The author describes the forces operating on proprietary schools and their transition into career colleges. The ways in which these institutions are becoming more like community colleges are also discussed.

Changes in Mission, Governance, and Funding of Proprietary Postsecondary Institutions

Jon A. Hittman

Private, for-profit postsecondary educational institutions are trade, technical, business, cosmetology, and barber schools that are privately owned and managed and are both service-oriented and profit-motivated, according to Fulton (1969). Proprietary schools have been important but unheralded contributors to the American system of postsecondary education and training. They are driven by the profit motive, which has been spurned by the traditional academic community. Also, they have not been perceived as competing with the traditional delivery system of public postsecondary, or higher education (Erwin, 1975). Debate during the 1992 reauthorization of the Higher Education Act (HEA) has altered the prevailing impression of dissimilarity of mission and has catapulted career colleges into the consciousness of public policy makers and public postsecondary education leaders alike.

The revelation of rising default rates on student loans, statistics regarding program completion and placement rates, and accusations of consumer abuse have triggered heated debate about the quality and effectiveness of education delivered at all postsecondary institutions. During this debate, all postsecondary institutions have attempted to explain their outcomes in terms of functions, operations, and student characteristics in an effort to justify continued access to publicly subsidized funding. In addition, they also have expressed their concerns to policy makers regarding regulatory constraints that are perceived to be onerous. In the aftermath of this prolonged and frequently intense debate, there is a growing perception that a similarity of circumstance exists between community colleges and proprietary institutions. This chapter supports the convergence theme of the monograph by providing a description of the traditional and changing mission, internal governance, and funding of proprietary postsecondary institutions and comparing career colleges and community colleges in relation to these topics.

Traditional Proprietary School Mission

Factors that created a market niche for providers of vocational training include rapid industrialization, a student and employer market base that had not been traditionally courted or served adequately by public institutions (Carr, 1980), and the inefficiency of the American apprenticeship system in providing business and occupational training (Tonne, 1954). Proprietary school owners responded to marketplace demands from employers for trained labor by providing short-term instruction in specific subjects with immediate employment for graduates as the prime objective (Shoemaker, 1973).

For the purposes of this chapter, occupational or vocational training is defined as those activities designed to improve performance on a specific job that the student is currently doing or intends to do immediately upon completion of the course of study. The purpose of occupational training is to either introduce a new behavior or modify an existing behavior so that a particular and specified kind of workplace performance is achieved. Education, in contrast to occupational training, is designed to improve the student's overall competence, is transferable beyond the workplace, and is frequently more academic in nature.

The primary purpose of the traditional proprietary school was to provide vocational training designed to provide the graduate with entry-level work skills with which to secure immediate employment. The success of proprietary schools has been attributed to the traditional characteristics of flexibility and specialization of service (Carr, 1980). Since they depend solely on the marketplace for revenue (through tuition and fees), successful proprietary institutions have historically exhibited the following characteristics that directly support their vocational training mission:

Rapid response to provide training for new technologies as soon as they develop (Clark and Sloan, 1966)

Emphasis on programs of shorter duration focusing on hands-on training as opposed to abstract or theory-based education

Development of the placement function designed to provide employment for the graduate (Simmons, 1975)

Flexible program and course schedules designed to increase accessibility (Belitsky, 1969)

Flexible curricula designed to make it easy for the student to enter, exit, and re-enter, thereby increasing the probability of enrollment and completion (Erickson, 1972)

Flexible instruction to accommodate special student needs for individual attention, help, and encouragement (Kincaid and Podesta, 1966)
Sensitivity and responsiveness to changes in level of demand for trained manpower and emphasis on curriculum objectives (Katz, 1973) that reflect current hiring criteria (Simmons, 1975).

Traditional proprietary schools were able to capitalize on these characteristics because those schools were more autonomous and subject to less governmental and accrediting body oversight than traditional public postsecondary institutions.

Changing Mission

The traditional mission of the proprietary school was predicated on short-term, focused instruction, with the objective of immediate entry-level employment. The original mission of the community college was more comprehensive in nature but emphasized the academic transfer function.

For proprietary schools, milestones such as access for their students to federal programs (for example, the G.I. Bill and amendments to the HEA) were accompanied by state approval, accreditation, and compliance with federal regulations. This has enabled proprietary schools to offer longer programs that are taught by instructors with higher academic credentials, and has allowed them to pursue degree-granting authority in increasing numbers. The objective of employment for graduates has not been altered, but the path to program completion has been changed and is symbolized by the change in the name of these institutions from *trade schools* to *career colleges*.

Funding of Proprietary Institutions

Proprietary schools have traditionally depended on student-paid tuition and fees for revenue. While this is still true, proprietary school students have become increasingly dependent on Title IV aid, since the reauthorization of the 1972 HEA. According to a recent study, 78 percent of proprietary school students receive federal assistance of some kind (Merisotis, 1991). A U.S. Department of Education study reveals that proprietary school students account for 36.7 percent of all those who borrow and 36.4 percent of the total dollars borrowed in the guaranteed student loan program during fiscal year 1989. This federal aid is available in the form of grants and loans, and it helps eligible students finance their education. Federal financial assistance for students enrolled in proprietary institutions began with the G.I. Bill. This highly successful bill rewarded veterans for their service by providing federal financial support for pursuit of postsecondary education. The educational demand created by the veterans was for noncollegiate vocational courses. Proprietary schools were eligible to participate in the veterans program as long as they achieved federal and state approval. The G.I. Bill set the precedent for future broad-based federal assistance for postsecondary education institutions, including proprietary schools.

