

Testimony Concerning House Bill 470: For-Profit Institutions of Higher Education and Private Career Schools - Instructional Spending - Requirements
Submitted to the House Appropriations Committee
February 18, 2020

Position: Support

The Honorable Maggie McIntosh, Chair
House Appropriations Committee
Maryland General Assembly—House
Legislative Services Building
90 State Circle
Annapolis, MD 221401

Chair McIntosh and Members of the Committee:

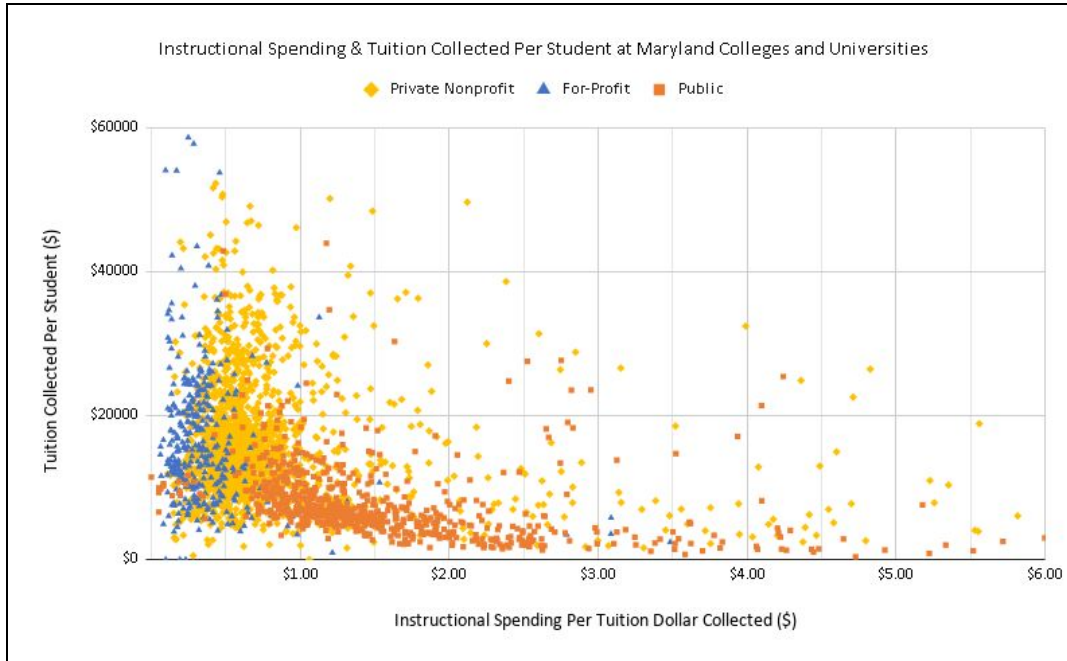
I write today to show support for House Bill 470 which will require for-profit institutions to spend at least half of tuition revenue on instruction.

The Century Foundation is a progressive, nonpartisan think tank and one of the oldest public policy research institutes in the country. As a fellow at The Century Foundation, I research and write on the for-profit college industry and advocate for regulations that will bring the sector's colleges up to par with public and nonprofit colleges in terms of quality and value offered to students. HB470 takes a step in that direction.

As the cost of college and the size of the nation's student debt dominates news cycles, students and the general public are right to place scrutiny on what colleges do with the money they receive from individuals, donors, and federal and state governments. It is not uncommon to hear outcry about presidents' pay, endless construction projects, high profile athletics programs, and big-budget marketing campaigns. While we can't always draw a straight line from student tuition payments to those types of spending decisions, we can examine spending in other categories that are highly consequential. The clearest cut category is instructional spending: what the school spends on educating students. Instructional spending--or the lack thereof--reveals a school's intentions and priorities.

How much are schools spending on instruction?

When I analyzed how much colleges spent in 2017, I found the median public institution in Maryland spent \$1.77 on instruction for every tuition dollar it collected. The median private nonprofit institution spent 66 cents, and the median for-profit college spent just 43 cents per tuition dollar collected. Low instructional spending can indicate many things, including: a lack of investment in faculty, classroom, or course materials, an overemphasis on other priorities like advertising, and/or a diversion of revenue to shareholders.



Based on calculations by The Century Foundation using FY17 finance data from the Integrated Postsecondary Education System (IPEDS).

Public and private nonprofit colleges have access to funds other than tuition revenue that allows them to spend more on instruction than they charge in tuition, but this is not the sole reason that they look better by comparison. When we take into account appropriations that Maryland’s public colleges receive for providing education, the median institution still spends 60 cents on instruction per dollar it receives in tuition and state support.¹ It is therefore reasonable to expect colleges to devote 50 cents per dollar toward educating students.

Where is instructional spending reported and why is it a useful metric?

Colleges report net tuition and fees and instructional expenditures annually to the federal government via the Integrated Postsecondary Education Data System (IPEDS) Finance Survey. HB470 asks schools to report these two figures, along with a calculated instructional spending percentage, to the Maryland Higher Education Commission (MHEC). No additional accounting or calculations are required of schools or MHEC.

