



# Kathleen Misukanis & Tom Kosel of the Minnesota Career College Association

Let for-profit schools fully participate to help produce a competitive workforce

A Civic Caucus Focus on Competitiveness Interview

*June 6, 2014*

## Present

John Adams, Paul Gilje (coordinator), Randy Johnson, Sallie Kemper, Tom Kosel, Dan Loritz (chair), Kathleen Misukanis, Mark Misukanis, Paul Ostrow, Dana Schroeder, Clarence Shallbetter.

## Summary

According to Tom Kosel of Globe University and Katie Misukanis of Rasmussen College, both active in the Minnesota Career College Association (MCCA), for-profit (proprietary) higher education institutions serve students who haven't found success elsewhere and are often those students' "last hope." The for-profit schools, whose focus is to train students for jobs, offer extensive support services and serve older students, with an average age of 27, who are coming back to school to be retrained. Fourteen for-profit postsecondary companies, with 36 campuses in Minnesota, are part of the MCCA. There are 30,000 students statewide in the for-profit higher education sector, most of whom (63 percent) get associate degrees. A higher percentage of students at for-profit schools take out loans and, on average, their cumulative debt when they finish school is higher than in the public and nonprofit institutions.

Kosel says the for-profit sector offers competition to public-sector higher education institutions. He said for-profit schools have had extensive student support services all along and were among the first to offer students hybrid courses, which combine online work with on-campus classes that meet once a week. Public sector schools have since picked up a lot of these things, he notes. Misukanis maintains that proprietary schools can adapt more quickly to changes in the job market by sunsetting programs where there is little job demand and adding new programs with good job prospects.

Kosel and Misukanis call proprietary colleges and universities "educational businesses" and recognize that not everybody accepts the concept of making a profit in education. They point out that for-profits

are left out of high school college and career centers and are rarely recommended by high school counselors or state workforce centers. They are also excluded from the state's Postsecondary Enrollment Options program (PSEO), which allows high school students, at no cost, to enroll in public and nonprofit postsecondary schools and earn both high school and college credit.

## Biographies

Tom Kosel is Director of Government Relations for the Globe Education Network of Schools, which includes Globe University, Minnesota School of Business, Minnesota School of Cosmetology, Institute of Production and Recording, and Broadview University.

Kosel has worked in higher education for 37 years and has been an active member of the Minnesota Career College Association (MCCA) for over a decade, serving as chair in 2003-2004. He currently chairs the MCCA legislative committee. He is also an active member of the Minnesota Chamber of Commerce, serving on its Education and Workforce Development Committee.

On a national level, Kosel holds the post of vice chair of the grassroots committee for the Association of Private Sector Colleges and Universities. He received a B.S. degree in education from the University of Minnesota and an M.A. in administration from the University of St. Thomas.

Katie Misukanis is Government Relations Director for Rasmussen College, a post she has held since 2011, and chair of the Minnesota Career College Association (MCCA). Her time with Rasmussen also includes her work as Director of Admissions for Rasmussen's Lake Elmo/Woodbury campus. In her current role, she acts as a liaison for the college to local officials and state legislators in Minnesota, Wisconsin, North Dakota, and Kansas and advises Rasmussen's policy decisions and actions. She also serves as chair of the Wisconsin Council for Independent Education.

Misukanis received her B.A. degree in Business Management and Political Science from the College of Saint Benedict and is graduating in July with a Master's in Public Administration from Gannon University.

## Discussion

**For-profit (proprietary) colleges and universities are educational businesses.** According to Tom Kosel of the Globe Education Network of Schools and the Minnesota Career College Association (MCCA), because they are businesses, for-profit schools belong to chambers of commerce and are active in looking for partnerships. But, he said, the schools' focus is to train students. "Making a profit in education is not accepted by everybody," he said. "As an educational business, our only source of revenue is tuition. Employers are our customers and students are our product. If our students do not master the skills and knowledge needed by employers, they will stop attending our institutions, our revenue will end and we will cease operations like any other for-profit business whose product is no longer in demand by its customers."

Kosel said the for-profit schools look at curriculum from the outcomes they want. "Since we are career-focused," he said, "we strive to organize programs around the technical skills and knowledge needed for employment, while integrating the general education courses." The schools are nationally or

regionally accredited by the U.S. Department of Education. They are registered with the Minnesota Office of Higher Education (OHE) and do the same kinds of reporting as other private, nonprofit educational institutions.

