

Pell Access and Completion Series

Part III: For-Profit Colleges and Universities

AUGUST 2022

The third brief in a now four-part series on Pell Access and Completion by TICAS senior fellow Dr. Nick Hillman

INTRODUCTION

Parts I and II of this series examined Pell Grant access and completion rates at [community colleges](#) and [public and non-profit four-year universities](#). Part III shifts attention to the for-profit sector, which includes a diverse spectrum of colleges, ranging from small “mom-and-pop” colleges to large publicly traded companies.¹ Regardless of size, for-profits share a common business model where they rely on tuition revenue – often funded via federal student financial aid programs – to maximize owners and shareholders’ profits.² Despite facing volatile enrollments in recent years, the sector has historically enrolled disproportionate shares of Pell Grant recipients.

In 2020-21, nearly one million of the nation’s six million Pell Grant recipients attended a for-profit college. As shown in this report, large shares of undergraduates attending for-profit colleges receive the federal Pell Grant – in 2020-21, the median for-profit had approximately 55 percent of its undergraduates receiving Pell Grants. However, there are meaningful differences within the for-profit sector depending on whether the institution focuses primarily on awarding certificates compared to those awarding associate’s degrees and baccalaureate degrees (or higher). Also, research consistently finds certificate programs provide weaker economic returns than other postsecondary credentials, so this report differentiates the for-profit sector by the predominant credential awarded.³

While this report did not examine labor market returns or student loan outcomes of Pell Grant recipients attending for-profits, it finds for-profits that predominantly award certificates tend to have higher Pell Grant access and completion rates than other types of for-profits. It also finds relatively weak relationships between Pell Grant access and completion rates, where for-profits enrolling the largest shares of Pell Grant students tend to

have similar completion rates as those enrolling relatively few Pell Grant students. Finally, it finds completion rates for Pell Grant students at for-profits are increasing at a much slower pace (half a percentage point per year) than at public and non-profit institutions. Overall, this report documents key baseline trends for understanding Pell Grant access and completion rates among the for-profit sector.

FOR-PROFIT CONTEXTS

While for-profits may sometimes seem like new entrants to the higher education marketplace, they have been around since colonial times.⁴ Researchers have studied this sector for several decades with a renewed interest since the Great Recession when for-profit enrollment doubled within a few short years.⁵ Much of this growth was among post-traditional students – older students and those with greater financial need – who were eligible for the federal Pell Grant but also reliant on significant levels of student loan debt to cover their college costs.⁶ This growth was also a function of the aggressive recruitment practices of for-profits, which are concentrated in majority Black and Latinx neighborhoods and often market towards economically vulnerable students.⁷ These same students also struggled to repay their loans after enrolling at for-profits colleges, driven in large part to the relatively low economic returns to attending a for-profit college.⁸

These returns can differ according to the type of credential students pursue at for-profits. For example, research has found certificate programs tend to yield lower economic returns than longer programs like associate’s or baccalaureate degree programs.⁹ The predominant credential offered also correlates with institution size: larger institutions specialize in awarding baccalaureate degrees (or higher) while smaller for-profits tend to specialize in sub-baccalaureate and non-degree programs. For example, the average enrollment at a for-profit specializing in certificate programs is approximately 470 students, while those predominantly awarding associate’s degrees or bachelor’s degrees have

average enrollments of approximately 1,700 and 6,900, respectively.¹⁰ Despite being smaller, for-profits predominantly awarding certificates account for nearly half of all for-profit enrollments (see Appendix). Distinguishing for-profits according to the main type of credential they offer (i.e., certificate, associate's degree, and baccalaureate or higher) can lead to new insights into the large marketplace of for-profit higher education.

