Parthenon Perspectives on Private Sector Post-Secondary Schools

THE PARTHENON GROUP
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Do they deliver value to students and society?

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Broad questions around the private sector's role in post-secondary education

- What role does the private sector play in post-secondary seat expansion and are they poised to help answer the President's 2020 College Attainment Goals – a call for 5MM more associate-level and certificate-level graduates?
- Is the private sector providing educational access to underrepresented students?
- What are the outcomes and how do they compare to alternatives?
- How efficient is the private sector in generating positive outcomes?
- Are those degrees valuable – do they lead to income gains and positive student return on educational investment?
- Are students aware of the debt they will incur and are they left with a burdensome debt load?

The Parthenon Group felt it was appropriate to examine whether or not private sector educators deliver value to students and society

Using Department of Education longitudinal studies, industry data, and primary research, we have conducted a rigorous examination of the private sector's role

Government Data Sources Forming the Basis of Analysis:

BPS
Beginning Post-Secondary Surveys

- Longitudinal studies of post-secondary students
  - 1996-2001: N = 9,000
  - 2004-2006: N = 19,000
- Students followed for five years and data collected on hundreds of variables
- Student outcomes, employment status and income data all available for students at both public and private sector schools

IPEDS
Integrated Post-Secondary Education Data System

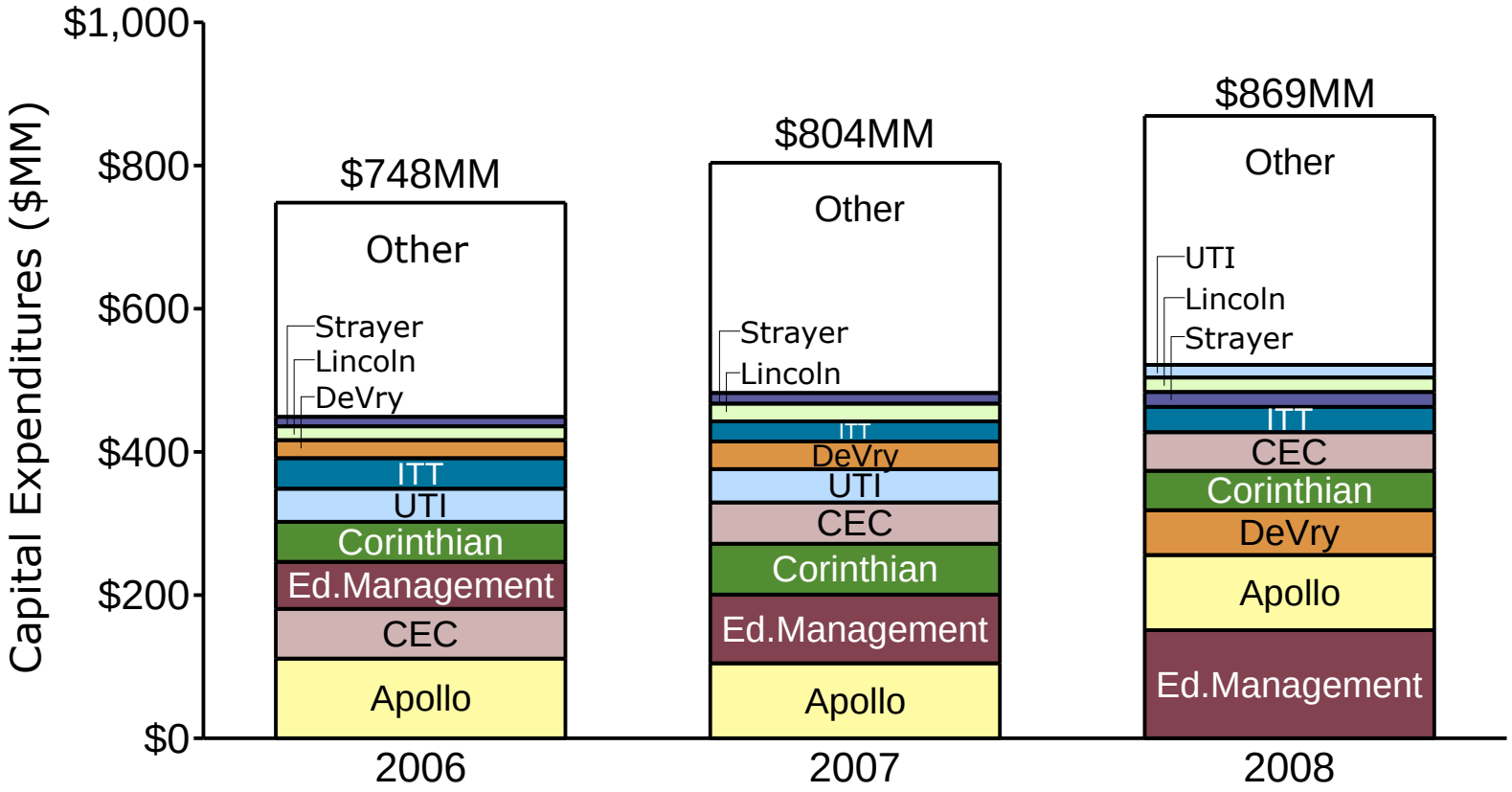
- Survey of 7,000 colleges, universities, technical and vocational post-secondary institutions in the United States
- Participating schools report statistics (e.g. enrollment, completions, revenue, expenditures) on an annual basis

