

Gainful Employment

New America

October 16, 2014

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3. Consider variable standards by program level

What failing programs mean for student
choice will vary

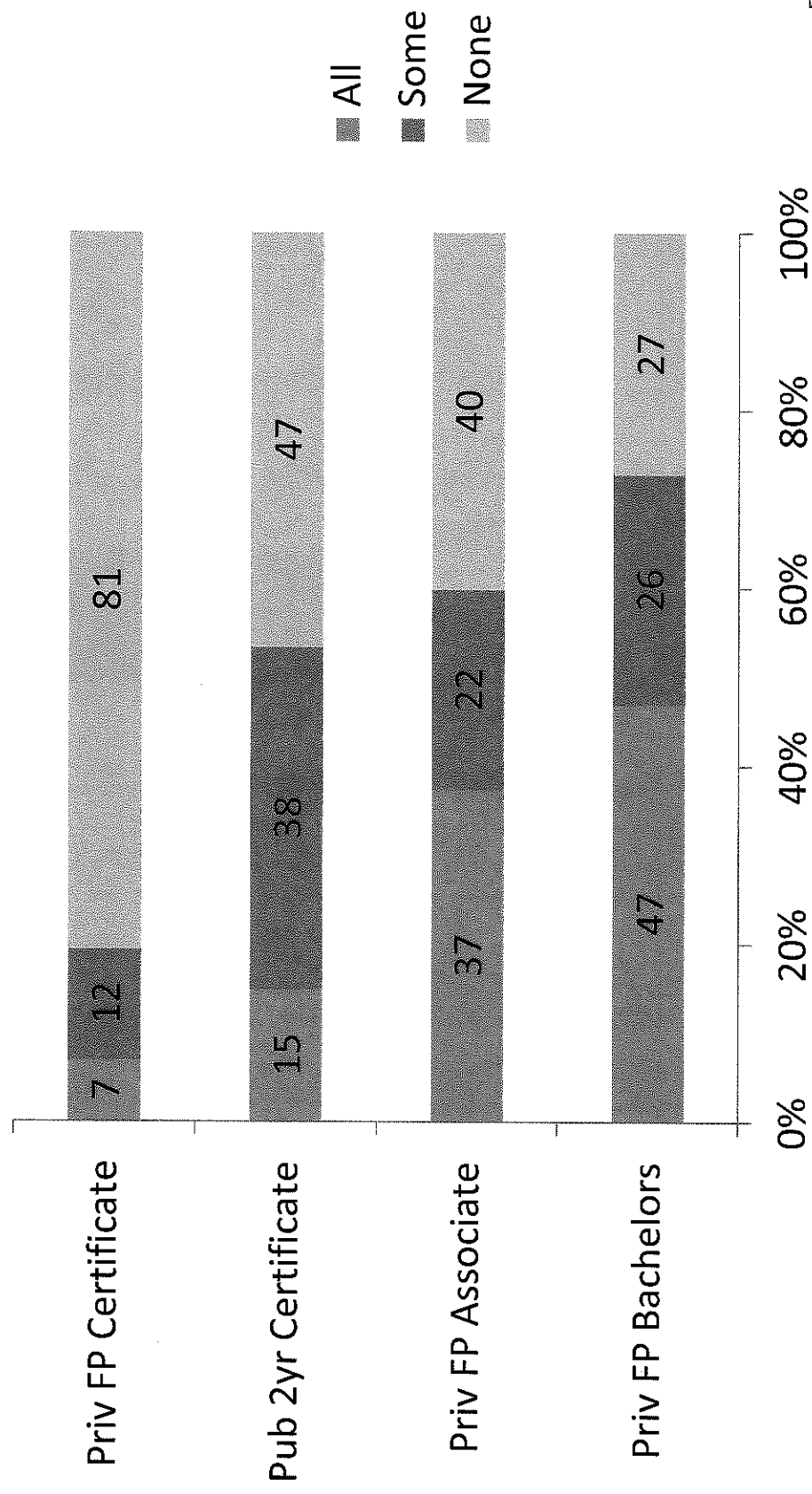
- Enrollment type
- Program level
- Program field of study

Enrollment type

- Four versions:
 - 1) 100% in person
 - 2) Hybrid in person and online
 - 3) 100% online in state
 - 4) 100% online out-of-state
- First three options suggest localized search, fourth is national