Because of their profit motives and distinct governance structures, federal law sets specific regulations to protect students and borrowers attending proprietary colleges.¹¹ Federal regulations such as the 90/10 rule, the gainful employment rule, and financial responsibility standards are designed in large part to hold for-profits publicly accountable for outcomes while protecting consumers from predatory or risky practices that have been well documented in the research and policy literature.¹² Nevertheless, as long as a for-profit institution is eligible for the federal Title IV aid programs (which include the Pell Grant program and the federal student loan program), its students can receive Pell Grants so long as they qualify for eligibility through completion of the Free Application for Federal Student Aid (FAFSA). In 2020-21, nearly one million students attending for-profits received the Pell Grant. Among those students, nearly half ($n \approx 454,000$) enrolled at colleges specializing in certificate programs, while the other largest share ($n \approx 344,000$) attended predominantly baccalaureate (or higher) institutions, and the remaining share ($n \approx 120,000$) attended for-profits focused on awarding associate's degrees.

DATA AND MEASURES

Similar to the other two analyses in this series, this analysis draws from the U.S. Department of Education's College Scorecard and Pell Grant Volume reports.¹³ The College Scorecard provides data on: (a) the predominant degree program and control of each institution;¹⁴ (b) 12-month undergraduate unduplicated headcount;¹⁵ and (c) completion rates for Pell Grant recipients.¹⁶ To measure each institution's Pell Grant enrollment, I merged College Scorecard data with the U.S. Department of Education's Pell Grant Volume reports, which include: (d) total number of Pell Grant recipients during an award year and (e) total Pell Grant dollars disbursed during an award year.¹⁷

I merged data on the "main" (or "parent") campus using six-digit Office of Postsecondary Education identification numbers (OPEID).¹⁸ Additionally, I summed 12-month enrollments for each "child" campus up to the "parent" location.¹⁹ Taking these steps allows for the full inclusion of all available years of data, beginning with the 1999-00 academic year and going through 2020-21, a period spanning two recessions and the first year of the COVID-19 pandemic.²⁰

Two important caveats are worth noting when using these two sources. First, due to privacy concerns, the College Scorecard suppresses data when variables represent fewer than 30 students.²¹ This is particularly relevant when analyzing Pell Grant completion rates at for-profit colleges. For-profits account for the majority of all institutions with privacy-suppressed Pell Grant completion rates; for example, 1,389 institutions enrolled approximately 204,000 Pell Grant recipients in 2018-19 but reported missing completion data. Consequently, the findings reported here may not be generalizable to smaller for-profit institutions. All analyses are based on 150 percent completion rates, meaning institutions listed as predominantly certificate or associate's degree granting are tied to three-year completion rates while baccalaureate (or higher) are tied to six-year completion rates.²² Second, the College Scorecard released completion rates based on NSLDS data, which have not been fully explored or vetted among the policy and research community.²³ When the U.S. Department of Education released these completion records via the College Scorecard, its aim was to help the field "facilitate dialog [sic] about how these new data...can best enhance estimates of institutional progression and completion related outcomes."²⁴ Accordingly, the completion rates reported in this brief should be interpreted with this purpose in mind.

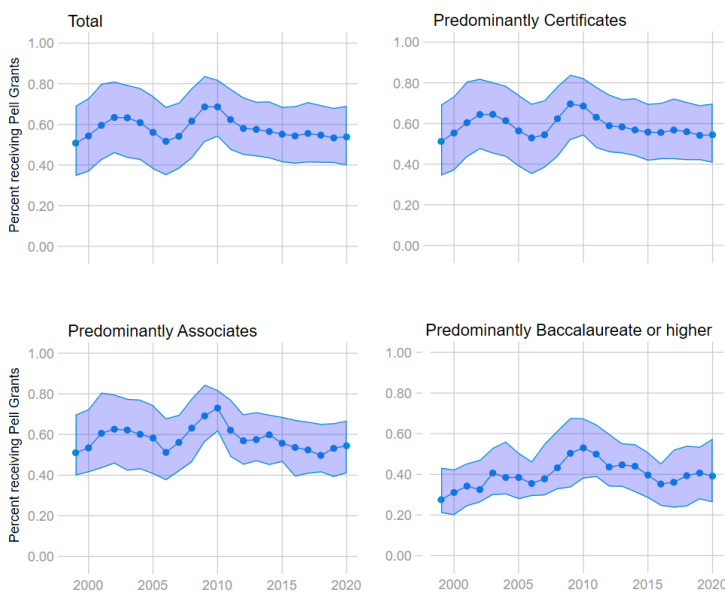
TRENDS IN PELL ACCESS

Figure 1 shows the percentage of undergraduates receiving Pell Grants across different types of for-profit colleges. The solid line represents the median for each type of for-profit and the shaded band around this line represents the middle half of the distribution (i.e., the interquartile range). The top-left panel shows the median for-profit college had just over 50 percent of its undergraduates receiving Pell