NPSAS
National Post-Secondary Student Aid Study

- Collection of student financial aid data from 114,000 students from 1,600 post-secondary schools plus data from institutional records and government databases for the 2007-2008 school year
- Database examines the characteristics of students in post-secondary education, with special focus on how they finance their education

The private sector is on pace to invest ~$5B over the next five years…

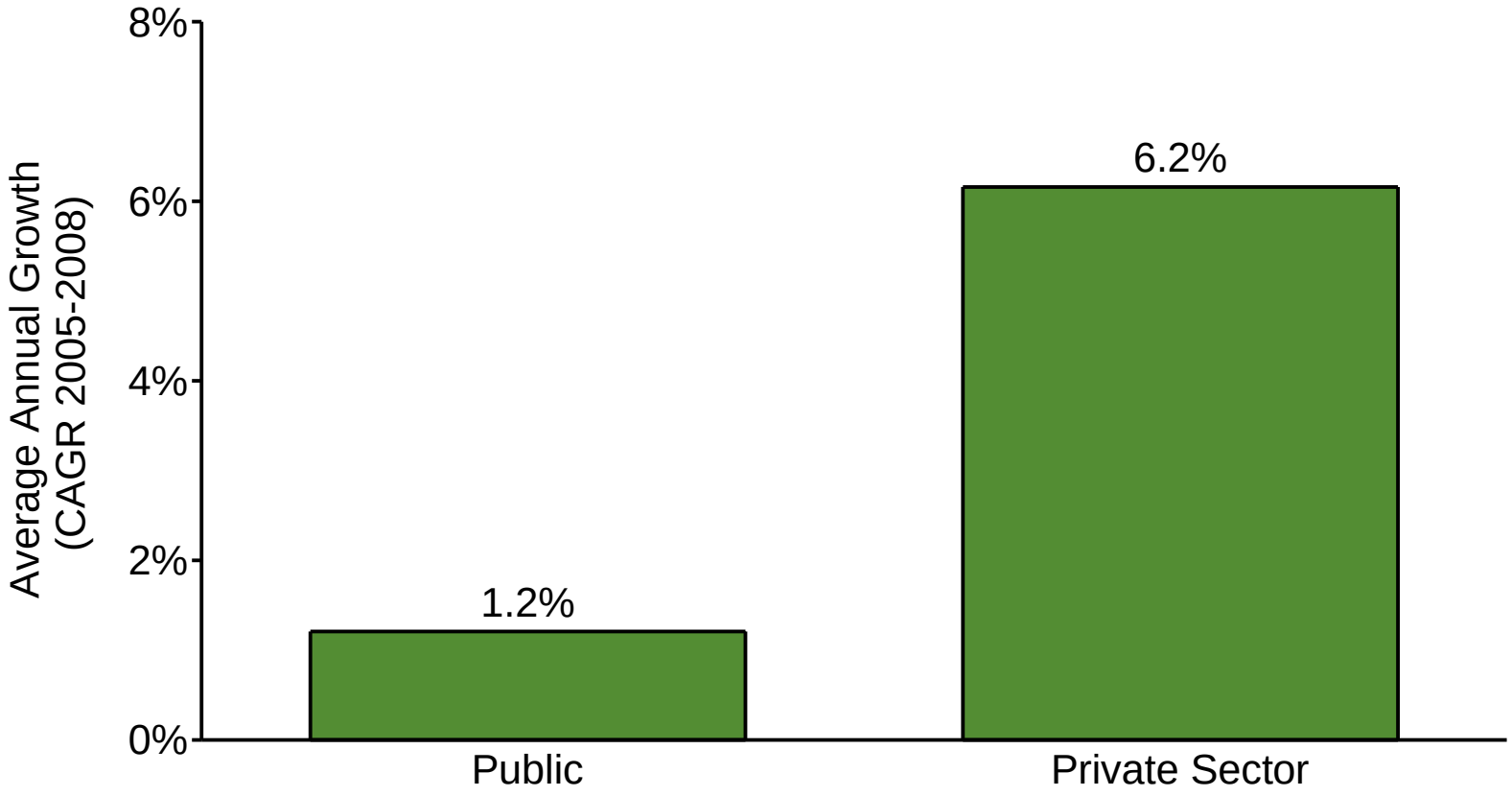
Estimated Private Sector Capital Expenditures, 2006-2008