"We pay taxes, which is unusual for a school," Kosel said. "We do not get state appropriations. The schools must charge fees and tuition, borne by the students, to cover their costs and then hope there's a profit left over that they can use to reinvest. It's a unique situation and I don't know how well it's understood."

**Fourteen for-profit colleges, with 36 campuses, are part of the MCCA.** There are several other for-profit colleges in Minnesota that do not belong to the MCCA.

**Proprietary schools have a lot of students who haven't been in the education system or didn't go very far in that system.** "They're looking for a home, a place that supports them, that will go with them to the end of the line and help them find work," Kosel said.

**There are 30,000 students statewide in the for-profit higher education sector.** "Without us, those students may not go anywhere else," said Katie Misukanis of Rasmussen College and the MCCA. About 70 percent of the students have already been at other higher education institutions. She said Rasmussen students transfer in with an average of 24 credits earned elsewhere and bring with them an average of \$24,000 in debt. "They've tried other institutions and have not found success for a variety of different reasons," she said. The average age of Minnesota for-profit college students is 27. "They're coming back to be retrained or gain skills to advance themselves," she said.

"We are the last step," Misukanis said. "We're the last hope for these students. We see ourselves and our sector as filling a need in that human capital rung for students who haven't found success elsewhere but who want to work and need the skills they learn at our institutions to be able to do that."

**The for-profit sector offers competition to the public sector.** "We've done some things early on," Kosel said, "like hybrid courses students can do online and only come to the campus one day a week. We've had strong support services all along, such as working with mentors, providing sequential scheduling to help students stay on schedule to graduate, and offering an active career services staff to assist in finding employment. He said public-sector schools have since picked up a lot of these things.

"Competition is good," he continued. "Education needs the stimulus of someone who's out there thinking ahead."

**The U.S. Department of Education's gainful employment rules attempt to ensure that for-profit career training schools are putting people to work at the right place, earning the right salary.** The rules require that the first year the graduates are working, they must be able to service their own debt at eight percent of their income, Kosel said. If it's more than that, the program will be considered noncompliant and can lose its Title IV funding, which provides federal student financial aid, such as Pell Grants and Stafford Loans.

"We welcome accountability," he said, "but the Department's reliance on first year's earnings against student loan debt does not recognize the full value of postsecondary education. This metric should use the second or third year's earnings against the student loan debt."

**At the associate's and bachelor's degree levels, students graduating from for-profit institutions borrow more, on average, than students at public and private nonprofit institutions.** According to the Minnesota Office of Higher Education, 91 percent of students receiving an associate's degree in 2009-2010 from two-year for-profit schools had loans, with an average cumulative debt of almost \$27,000. A lower percentage of associate's degree students from public two-year schools (62 percent) and two-year private nonprofit schools (87 percent) had loans, with an average cumulative debt for students from both the public and private nonprofit schools of almost \$15,000.

"It should be noted," Misukanis added, "that Minnesota residents also are among the highest degree-attaining populations, as well as highly likely to pay back their student loan debt."

**In 2009-2010, average cumulative debt was considerably higher for bachelor's degree recipients from for-profit schools (\$45,000) than for those from MnSCU institutions (\$25,000), the University of Minnesota (\$27,000) and private nonprofit institutions (\$29,000).**

**Minnesota's higher education institutions are doing things now they weren't doing three years ago.** An interviewer noted that the state demographer has said that Minnesota will have fewer people of working age in a few years than we have today. Right now, businesses are urgently looking for qualified people. He asked if the training institutions are doing what has to be done to prepare for the future and, if not, what should be done in order to better prepare.

Kosel responded that the Minnesota State Colleges and University (MnSCU) system and the Minnesota Chamber of Commerce have recently held listening sessions with businesses all over the state to determine what kinds of skills they need, what the gaps are and what kind of training they need. The Itasca Project is using that information to identify specific trades and skills that are needed in each industry. Kosel said institutions in all sectors are now looking at shorter programs that lead to a demand area where there are jobs. Hopefully, he said, that will lead to stackable credentials, so students can get credentialed in different areas on their way to a four-year degree.

An interviewer commented that it seems the proprietary schools are able to respond more quickly to the need for specific training than the MnSCU schools. He said that before MnSCU was formed, vocational-technical schools were part of local school districts. When the schools were more local, he said, they could be more flexible in starting training programs businesses needed.