Enrollment types vary by institution control and program level

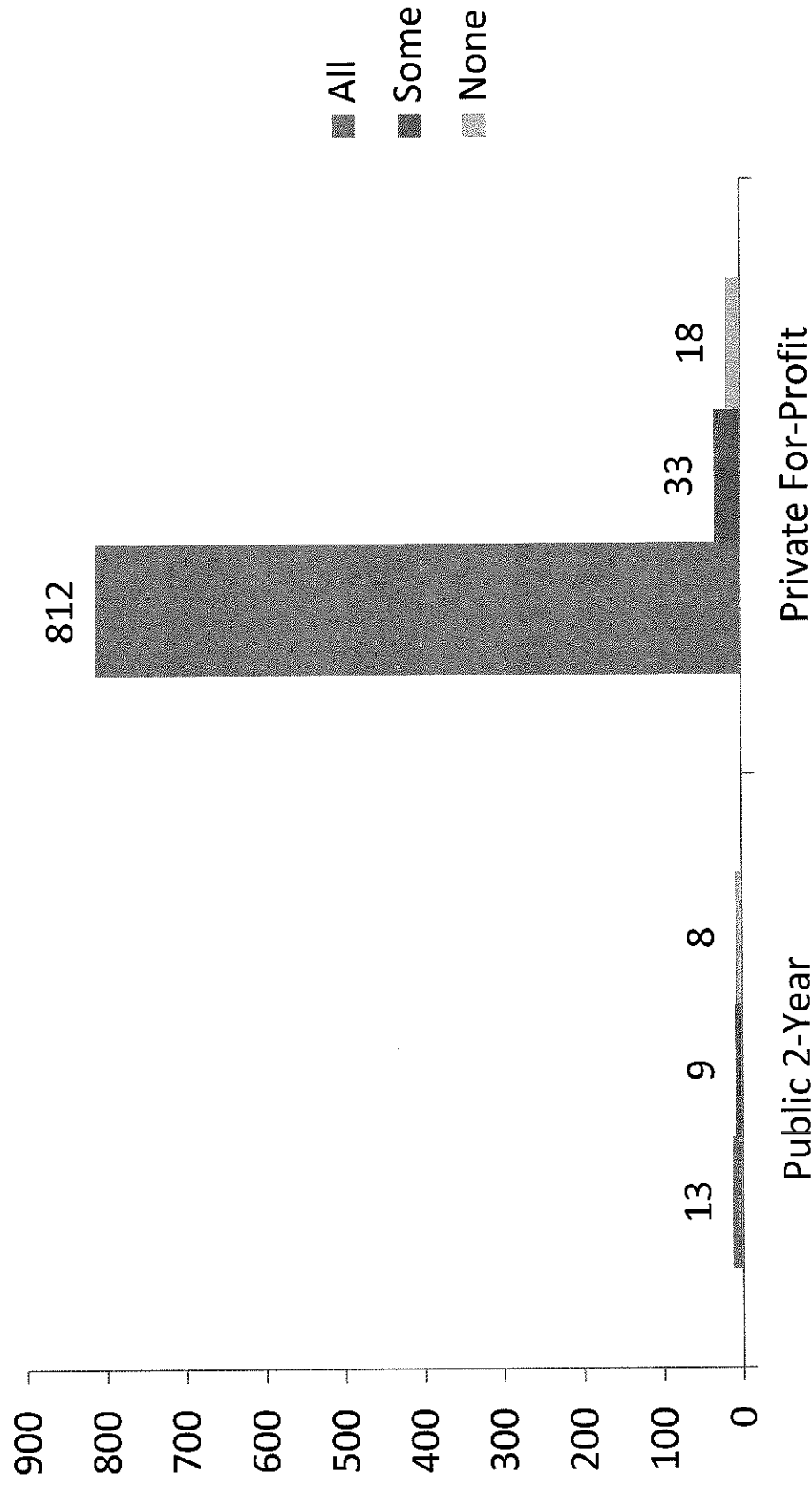
Share of classes that are distance education, by sector and level, 2011-12



Source: New America analysis of NPSAS 2011-12 data.

Exclusively online public education is still local; at for-profits it's national

Median miles from home to institution, by degree of distance education, 2011-12



Source: New America analysis of NPSAS 2011-12 data. Includes zeroes.