Source: CapIQ; NCES IPEDS

…And, historically, the private sector has been outpacing public post-secondary capacity expansion

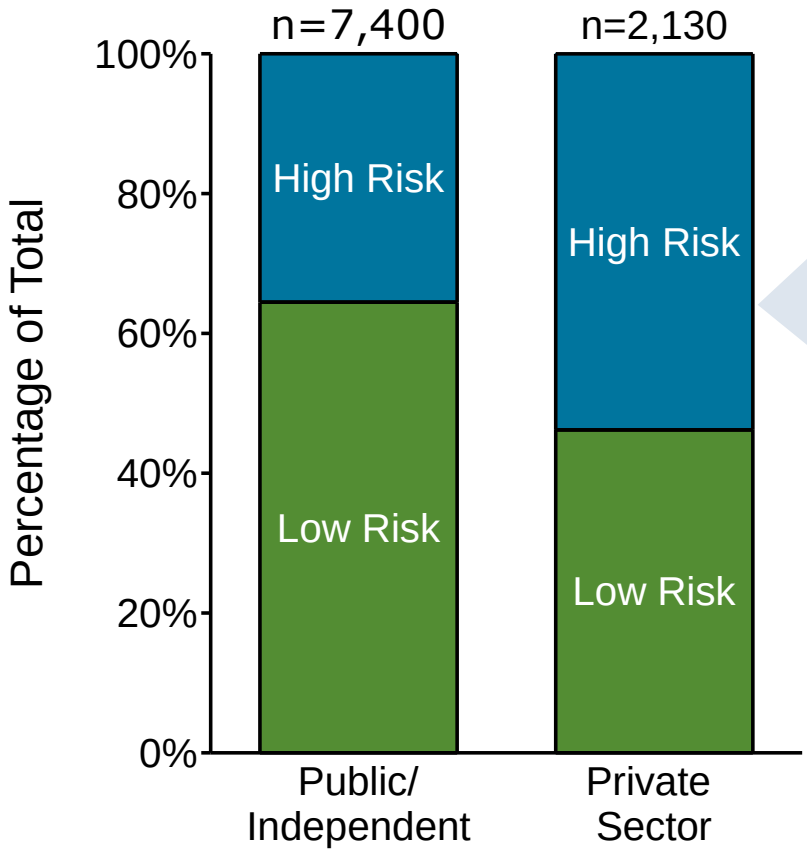
Annual FTE Enrollment Growth
(2-Years and Less Institutions by Type, 2005-2008)



Note: Title IV eligible institutions only
Source: NCES IPEDS database

Private sector schools expand educational access to underrepresented students

Student Mix Measured by "Persistence Risk", 2004



% High Risk	36%	54%

A High Risk student is defined as having 3 or more of the following Department of Education risk factors:

- Delayed enrollment
- No high school diploma
- Part-time enrollment
- Financially independent
- Have dependents
- Single parent status
- Working full-time while enrolled