Grants in the years immediately prior to the Great Recession. This surged to 70 percent at the peak of the Great Recession, as the number of Pell Grant recipients attending for-profits doubled from just over one million in 2006-07 to nearly 2.3 million in 2010-11. The share of undergraduates receiving Pell Grants returned to pre-recession levels and have remained relatively stable for the past several years and it is unclear how or when colleges will rebound in the wake of the COVID-19 pandemic.²⁵

FIGURE 1: TRENDS IN PELL ACCESS RATES

For-profits that predominantly focus on certificate and associate’s degrees tend to have the highest share of Pell Grant enrollments (typically over 50%) for most years other than the Great Recession, when rates surged across all for-profits.



Note: The solid line represents the median community college, the band represents the 25th to 75th percentile of community colleges.

Source: Author’s calculations using U.S. Department of Education’s Office of Federal Student Aid Pell Volume data (or numerator) and U.S. Department of Education’s College Scorecard 12-month unduplicated headcount for denominator.

Figure 1 also shows differences within the for-profit sector. With a median of 55 percent in 2020-21, for-profits that predominantly award certificate and associate’s degrees tend to have the highest shares of undergraduates receiving Pell Grants. For-profits that predominantly offer baccalaureate degrees (or higher) tend to have lower shares of Pell Grant students with a median of 40 percent in 2020-21. Adding more context to these trends, the shaded band (i.e., interquartile range) represents the middle 50 percent of for-profits, where the percentage of Pell Grant recipients has remained relatively high between 40 percent and 60 percent for most years after the Great Recession. The only exception is among those predominantly awarding baccalaureate degrees (or higher), where percentages are typically lower hovering between 25 percent and 50 percent in most years.

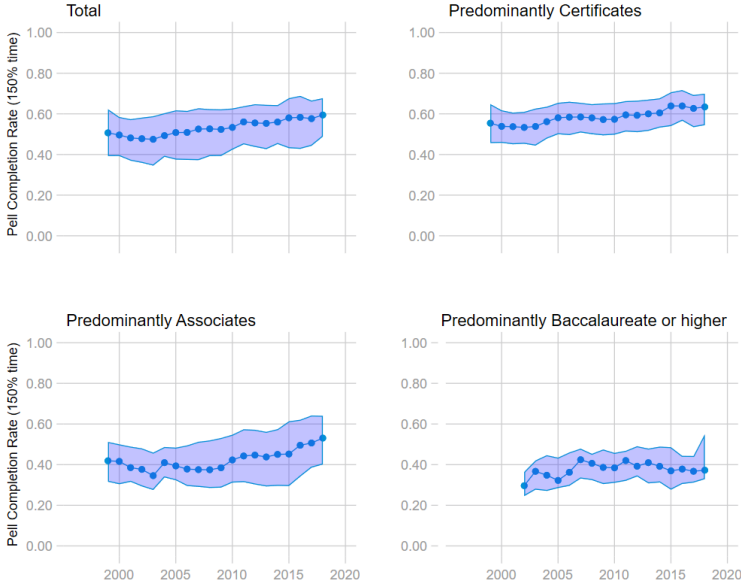
TRENDS IN PELL COMPLETION

Figure 2 shows college completion rates over time among different types of for-profit colleges. Since the early 2000s, the median completion rate for Pell Grant students attending for-profit colleges has increased from about 48 percent to 59 percent, or about half a percentage point each year. As a result, most of the trendlines are relatively flat across each of the three different types of for-profits. One exception is among for-profits that predominantly award associate’s degrees, where completion rates for Pell Grant recipients were below 40 percent in the early 2000s and rose to over 50 percent by the late 2010s.