Amendments to the HEA in 1972 established the Basic Educational Opportunity Grant (BEOG), which was later renamed "Pell grant" for Senator Claiborne Pell, and the Student Loan Marketing Association (Sallie Mae). These amendments were designed to give students greater access to postsecondary education. The original purpose of the BEOG, which is based on economic need, was to reduce or eliminate financial barriers for those seeking a postsecondary education. Sallie Mae provided liquidity to lenders, thereby stimulating student participation in the guaranteed student loan program. Current student financial aid programs include a maze of campus-based and federal grant, loan, and work-study programs.

Funding Summary

Arguments pointing out important differences between career colleges and community colleges can be made on the grounds that the career college is a private enterprise and the community college is a public entity. This fundamental fact is clear. However, in a global sense, both career colleges and community colleges rely on public sources for funding. In the case of the career college, the dependence is indirect because it is the student's responsibility to apply for grants and loans based on need and to repay publicly subsidized loans. Nevertheless, the majority of prospective career college students require some federal subsidy such as loans, grants, or both. In the case of the community college, the dependence is direct. Local taxes, state subsidies—by formula or proceeds from state lotteries—and funding from federal grants is received by the college directly. Student-paid tuition is a source of funding for community colleges, but the existence of these aforementioned resources allows tuition to remain low in comparison to other postsecondary institutions.

Governance

All educational institutions require some form of governance. The state and local mechanisms for governance and oversight differ from state to state and organization to organization. Traditional proprietary schools organized themselves to capitalize on the characteristics of customer responsiveness (to students and employers), practical curricula, and flexibility. Since they were private, for-profit entities, there was minimal state oversight until the proprietary school students became eligible for federal subsidies. At that point, state approval and accreditation became requirements. What is important to note is that modern career colleges are affected by federal, state, and accrediting governance.

Historically, it has been rare for private, for-profit institutions to have a board of lay trustees to which the campus-level chief administrator reports. Pursuit of degree-granting status requires the establishment of a board of trustees made up of individuals who represent the institution's constituency—faculty, students, and supporters. The composition of this board diffuses the decision-making authority for control of the institution, which consequently adversely affects the speed and flexibility with which the institution can respond to the fluid postsecondary education environment.

Administration. In order for proprietary institutions to function effectively, they developed a structure to execute the necessary core functions of organizational leadership, financial administration, recruitment of students, delivery of education and training, and student services emphasizing graduate placement. The most common organizational structure consists of the administration and four divisions or departments: recruitment and admissions; finance and financial aid; education; and student services, retention, and placement services.

The campus-level chief administrator may have one of several different titles such as president, executive director, or director. The person holding this position is responsible for campus-level leadership and the overall operation of the institution. The administration is responsible for creating a strategic plan, for implementing an operational plan that supports the strategic plan, and for the educational success and profitability of the institution. Normally, the administration is also responsible for developing the institutional budget, for reporting to the state, federal, and accrediting agencies, and for the day-to-day functioning of the institution. In many cases, the campus-level administrator is also the owner of the institution. In other cases, an individual campus may be part of a corporate chain of proprietary institutions. In this organizational structure, the campus director reports to the corporate entity.

Recruitment. The recruitment function may otherwise be known as admissions, sales, or marketing. Regardless of what it is called, the goal of this department is to attract and enroll students. Proprietary institutions have developed and used sophisticated advertisement techniques to recruit students (Simmons, 1975). Target markets and marketing areas are defined, and advertisement is initiated in a variety of media. The most prevalent recruiting vehicles include television, radio, direct mail, and high school marketing (Kleinman, 1986).

Television and radio advertisements are the most effective in penetrating the adult market. Advertising in these media has become very sophisticated. Success in radio and television advertising depends on the quality of the commercial, type of show in which the advertisement is embedded, time of the commercial, frequency of broadcast, and length of the advertisement.

High school marketing consists of sending an admissions representative to high schools to make a presentation to a group of high school students. The primary purpose is to generate occupational awareness by discussing job opportunities, descriptions, and salaries with the students. The presentation usually focuses on generic job fields, not an on individual proprietary school or its programs of study. Students express an interest in certain occupational areas by filling out a response form. The response form is turned over to recruiters for telephone follow-up. This activity requires an individual who is assigned to and responsible for coordinating the high school recruiting efforts.

Direct mail is a technique used to reach both adults and high school markets. This method consists of sending letters, cards, and brochures to prospective students.

The Higher Education Act of 1992 has altered the method by which recruitment personnel are compensated. In the past, recruiters were partially or completely compensated on the basis of enrollments they obtained. This practice of incentive compensation has been halted, and now recruiting representatives are on a salary.