**Institutions must work with students of color, who are not going on to postsecondary education in great numbers.** "We have to somehow close the gap between high school and postsecondary education, so students are more successful, more welcome, more willing to go to school," Kosel said.

Misukanis agreed there is a gap in alignment between high school and higher education. "There are high-demand programs, like welding, manufacturing, medical assisting, that are not being filled with

students," she said. "Are students not aware of the potential earnings out there? Where is that disconnect? We can offer as many programs as we think will fill the jobs, but if students don't show up for those programs, the problem will continue to grow."

**A number of for-profit schools offer free dual-credit programs, through which high school students can take college courses and get high school and college credits.** Students who do that are more likely to go on to postsecondary education and to succeed there, Kosel said.

The for-profit institutions are ruled out of the state's Postsecondary Enrollment Options (PSEO) program, he continued. PSEO allows high school sophomores, juniors and seniors to take college courses at Minnesota public or nonprofit higher education institutions, at no cost to the student, and receive high school and college credit. "The school districts lose revenue when students enroll in postsecondary courses through PSEO, which is where the rub can often occur," Kosel said.

Misukanis said during the 2012 legislative session, the MCCA worked with State Senator Gen Olson to get the proprietary schools included in the expansion of PSEO allowing 10<sup>th</sup> graders to participate in the program by taking postsecondary career and technical classes. She said the MCCA institutions even offered to cover the costs of enrolling the high school students in their courses, by passing on the PSEO money the institutions would have been paid by the state to the students' home school districts. The effort failed, however, and the for-profit schools are still not eligible to take part in any of the PSEO program. "That is disappointing," Misukanis said. "In a time where student loan debt is such a growing concern, why would we not be doing everything we can to expand this program?"

"The proprietary colleges wouldn't accept any dollars through PSEO," Misukanis said. "We just want to be in the program to expose more high school students to the options offered by our schools."

Kosel added that, instead, Globe has a High School Advantage program that offers free college courses to high school students for high school and college credit. Misukanis said many schools in the for-profit sector offer similar programs. Rasmussen's program is called Early Honors. "We do that without receiving PSEO dollars," she said.

**MnSCU and the for-profit schools have a very similar clientele.** An interviewer commented that public vocational-technical schools, private career-training nonprofits like Dunwoody College of Technology and private for-profits like Globe and Rasmussen all work in overlapping markets. He asked how what the for-profits do is different from what the MnSCU vocational-technical schools do.

Misukanis responded, "The student-to-faculty ratio is going to be much smaller at our institutions. Rasmussen's is 12 students per faculty member. MnSCU's is higher. We can offer the support system that a lot of students in that clientele need. There are first-generation students who have never seen a postsecondary role model. We offer advising, tutoring, career advising and assistance. These are tools that help someone who has not found success elsewhere."

"We are not going to offer welding tomorrow," Misukanis continued. She said the schools' program offerings are influenced by Bureau of Labor Statistics (BLS) information and business advisory groups. "We won't offer a program if we don't see a demand for it," she said.

**The proprietary schools have been shut out from a lot of the high school conversations.** An interviewer asked how high school students who aren't suited for an academic college degree find out about the for-profit schools as an option. "It's been a challenge to get into the high school college /career centers," Misukanis responded, "because we are not a traditional choice for traditional students."

The interviewer commented that high schools often rate themselves by how many of their students enroll in conventional colleges, irrespective of whether a student wants to do it or is ready for it. "Many kids drop out of school because they know the conventional four-year program isn't for them and they think they don't have any other options," he said.

Misukanis responded that the Statewide Longitudinal Educational Data System (SLEDs) is trying to answer the question of how many students go back for the second year of college, among other questions. The Minnesota Office of Higher Education runs the project.

**Increasing the acceptance of career-oriented training options will require a culture change.** An interviewer commented that about 10 years ago, Minneapolis Edison High School was going to encourage technical skills by offering career-oriented classes. "They absolutely got pilloried by middle-class parents, who didn't want their kids going into blue-collar industrial jobs," he said. "So Edison gave up that program. How do you overcome that stigma? How do you work with others to change hearts and minds?"

Kosel said the for-profit schools are inviting high school counselors in to try to educate them about their programs. "We can't call what's after high school 'higher education' or 'college,' he said. "We have to call it 'postsecondary.' That's the world we have to help students enter."