As discussed above, the College Scorecard suppresses data when institutions report small numbers of students. This affects for-profits more than other types of colleges, where large shares of for-profits have too few graduates (i.e., fewer than 30) for the College Scorecard to report their data. These tend to be concentrated among colleges predominantly awarding certificates, so further research should explore whether small certificate-granting for-profits have similar outcomes as those shown in Figure 2.

FIGURE 2: TRENDS IN PELL COMPLETION RATES

Completion rates for Pell Grant recipients attending for-profit colleges have grown modestly by about half a percentage point each year.



Note: The solid line represents the median for-profit college, the band represents the 25th to 75th percentile of for-profits. Students who successfully transfer to a four-year university to earn a bachelor’s degree without earning a certificate or associate’s degree en route are excluded from these completion rates, so completion rates represent lower bounds.

Source: Author’s calculations using U.S. Department of Education’s College Scorecard Pell completion variables; completion rates include any credential from the student’s original or transfer-out location within three years of entry (150 percent time).

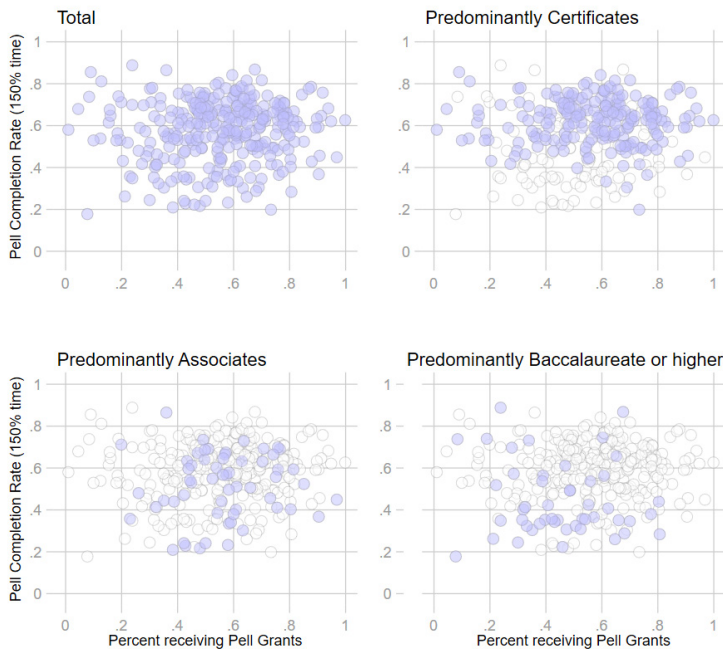
PELL ACCESS AND COMPLETION RATES

Shifting now to the relationship between the share of undergraduates receiving Pell Grants and the completion rates among Pell Grant recipients, Figure 3 shows how the different types of for-profits vary. For-profits that predominantly award certificates tend to have relatively higher Pell Grant access and completion rates, though the correlation is not strong.²⁶ For-profits that predominantly award associate’s degrees have a similarly weak correlation, as do for-profits predominantly awarding baccalaureate degrees (or higher). However, there is a slight negative relationship among the latter group, where some of the baccalaureate (or higher) for-profits with the highest completion rates have slightly lower Pell Grant access rates.

Further research should explore these patterns in more detail, especially for the smaller for-profits that were omitted from this figure due to data privacy suppression. For example, the average for-profit college with privacy-suppressed Pell Grant completion data enrolled approximately 150 Pell Grant recipients in 2018-19, meaning there are many for-profits enrolling non-trivial numbers of Pell Grant recipients for which the College Scorecard does not release Pell Grant completion rates. Follow-up studies could examine whether these smaller for-profits have patterns similar to those outlined in Figure 3 to help provide new insights into the wide range of outcomes and experiences Pell Grant recipients have within the for-profit sector.

