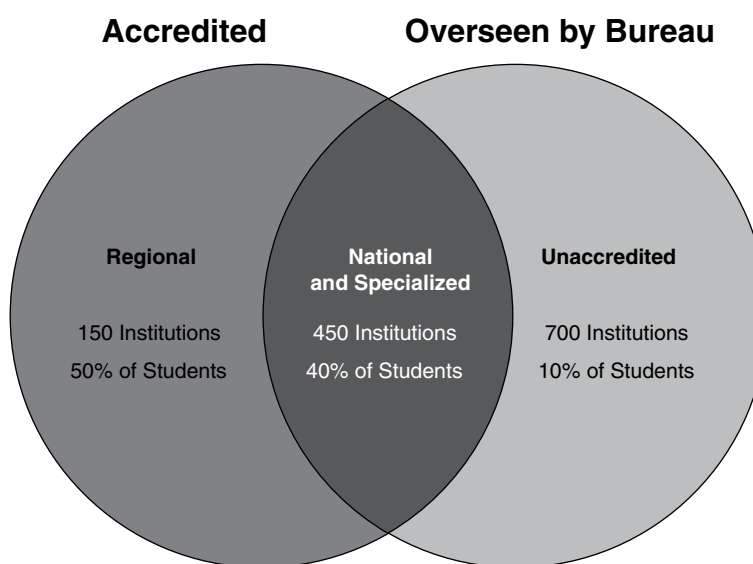
State Oversight of Private Colleges in California



Private Postsecondary Education Act (Chapter 310, Statutes of 2009 [AB 48, Portantino])

- Created current Bureau for Private Postsecondary Education (Bureau) to:
 - Ensure minimum educational quality standards at private postsecondary schools in state.
 - Provide meaningful student protections and appropriate level of oversight.
 - Prevent public deception associated with fraudulent or substandard degrees.
- Established rules for institutions subject to Bureau oversight but exempted many institutions, most notably regionally accredited schools.

California’s Current Regulatory Framework for Private Colleges^a



^a Approximate number of institutions and proportion of students.



Institutional Eligibility Requirements for Cal Grants

- New Standards Adopted in 2011 and 2012**
 - Cohort default rate below 15.5 percent.
 - Graduation rate above 30 percent.
 - Standards apply only to schools with at least 40 percent of students borrowing federal loans.

- All Schools Report on Enrollment, Persistence, and Completions**

- Certain Programs Report on Job Placement and Earnings**



Effect of New Requirements

More Than 80 Percent of For-Profit Schools Became Ineligible

