NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

DC Experts Debate Treatment, Perception of For-Profit Sector

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November 17, 2016

Tensions ran high during an event in Washington, DC, on Wednesday where a panel of experts debated whether for-profit institutions have been unfairly treated and perceived in recent years. While some panelists said that the sector has been widely attacked by the Obama administration, others said that for-profits deserve greater scrutiny and regulatory oversight due to the dangers inherent in its business model.

The event, hosted by the Cato Institute, a libertarian think tank founded by Charles G. Koch and funded by the Koch brothers, featured a panel of six higher education experts:

- Robert Shireman, senior fellow at the Century Foundation;
- Richard Vedder, director at the Center for College Affordability and Productivity;
- Barmak Nassirian, director of federal relations and policy analysis at the American Association of State Colleges and Universities;
- Eric Juhlin, CEO of the Center for Excellence in Higher Education;
- Ben Miller, senior director of Postsecondary Education at the Center for American Progress; and
- Neal McCluskey, director of the Center for Educational Freedom at the Cato Institute.

Shireman, who worked for the Obama administration as a deputy undersecretary at the Department of Education (ED), said that while the for-profit business model “works incredibly well for certain kinds of things” like cars, “it has for hundreds of years not worked very well for things like education.”

The major difference, Shireman said, is that non-profit institutions must place all revenue back into educating students and maintain a committee of people without a financial interest that monitor that reinvestment. For-profits are not held to these same standards, as they are accountable to shareholders whose interests are more focused on net revenue, which increases through enrollment and the use of federal student aid money.

“Not all for-profits are awful all the time, but they are always more dangerous than non-profit or public institutions,” Shireman said.

Not surprisingly, panelists with ties to for-profit schools strongly disagreed with Shireman’s assessment, arguing that the Obama administration and regulations put forth by ED, such as gainful employment and borrower defense to repayment, have unfairly maligned the sector.

“The notion that for-profits, because of this nefarious profit motive, are out to somehow hurt and maim people … is simply not borne out by the facts,” Vedder said.

For-profit institutions, he noted, tend to serve high numbers of low-income, first-generation college students and “tend to be relatively efficient, using fewer resources per student than other institutions.” Rather than evaluating institutions on their ownership structure, Vedder argued that institutions should be evaluated on the performance of students and how institutions use public funding.

Juhlin said that the Obama administration in the last six to seven years has led a “coordinated attack” on for-profits through ED and other entities like the Consumer Financial Protection Bureau and state attorneys general office, resulting in the closure or collapse of many institutions.

However, Shireman pushed back on that characterization of the Obama administration’s actions, arguing that the intent was not to attack or single out for-profit schools but to better protect students, families, and taxpayers.

The conversation then turned to the future of higher education policy under President-elect Donald Trump, with the entire panel agreeing that they simply don’t know what is to come and that the new Congress is more likely to tackle higher education issues in the coming year.

“There is an absolutely critical role for for-profit institutions to serve those students who have been disenfranchised by the public sector and provide a career-specific education,” Juhlin said, adding that he hopes the Trump administration will focus more on student outcomes and “objective” regulations that apply equally to all higher education sectors.