FIGURE 3: RELATIONSHIP BETWEEN PELL ACCESS AND COMPLETION RATE

At for-profits, Pell Grant completion and access rates are not highly correlated. However, for-profits that predominantly award baccalaureate degrees (or higher) have relatively lower Pell Grant access and completion rates.



Note: Completion rates are reported at the main (or “parent”) location in College Scorecard, resulting in each dot representing the main (rather than “child”) location. Colleges may have different completion rates at “child” locations but these are unavailable in College Scorecard data. Also note College Scorecard’s privacy suppression standards produce missing data for many for-profits.

Source: Author’s calculations using completion rates from the U.S. Department of Education’s College Scorecard and access rates from both U.S. Department of Education’s Office of Federal Student Aid Pell Volume data and U.S. Department of Education’s College Scorecard 12-month unduplicated headcount.

KEY TAKE-AWAYS

This brief provided basic trends in Pell Grant access and completion rates among for-profit colleges. It also offers promising avenues for further research to gain more complete insights into the experiences of Pell Grant students attending for-profits. Three main findings stand out:

- » In 2020-21, approximately 917,000 Pell Grant recipients attended for-profits and about half of these students attended colleges specializing in certificate programs. Considering that academic research consistently finds certificate programs provide weaker economic returns than other postsecondary credentials, this finding should motivate further research into the economic returns of sub-baccalaureate credentials for Pell Grant recipients compared to non-recipients.²⁷
- » For-profits that predominantly award certificates tend to have higher Pell Grant access and completion rates than other for-profits. Disaggregating the sector by predominant degree can help researchers and policymakers classify institutions and identify patterns that may be overlooked when looking at the entire sector as a whole.
- » Completion rates for Pell Grant students attending for-profits are rising very slowly, approximately half a percentage point per year. This is below the average growth rate found in community colleges and four-year universities in Parts I and II of this series.

By documenting these baseline trends at for-profits, this report can help inform policy and research agendas seeking to improve outcomes for Pell Grant students. This report did not examine labor market returns or student loan outcomes of Pell Grant recipients attending for-profits, but its findings can help motivate further research in these important areas. These areas hold great promise for ongoing research and this brief can help establish key benchmarks and baselines for evaluating that ongoing and future work.

APPENDIX

NUMBER OF FOR-PROFIT INSTITUTIONS AND PELL GRANT RECIPIENTS, BY PREDOMINANT DEGREE (2020-21)

	Predominantly Certificates	Predominantly Associates	Predominantly Bachelors or higher	Total
Total Institutions	1,453	124	110	1,687
Total 12-month Enrollment	680,453	210,131	756,306	1,646,890
Total Pell Grant Recipients	454,247	119,226	343,833	917,306
Total Pell Grant Disbursements (\$ bil.)	\$1.85	\$0.53	\$1.44	\$3.82
Share of Pell Grant Recipients	50%	13%	37%	100%