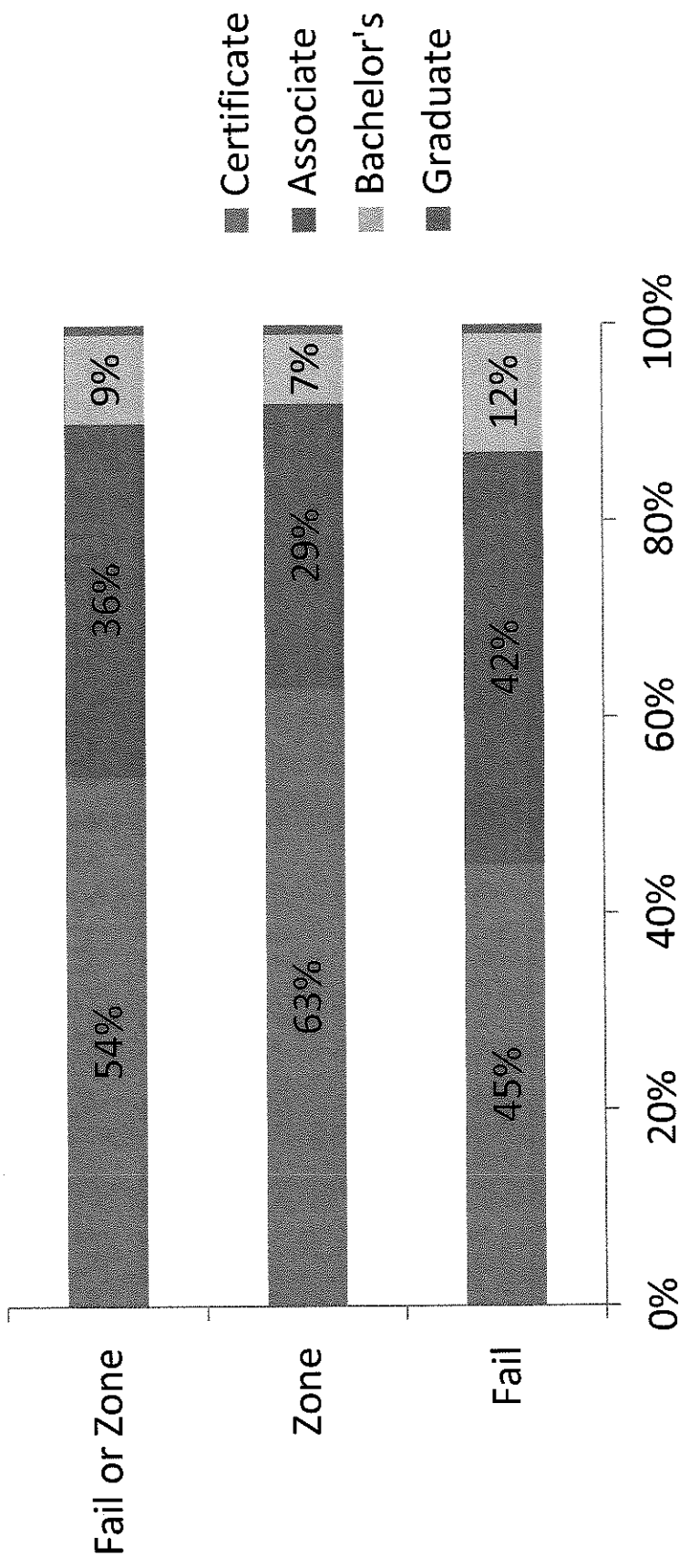
Implications

- Students in exclusively distance programs at for-profits are conducting national searches
- Likelihood of enrollment in exclusively distance programs at for-profits increases with program level
- Eliminated AA or BA programs could be filled nationally in way certificate programs cannot

Program Level

- Vast majority of failing programs are at AA or certificate level

Percentage of DTE Completers, by Overall Program Status



Program Level

- AA failure rate driven by a few large programs from national chains
 - 51% of failing completers are in 12 programs
 - Includes 17% from four U of Phoenix programs
 - 20% from four ITT programs
 - 8 are online and 3 others are culinary arts
- By contrast, top 15 certificate programs account for 26% of failures

Implications

- Majority of failing AA programs are coming from national online offerings, so no place limitation on search
- Certificates are more likely to be in person, but failure is less concentrated
- Students in certificate programs could finish before shut down

Field of Study

- Some program types fare worse than others
- Of students in failing certificate programs:
 - 40% are in the three most common program types
 - 29% are in medical assisting programs (vs. 17% of all completers)
 - 8% are in cosmetology and 3% in massage therapy
- Of 451 types of certificate programs:
 - 300 have no failures or zone
 - 338 have no failures
 - 45 have more than 20% failing
 - 94 have >20% failing or zone