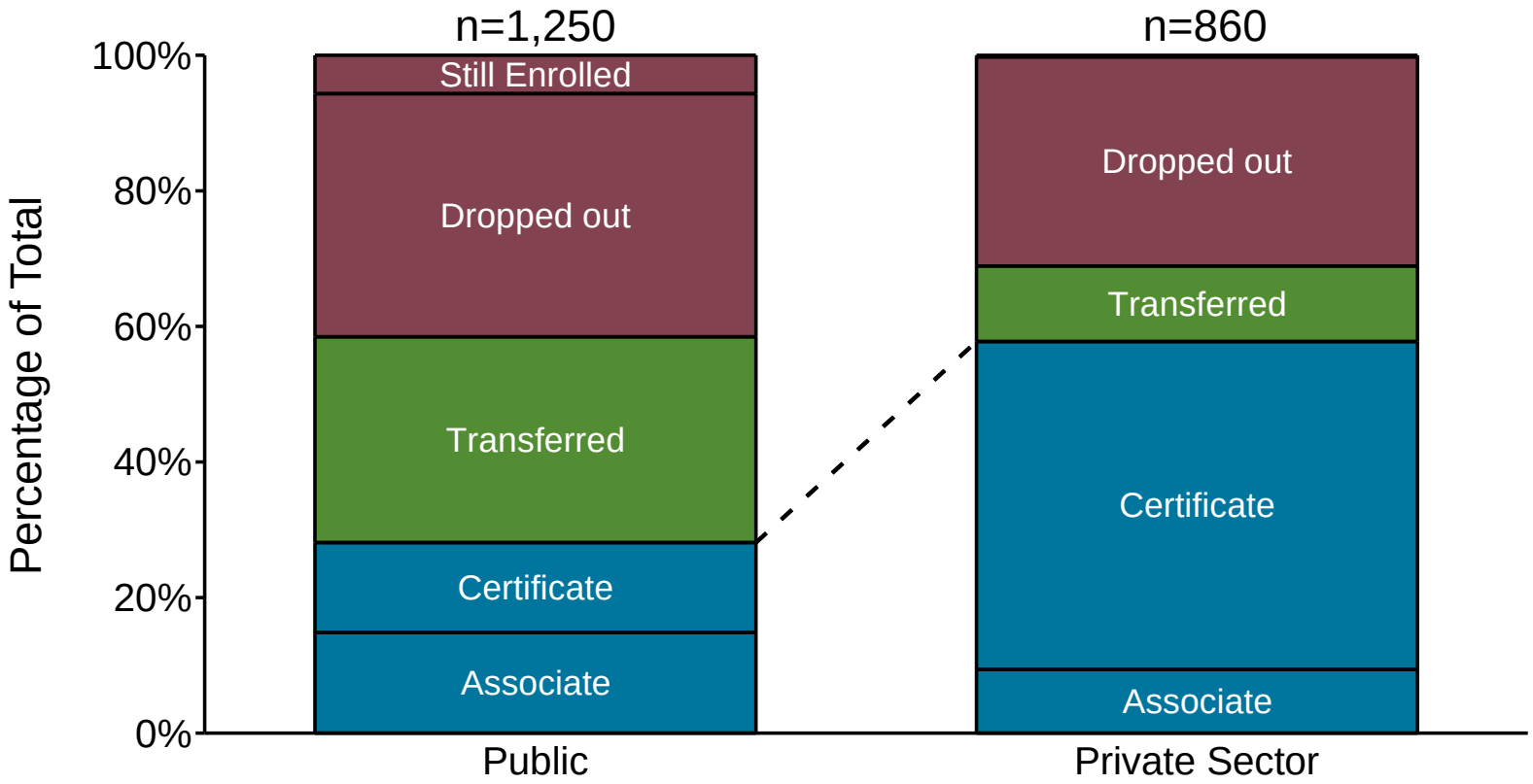
The relationship holds across nearly every measure of underrepresentation:

- Inner city residents
- Low income households
- Minority status
- First generation post-secondary students

Note: Demographics exclude 4-year schools
Source: NCES BPS 2004-2006

Despite higher risk students, the private sector delivers graduation rates ~50% higher than public schools

Student Outcomes 5 Years Post-Enrollment (2-Years and Less Institutions, 2001)