ENDNOTES

1. See S. Cellini (2021). For-Profit Colleges in the United States: Insights from Two Decades of Research. Brown Working Papers, No. 21-398 <https://edworkingpapers.com/sites/default/files/ai21-398.pdf>
2. Ibid and see G. Winston (1999). Subsidies, Hierarchies, and Peers: The Awkward Economics of Higher Education. Journal of Economic Perspectives, 13(1), www.aeaweb.org/articles?id=10.1257/jep.13.1.13
3. See M. Lovenheim & J. Smith (2022). Returns to Different Postsecondary Investments: Institution Type, Academic Programs and Credentials. National Bureau of Economic Research, Working Paper 29933 https://www.nber.org/system/files/working_papers/w29933/w29933.pdf
4. See K. Kinser (2006). From Main Street to Wall Street: The Transformation of For-Profit Education. ASHE Reader, Vol 31, No. 5: <https://onlinelibrary.wiley.com/toc/15546306/2006/31/5>
5. For example, see U.S. Department of Education (2022). Table 308.20 "Total 12-month enrollment in degree-granting postsecondary institutions" https://nces.ed.gov/programs/digest/d21/tables/dt21_308.20.asp?current=yes and see A. Barr & S. Turner (2013). Expanding Enrollments and Contracting State Budgets: The Effect of the Great Recession on Higher Education, Annals of the American Academy of Political and Social Science: <https://journals.sagepub.com/doi/10.1177/0002716213500035> where for-profits accounted for nearly 30% of the increase in enrollments leading up to the Great Recession (p. 169).
6. For more information on post-traditional students, see American Council on Education's resources on post-traditional learners <https://www.acenet.edu/Research-Insights/Pages/Student-Support/Post-Traditional-Learners.aspx> and Postsecondary National Policy Institute's Fact Sheet: <https://pnpi.org/post-traditional-students/>. And for trends in enrollment For more information on financial aid trends cited here, see A. Looney & C. Yannelis (2015). A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and the Institutions They Attended Contributed to Rising Loan Defaults. Brookings Papers on Economic Activity: <https://www.brookings.edu/wp-content/uploads/2016/07/pdflooneytextfallbpea.pdf> and R. Kelchen (2015). Analyzing Trends in Pell Grant Recipients and Expenditures. Brown Center Chalkboard: <https://www.brookings.edu/blog/brown-center-chalkboard/2015/07/28/analyzing-trends-in-pell-grant-recipients-and-expenditures/>
7. See T. McMillan Cottom (2018). Lower Ed: The Troubling Rise of For-Profit Colleges in the New Economy. The New Press <https://thenewpress.com/books/lower-ed> and Student Borrower Protection Center (2021), Mapping Exploitation: Examining For-profit Colleges as Financial Predators in Communities of Color: <https://protectborrowers.org/wp-content/uploads/2021/07/SBPC-Mapping-Exploitation-Report.pdf> and M. Weiss, K. Southern, & K. Tromble (2021). Accountability That Works: Restoring Gainful Employment and Strengthening Higher Education Accountability Measures. The Institute for College Access & Success: <https://ticas.org/wp-content/uploads/2021/12/Accountability-That-Works.pdf>.
8. See A. Looney & C. Yannelis (2015) and L. Armona, R. Chakrabarti, & M. Lovenheim (2022). Student Debt and Default: The Role of For-Profit Colleges. Journal of Financial Economics, 144(1), <https://www.sciencedirect.com/science/article/abs/pii/S0304405X21005250> and S. Cellini & N. Turner (2018). Gainfully Employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data. Journal of Human Resources, 54(2): <http://jhr.uwpress.org/content/54/2/342.full.pdf+html> and S. Cellini (2021) For Profit Colleges in the United States: Insights from Two Decades of Research Brown Working Papers, No. 21-398 <https://edworkingpapers.com/sites/default/files/ai21-398.pdf>.
9. See S. Cellini & K. Blanchard (2022). Hair and Taxes: Cosmetology Programs, Accountability Policy, and the Problem of Underreported Income. Postsecondary Equity & Economics Research Project https://www.peerresearchproject.org/peer-research/body/PEER_HairTaxes-Final.pdf and C. Fast, P. Granville, & T. Moultrie (2022). Cosmetology Training Needs a Make-Over. The Century Foundation <https://tcf.org/content/report/cosmetology-training-needs-a-make-over/?session=1>. Also see Tables 8 and 9 in M. Lovenheim & J. Smith (2022). Returns to Different Postsecondary Investments: Institution Type, Academic Programs and Credentials. National Bureau of Economic Research, Working Paper 29933 https://www.nber.org/system/files/working_papers/w29933/w29933.pdf