Other considerations

- Don't focus on spot in same program—if type has high failure rate do we want them going into the same thing?
- E.g. move from failing medical assisting to LVN
- Some programs are more likely to fail because they are tied to low-wage programs with more questionable need for training
- Almost no program types see more than 50% of completers in failing offerings

Other considerations

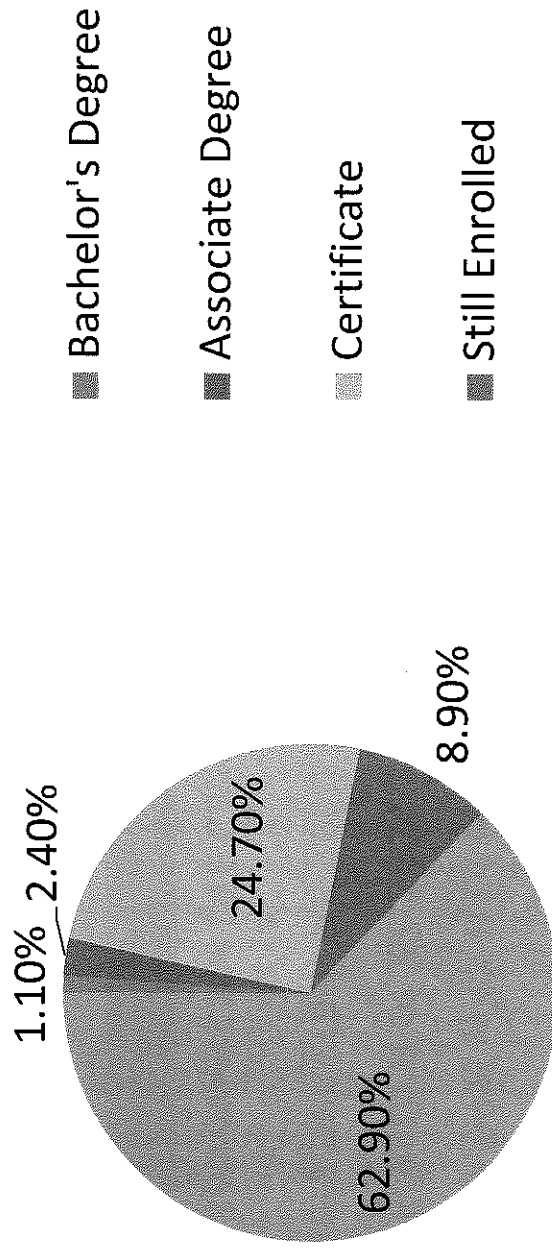
- Student acquisition is massive cost at for-profits
- Certificate providers constantly need to find students since enrollment turns over ~12-24 months
- For-profit business model necessitates hitting space utilization targets
- Removing providers can lessen competition costs, freeing up more money for program improvement

Importance of keeping two metrics separate

- Default rates and debt-to-earnings rates measure different aspects of performance
- Given that default rates are highly influenced by completion, would expect less overlap on metrics
- Allowing either measure for passage allows low completion “lottery tickets” to pass

Completion matters for default

Share of 2003-04 students in default in 2009, by attainment status



- 88% of defaulted borrowers dropped out or earned a certificate
- For AA and BA, graduating almost eliminates default risk, less true for certificates

Completion likely explains apparent PCDR/DTE Disconnect for Degree Programs

- Ex. U of Phoenix AA in Office Management and Supervision
 - Annual DTE: 4.94% with n of 6,200
 - PCDR: 35.7% with n of 27,543
 - 4.4 borrowers per grad, suggests low completion

Mean Borrowers Per DTE Completers, by Status on PCDR*

Level	Pass	Fail
Undergrad Certificate	1.29	1.24
Associate Degree	2.27	4.02
Bachelor's Degree	2.64	5.55

*Only includes programs where both DTE and PCDR data are present

- Certificates may not show same difference because completion less insulating against default

Consider variable standards based upon program level

- Ideally, keep the pass, zone, fail construction
- If changing, consider variations by credential type
- Maintain NPRM pass standards for certificate and associate degree programs

Why treat certificates and Associate degrees differently?

- Associate degrees and certificates have shorter shelf lives than bachelor's degrees
- Certificates especially need to pay off right away because so many are tied to jobs with less outlook for income growth
- A good certificate or AA program should stack to higher credentials
- A lot of the troubling programs we see at this level are essentially dead end options that are tied to a single job
- Need to include AA programs as well due to concerns of unnecessary upskilling for a loophole (e.g. medical assisting AAs)
- Already acknowledge AA/Cert different from BA in assumed repayment time for DTE