"MCCA and MnSCU schools alike are struggling with this," Misukanis said. "It's a culture change. It's really educating students and parents as to what the earning potential is and what the training looks like."

"We've told our kids all you need is a four-year degree," Kosel said. "During their college years, the economy changed and there aren't jobs." He said there might not be as much student debt if students realized they have other options.

**Many faculty members at MCCA campuses are adjunct instructors.** In response to a question, Misukanis said about 25 percent of Rasmussen's faculty are full-time and about 75 percent are adjunct, most of whom are also employed in their field. "Students do like that," she said. "They say it's different being taught by someone who's in the field, rather than being taught theory about what could be."

**Most students who decide to enroll in the for-profits are looking for jobs and want a career path.** Misukanis noted that referrals are a common way for students to find out about the for-profit schools' programs. Most of the state workforce centers, she said, will send the students to MnSCU, because the for-profits are more expensive and because a state agency will be more likely to send students to a state institution. Also, Kosel added, a lot of the workforce centers are located on MnSCU campuses.

**State grants for postsecondary students, in place since 1972, give access and choice for all students receiving the grants, whether at public, nonprofit or for-profit institutions.**

**Students finishing their bachelor's degree at for-profit institutions leave with an average \$45,000 debt, which includes any debt they may have brought with them when they enrolled at the institution.** Misukanis said those graduates will earn anywhere from \$30,000 to \$50,000 a year when they leave school, depending on the program and credential level they completed. She said all students must go through financial counseling before they can take out a loan.

Misukanis said Rasmussen College has declined about 20 percent of students attempting to enroll, since instituting a qualified enrollment process. The students must pass minimum aptitude tests and background checks and complete an online college experience.

**About 15 percent of proprietary school students receive tuition reimbursement from their employers.**

**In Florida, there are more students in the for-profit system than in the public community college system.** Misukanis said there are a lot of proprietary schools in Florida and they are meeting the needs of the businesses. "Florida is very friendly to the proprietary sector and not as adversarial as other states are, she said. "

**Apprenticeships are coming back strongly.** The 2014 Legislature passed a bill, known as "PIPELINE," creating advisory committees to form stronger apprenticeships in agriculture, IT, health care and manufacturing. Businesses will be involved in deciding the standards and criteria for the internships. "Some of our programs already require internships," Kosel said.

**Most students (63 percent) at Minnesota proprietary schools get associate degrees.** Kosel said the programs at each school differ, but students can find the following programs offered by proprietary schools in the state: certificate programs, two-year associate degrees, four-year degrees, master's degrees and PhDs.

**Sixty percent of for-profit school students work full-time while they're going to school.** That's why they like the flexibility of hybrid on-campus/online classes, Kosel said.

**Profits from the proprietary schools are reinvested.** An interviewer asked where the profits from for-profit schools go. "In Minnesota, we're the opposite of the national trend," Misukanis said. "Our schools are mostly privately owned by people like the Meyers family, who own Globe. We don't have many publicly traded colleges. We can offer programs like free courses for high school students, because our profits are reinvested. We also are able to expand high-demand programs or offer costly programs like nursing because of the reinvestment. All colleges make a profit. We pay taxes on ours."

Kosel said private owners of the colleges might expand the number of campuses when the schools are growing, but they also take on the risk of facing declining enrollments, which is happening currently. "It's an education business and you live it," he said.

## Conclusion

Misukanis closed by saying the proprietary sector serves high-need students with support services in a career-focused education, backed by research. "The programs we offer are based on advisory groups, BLS data and salary expectations," she said. "If we don't think students will meet the salary expectations, we will sunset programs and add other programs." For example, Rasmussen sunsetted its exercise science programs and added cyber security programs. "We're trying to always be relevant to the needs of the labor market," she said. "As a result, our students are going on and finding successful jobs, after they haven't found success in school before. If we couldn't meet the needs of students and the market, we wouldn't exist. We're compassionate to students and dedicated to meeting the human capital needs of the state."

Kosel said the for-profit schools serve an adult population, including 63 percent women and 22 percent students of color. "We do everything we can to make it an easy place to come to," he said. Most of the proprietary schools give credit for prior work experience, he added, in order to give the students as many credits as possible when they start, cutting costs and helping make the programs affordable.