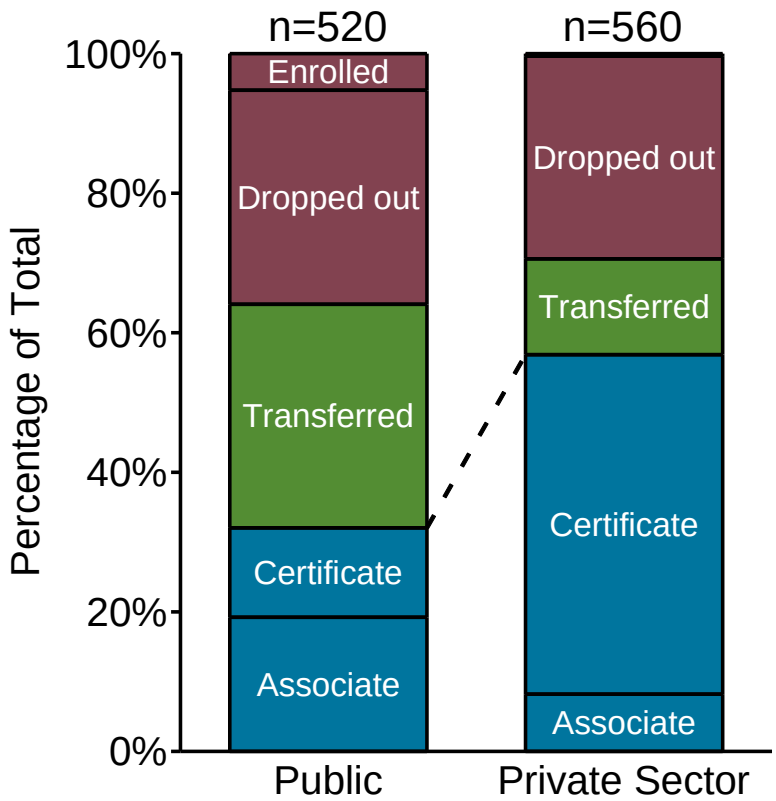
	Public	Private Sector
Graduation Rate*	44%	65%
Minority Graduation Rate*	36%	64%
Positive Outcomes*	62%	69%

Note: Graduation rates are measured 5 years following initial enrollment and include all students

Note: * Graduation Rate = grads / (grads+ dropouts); Positive Outcomes = (grads + transfers) / (grads + transfers + drops)
Source: NCES BPS 1996-2001; Parthenon Analysis

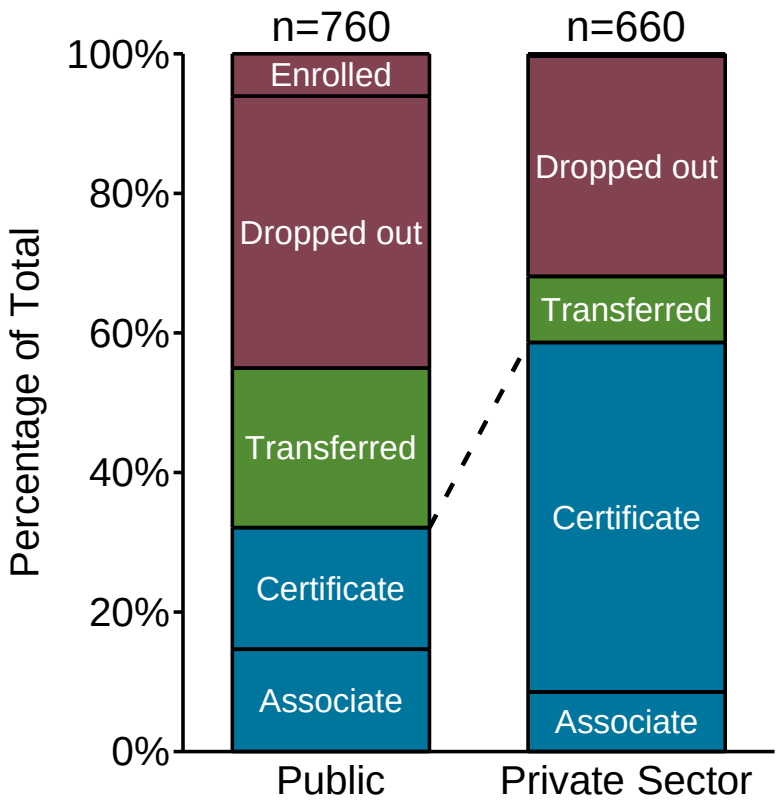
The outcomes differences are particularly compelling with higher risk students

Pell Recipients (2-Years and Less Institutions, 2001)



Graduation Rate*	51%	66%
Positive Outcomes*	68%	71%

Parents Who Did Not Attend College (2-Years and Less Institutions, 2001)