¹ John J. Cheslock, “Examining Instructional Spending for Accountability and Consumer Information Purposes,” The Century Foundation, February 28, 2019. <https://tcf.org/content/report/examining-instructional-spending-accountability-consumer-information-purposes/>

Instructional expenses account for costs associated with in-class instruction and related overhead.² Instructional spending is not just an indicator of faculty status or pay. Instruction is a “functional” accounting category, so it includes portions of “natural” categories like salaries, technology, equipment, rent, etc. For example, Fortis College-Landover’s salaries and wages were \$2.6 million of the total \$3.7 million spent on instruction:

Institution: Fortis College-Landover (451909)

Part E-1 - Expenses by Functional Classification

Fiscal Year: July 1, 2017 - June 30, 2018

Report Total Operating AND Nonoperating Expenses in this section

Line No.	Expense: Functional Classifications	Total amount	Prior Year Total Amount	Salaries and wages	Prior Year Salaries and wages
		(1)		(2)	
01	Instruction	3,746,592	3,626,931	2,630,197	2,487,005
02a	Research		0		0
02b	Public service		0		0
03a	Academic support	0	0		0
03b	Student services	1,584,089	1,450,149	505,407	476,456
03c	Institutional support	2,947,165	2,912,130	335,568	326,427
04	Auxiliary enterprises		0		0
05	Net grant aid to students, net of discount/allowances		0		
06	Other expenses and Deductions CV=[E07-(E01+...+E05)]	0	0	0	0
07	Total expenses and Deductions	8,277,846	7,989,210	3,471,172	3,289,888

Image from IPEDS data center, Fortis College-Landover Reported Data
<https://nces.ed.gov/ipeds/datacenter/Facsimile.aspx?unitid=afb0acb4abb4>

Schools aiming to keep costs low rely almost exclusively on adjunct faculty labor and strictly limit workloads to avoid the additional costs associated with employment benefits.³ So it seems that although instructional spending is not just about faculty salaries, the staffing model used by for-profit colleges does contribute to their abysmal instructional spending.

² In IPEDS, instruction is “a functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. Includes general academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions. Also includes expenses for both credit and non-credit activities. Excludes expenses for academic administration where the primary function is administration (e.g., academic deans). Information technology expenses related to instructional activities if the institution separately budgets and expenses information technology resources are included (otherwise these expenses are included in academic support). Institutions include actual or allocated costs for operation and maintenance of plant, interest, and depreciation.”
<https://surveys.nces.ed.gov/ipeds/Downloads/Forms/IPEDSGlossary.pdf>

³ Stephanie Hall, “How Much Education Are Students Getting for Their Tuition Dollar?” The Century Foundation, February 28, 2019. <https://tcf.org/content/report/much-education-students-getting-tuition-dollar/>

To be clear, adjunct instructor abilities are not the problem in this equation at all. Rather, it is the use of adjunct labor as the core element of a business model. Historically, adjunct instructors were people who held full-time positions outside of teaching and lent their professional experience and knowledge to the classroom, especially in technical fields. Now, less than half of adjunct instructors have full-time jobs (outside of adjuncting).⁴ These days, entire colleges rely solely on contingent and part-time instructors, and those instructors lack the monetary and material resources to fully serve their students or to enjoy a decent standard of living for themselves.⁵ Research has shown that faculty well being is directly related to measures of student success like college retention.⁶ Unfortunately, any efficiencies that schools are finding because of their labor model are not being passed on to students. With the incentive to cut costs where they likely matter most, policies are needed ensure institutions maximize their investment in students.

HB470 requires schools to spend a minimum amount on instruction. As with other proposals that seek to bring for-profit colleges up to par with their public and private counterparts, opponents may claim this requirement will cut off access to higher ed. I would ask: "Access to what?" As it stands now, Maryland students have access to some of the most expensive programs that invest very little in teaching. For example, Fortis College-Towson spends 34 cents per tuition dollar on instruction, despite charging students around \$18,000 for an associate degree in allied health. Montgomery College, by comparison, charges \$13,000 for the same degree and invests \$1.90 per tuition dollar on instruction. Likewise, an associate degree in dental support at Fortis College-Landover will cost a student \$32,000 while the institution spends just 45 cents per tuition dollar on instruction. The equivalent dental program at the Community College of Baltimore County goes for \$18,000 and the school invests \$1.74 per tuition dollar on instruction.

Schools that devote most of their revenue to attracting new students are less concerned with educating the students they already have. Schools should be required to show a minimum commitment to providing quality instruction. School spending is a signal of a school's intentions and priorities, and setting minimum standards for instructional spending is a sensible route to ensure students that their time and tuition dollars are worth the endeavor. I urge the committee to move favorably on HB470.

Sincerely,

Stephanie Hall

⁴ United States Department of Education National Study of Postsecondary Faculty, 2004, <https://nces.ed.gov/surveys/nsopf/index.asp>

⁵ American Federation of Teachers, "A National Survey of Part-Time/Adjunct Faculty," March 2010. https://www.aft.org/sites/default/files/aa_partimefaculty0310.pdf

⁶ Audrey J. Jaeger & M. Kevin Eagan, "Examining Retention and Contingent Faculty Use in a State System of Public Higher Education," *Educational Policy* 25, no. 3 (May 2011): 507-37. doi:[10.1177/0895904810361723](https://doi.org/10.1177/0895904810361723).