**Background Information for Resolution 6.05 S12**

At the Fall 2011 Academic Senate Plenary, the following resolution was referred to the Executive Committee.

**Limit Taxpayer-funded, Need-Based Financial Aid to Public and Private Nonprofit Colleges Only**

Whereas, Need-based financial aid is awarded to students on the basis of financial necessity rather than academic merit;

Whereas, Historically, the vast majority of students have attended public or private nonprofit colleges, and thus need-based financial aid from taxpayer dollars was thought to be an investment in individuals for the good of society and not for the benefit of private investors; and

Whereas, The expansion of and aggressive marketing by for-profit colleges and universities create a situation in which need-based financial aid is additionally used to make a profit for corporate investors directly from taxpayer dollars;

Resolved, That the Academic Senate for California Community Colleges support legislation and policy directives that limit need-based financial aid packages to public and private nonprofit colleges only.

The purpose of this document is to provide important background information about for-profit colleges and universities with regard to financial aid. It also outlines some of the interactions of state and national financial aid policy with regard to such colleges.

Higher education in the United States can be divided into three main categories: public, private nonprofit, and private for-profit. Historically, the first colleges and universities in the US were private colleges, often religiously affiliated. Although the term, as presently understood, didn’t exist at the time, we would call such private institutions of higher education *not-for-profit*. They were typically supported by churches, denominations, or philanthropists, and parents were expected to pay the full cost of tuition, room, and board. Scholarships, if they existed at all, were awarded at the discretion of the institution.

Public colleges are typically funded by state governments, but there are a small number of colleges funded by cities (e.g., City University of New York) or the federal government (e.g., United States Air Force Academy). Many public colleges were created as land grant institutions in which the states were allowed to sell or develop land owned by the federal government provided it was for the purpose of creating a college or university. (See Morrill Acts of 1862 and 1890.) Public universities are subsidized by tax-payers so the overall cost to students is often much lower than comparable private schools. Indeed, the purpose of public colleges and universities is to provide affordable access to higher education for its citizens.

Although there existed elements of for-profit higher education earlier, the “modern for-profit universities can trace their lineage primarily to the proprietary business schools that emerged as a dominant force in education in the United States during the nineteenth century” (Bennett, Lucchesi, & Vedder, 2010, p. 9). Private, for-profit colleges have usually focused on developing technical or business skills that were not being taught in not-for-profit public or private institutions. Bennett et al. observe that “historically, for-profit institutions have been the first to step in when an instructional vacuum has existed, created by the inability or unwillingness of the educational establishment to adapt to the changing needs of students.” (p. 8).

At one time, the curricula of the three types of higher education were quite distinct. Originally, theology and the classics formed the curriculum of private, nonprofit schools. Some public colleges, known as normal schools, were created to educate teachers for a growing population, and land grant public colleges and universities were originally created to produce graduates in engineering, science, and agriculture. For-profit colleges focused on

business and technical skills. Over time, the curricula of nonprofit public and private four-year colleges became quite similar. A student flipping through a Harvard and UC Berkeley catalog will see many commonalities in the types and numbers of programs offered. At the two-year level, it’s now common for nonprofit, public colleges to offer comprehensive career technical education and business classes, and for online, for-profit colleges to offer general education classes.

Over the last hundred years, efforts have been made to make the cost of education affordable by providing students at various income levels with financial aid. Some of the money used for financial aid comes from donations by private individuals and foundations; however, other programs such as Pell Grants, the GI Bill, Cal Grants, and the Board of Governors (BOG) Fee Waiver are funded through federal and state taxes. Currently, students attending all three types of higher education institutions—public, private nonprofit, and private for-profit—can receive public financial aid.

Given state and federal budget tightening, how taxpayer-supported financial aid dollars are being spent in higher education has emerged as an important issue. Below are several arguments for and against the resolution. The arguments are not meant to be exhaustive or definitive; so please bring your thoughts, concerns, and arguments to area meetings, plenary breakout sessions, and the resolution debate.

**Annotated Bibliography**

How many public, private, and for-profit colleges and universities are there? Visit this Google Answers website to find out.  
http://answers.google.com/answers/threadview?id=200891

This website provides an historical timeline of financial aid: <http://www.chessconsulting.org/financialaid/history.htm>

2010 Report by the US Government Accountability Office (GAO) entitled *For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices.*  
<http://www.gao.gov/new.items/d10948t.pdf>  
  
See the following, however, for an overview of criticism about the GAO report:  
<http://articles.chicagotribune.com/2011-01-10/business/ct-biz-0110-for-profit-college-20110110_1_students-at-for-profit-colleges-colleges-fight-college-enrollment>

This policy paper entitled *For-Profit Higher Education: Growth, Innovation and Regulation (Bennett, Lucchesi, & Vedder, 2010)* from the Center for College Affordability and Productivity provides some historical and background information as well as public policy analysis of for-profits. Analysis of the issue is primarily from an economic point of view.  
<http://www.centerforcollegeaffordability.org/uploads/ForProfit_HigherEd.pdf>  
But see this concern about another higher education report from the Center for College Affordability and Productivity: http://timesoftexas.com/2011/06/03/ut-president-william-powers-seeks-to-discredit-productivity-and-efficiency-study/

New York Times article describing federal lobbying around regulations that may impact for-profit colleges and universities: <http://www.nytimes.com/2011/12/10/us/politics/for-profit-college-rules-scaled-back-after-lobbying.html>

Policy paper entitled *For-Profit Colleges and Universities: America’s Least Costly and Most Efficient System of Higher Education (Case Study—University of Phoenix)* makes the case for growing for-profit institutions: <http://nexusresearch.org/1/NexusStudy8-31-10.pdf>  
  
But see this concern about objectivity, bias, and possible conflict of interest of the employees of the sponsoring organization: <http://www.washingtonmonthly.com/college_guide/blog/research_on_forprofit_colleges.php>