Business and Finance. Initially, the finance function of proprietary institutions was confined to the establishment of typical business practices such as product pricing, accounts receivable, accounts payable, and tax preparation. While these functions still must be performed, the escalating complexity of the regulations surrounding Title IV student funding assistance requires the institution to hire personnel with expertise in credit finance. The financial aid services performed at the institutional level include (1) determining a student's eligibility for participation in the various loan and grant programs, (2) developing and explaining to the student the documentation that accompanies application for access to Title IV aid, (3) calculating and refunding the unused portion of a student's loan or grant in the event the course of study is not completed, (4) maintaining complete and accurate financial aid records, and (5) administering a loan default management program targeting all students—those who complete the program of study and those who do not. Because of federal financial aid accountability issues, the finance department's role has become much more complex and important to the economic viability of the proprietary institution.

Education. The primary functions of the education unit at most proprietary institutions are curriculum development and the delivery of the education product. Tasks associated with these functions are (1) testing prospective students for ability to benefit from exposure to the curriculum, (2) reviewing materials (for example, high school transcripts and entrance test results) and accepting or rejecting students to the program of study, (3) reviewing transcripts for the purpose of granting appropriate prior training or advanced placement credit, (4) scheduling courses based on enrollment and faculty availability, (5) hiring faculty, (6) establishing grading procedures in accordance with federal or state mandates pertaining to satisfactory progress, (7) recording and maintaining grade and attendance data, (8) maintaining the equipment used in the program of study, (9) orienting and evaluating instructors, (10) establishing employer committees to ensure the relevance of the curriculum, and (11) implementing and monitoring a program of staff development.

The primary functions in the delivery of education are similar, regardless of the type of institution. However, curriculum changes that accompany mission changes are significant. The curriculum in career colleges is beginning to look more like the curriculum found in degree-granting institutions. In fact, a number are offering degrees. In contrast, community colleges are emphasizing the economic development component of their mission, which stresses short, focused training. The convergence of mission alluded to earlier is creating a curricular convergence.

Student Services. The traditional proprietary institution centered its student services on the career placement of graduates. The success of the institution was predicated on a tight linkage between the training delivered and graduate employment. The primary role, then, of placement personnel is to locate employment for the institution's graduates. However, placement personnel also provide an array of services designed to support the achievement of this goal. Active students are exposed to a variety of career awareness activities. Such activities include inviting guest lecturers from industry to speak to the current students, administering occupational aptitude tests to help students develop career objectives, and sponsoring job fairs that are designed to bring together potential employers and students nearing completion of their course of study, as well as current students needing part-time employment.

Students receive training in successful interviewing techniques and instruction on how to create effective résumés. Career placement personnel arrange interviews with prospective employers for graduates, and they maintain frequent contact with graduates and companies that have hired them in order to monitor the appropriateness of the training and education received. Placement personnel also link the institution and the community by initiating and maintaining contact with employers for the purposes of placing graduates and current students, assisting employers with their curriculum advisory role.

Retention of students has always been a concern for proprietary institutions, but the reauthorization of the HEA in 1992 emphasizes retention as a critical indicator of quality. The reauthorization requires postsecondary institutions to maintain acceptable student retention rates as a condition of participation in Title IV programs. The State Postsecondary Review Entities (SPREs) are the mechanism established to monitor institutional retention, performance, and thirteen other standards of quality.

Additional student service activities such as orientation, student advisement, safety and security, records management, bookstore activities, community service seminars and functions, and alumni activities are usually divided among the departments listed above.

Governance Summary

The four major factors that currently differentiate the career college from the community college are profit versus public status, size, the existence of a board of trustees in community college governance, and regional accreditation. The fundamental differences in the first two are major and appear to be unaffected by current trends. However, the information in this volume suggests that the traditional distinguishing features of governing boards and accreditation standards are being eroded. States, accrediting agencies, and now the Department of Education (through the SPREs) evaluate and report retention and placement figures to prospective students. Consequently, career colleges are allocating substantial resources to the activities that promote retention and placement.

Conclusion

Proprietary schools began as autonomous business entities filling the market need for short-term, focused training. They flourished on student-paid tuition and fees before any government subsidies were available. Community colleges emerged as public education institutions serving a predominantly academic function. The G.I. Bill, amendments to the Higher Education Acts of 1972 and 1992, shifts in accreditation standards, and rapid changes in the economic climate are significant events that have altered the mission, funding, and governance of proprietary schools and community colleges. These events have been the catalysts engendering the evolution from proprietary school to career college, which is characterized by longer programs, higher academic credentials for instructors, and pursuit of accreditation and degree-granting authority. These same events have affected community colleges in a different way. Community colleges are offering more programs in partnership with the business sector that are shorter and have specific training objectives. Career colleges and community colleges have each embraced that which is traditionally perceived to be the strength of the other. This has blurred the once-stark distinction between them but has provided a broad array of delivery mechanisms for specialized postsecondary education and training.

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JON A. HITTMAN is director of ITT Technical Institute in Georgetown, Texas.