10. Based on author's calculations using 12-month undergraduate unduplicated headcount in 2020-21.
11. See G. Winston (1999). Subsidies, Hierarchies, and Peers: The Awkward Economics of Higher Education. *Journal of Economic Perspectives*, 13(1), <https://www.aeaweb.org/articles?id=10.1257/jep.13.1.13>
12. See for example D. Whitman (2021). Treat For-Profit Colleges Differently Because They Are Different. The Century Foundation: <https://tcf.org/content/commentary/treat-profit-colleges-differently-different/?agreed=1> and N. Hillman (2019). Testimony Before the House Committee on Education and Labor: Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers. <https://edlabor.house.gov/imo/media/doc/Hillman%20Testimony%204.3.19.pdf>
13. See <https://collegescorecard.ed.gov/data> and <https://studentaid.gov/data-center/student/title-iv> Import code for College Scorecard data uses CJ Libassi's useful and publicly-accessible code, any errors or omissions are mine alone: https://github.com/clibassi/scorecard_intake
14. This analysis identifies universities as public and non-profit institutions (CONTROL) that are predominantly bachelor's degree granting (PREDDEG).
15. According to the College Scorecard's cohort map, reported 12-month headcount represent prior year's enrollment; therefore, this analysis lags College Scorecard's reported 12-month headcount one year (e.g., 2020-21 reported 12-month headcount measure enrollment from academic year 2019-20).
16. The IPEDS Outcome Measures survey also includes completion rates for Pell Grant recipients, but this excludes transfer, so College Scorecard data tied to NSLDS records is preferred for examining completion rates. However, these are not without limitations, as NSLDS records are unaudited and may have data quality issues that are not fully understood (e.g., completion data are "being made available to the field to facilitate dialog about how these new data, in conjunction with other existing information, can best enhance estimates of institutional progression and completion related outcomes") see Executive Office of the President of the United States (2017). Using Federal Data to Measure and Improve the Performance of U.S. Institutions of Higher Education, p. 67 <https://collegescorecard.ed.gov/assets/UsingFederalDataToMeasure-AndImprovePerformance.pdf>
17. This analysis uses the "award year summary" for the fourth quarter of each award year, measuring the total number of recipients and dollars disbursed at the end of each respective award year.
18. Pell share is measured as the total number of Pell recipients in an award year divided by the 12-month undergraduate unduplicated headcount (or "d" divided by "b" from above) while Pell completion is measured by the share of students in a given cohort completing any credential (certificate or higher) within six years at any subsequent institution (or "c" from above). For example, the completion rate reported in 2018-19 represents the completion rate for the 2012-13 entry cohort.
19. This is due to the Office of Federal Student Aid reporting at the six-digit OPEID level while IPEDS enrollments are reported using UNITID.
20. Completion data are only reported through 2018-19 in the College Scorecard.
21. See U.S. Department of Education College Scorecard Technical Documentation file (p. 3, "All NSLDS and Treasury elements are protected for privacy purposes; those data that do not meet reporting standards are shown as PrivacySuppressed.") <https://collegescorecard.ed.gov/assets/InstitutionDataDocumentation.pdf>
22. This analysis sums the following variables to generate this rate: pell_comp_orig_yr6_rt; pell_comp_4yr_trans_yr6_rt; and pell_comp_2yr_trans_yr6_rt. Students who earn less than a bachelor's degree are included here; College Scorecard does not distinguish degree programs.

23. Executive Office of the President of the United States (2017). Using Federal Data to Measure and Improve the Performance of U.S. Institutions of Higher Education. <https://collegescorecard.ed.gov/assets/UsingFederalDataToMeasureAndImprovePerformance.pdf>.
24. See Executive Office of the President of the United States (2017). Using Federal Data to Measure and Improve the Performance of U.S. Institutions of Higher Education, p. 29: <https://collegescorecard.ed.gov/assets/UsingFederalDataToMeasureAndImprovePerformance.pdf>
25. See for example S. Cellini (2020) The Alarming Rise in For-Profit College Enrollment. Brookings Institution <https://www.brookings.edu/blog/brown-center-chalkboard/2020/11/02/the-alarmed-rise-in-for-profit-college-enrollment/> And see National Student Clearinghouse Research Center's latest Fall enrollment estimates here: <https://nscresearchcenter.org/stay-informed/>
26. The Pearson's correlation coefficient is -0.02 for certificates; 0.06 for associates; and -0.12 for baccalaureate (or higher). A coefficient of zero represents no correlation while a coefficient of one (or negative one) represents perfect correlation.
27. See M. Lovenheim & J. Smith (2022).