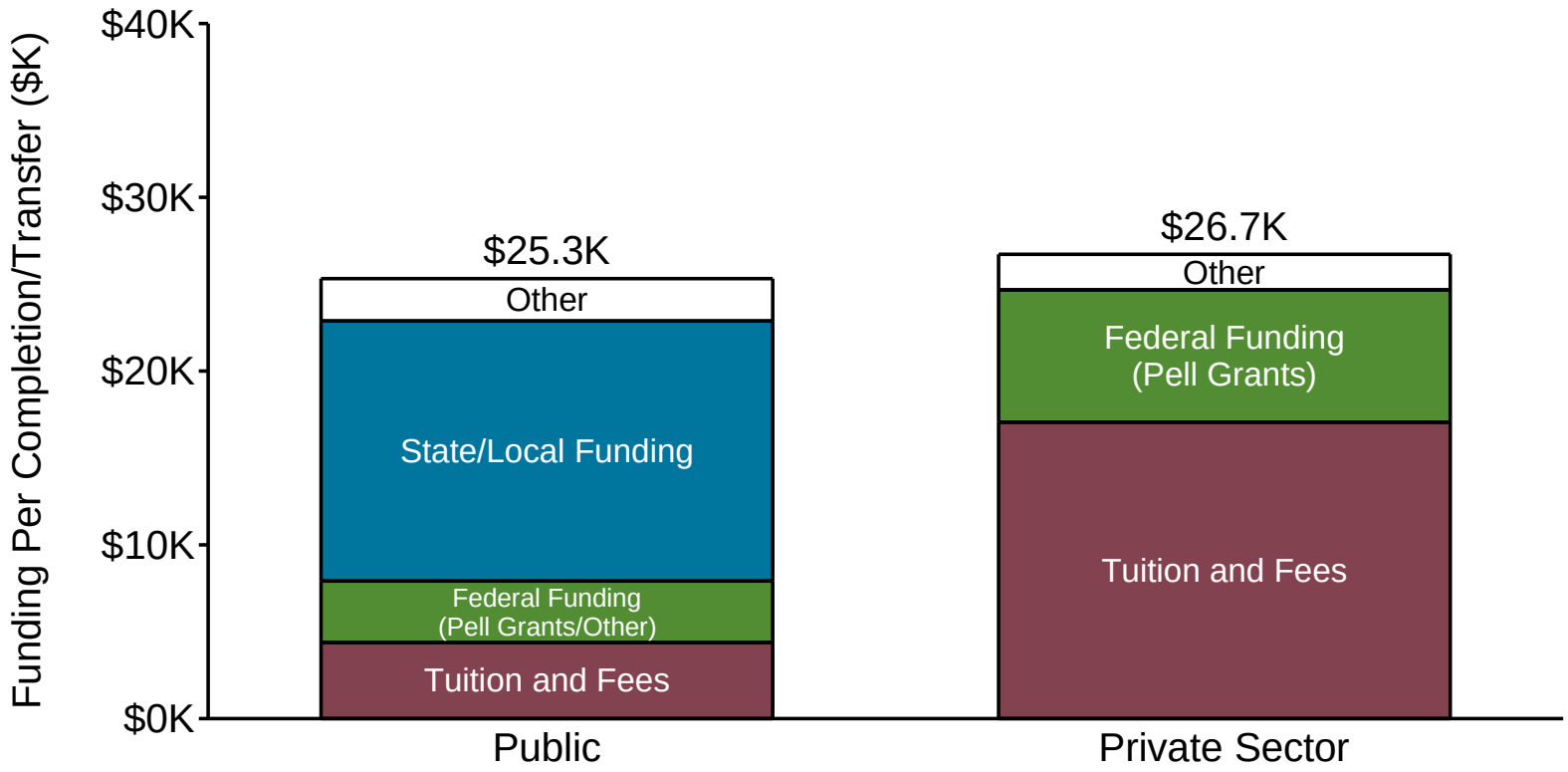


45%	65%
59%	68%

Note: * Graduation Rate = grads / (grads+ dropouts); Positive Outcomes = (grads + transfers) / (grads + transfers + drops)
Source: NCES BPS 1996-2001; Parthenon Analysis

The private sector spends comparable funds in generating positive student outcomes

Funding Per Positive Outcome - Completion or Transfer (2-Years and Less Institutions, 2007)

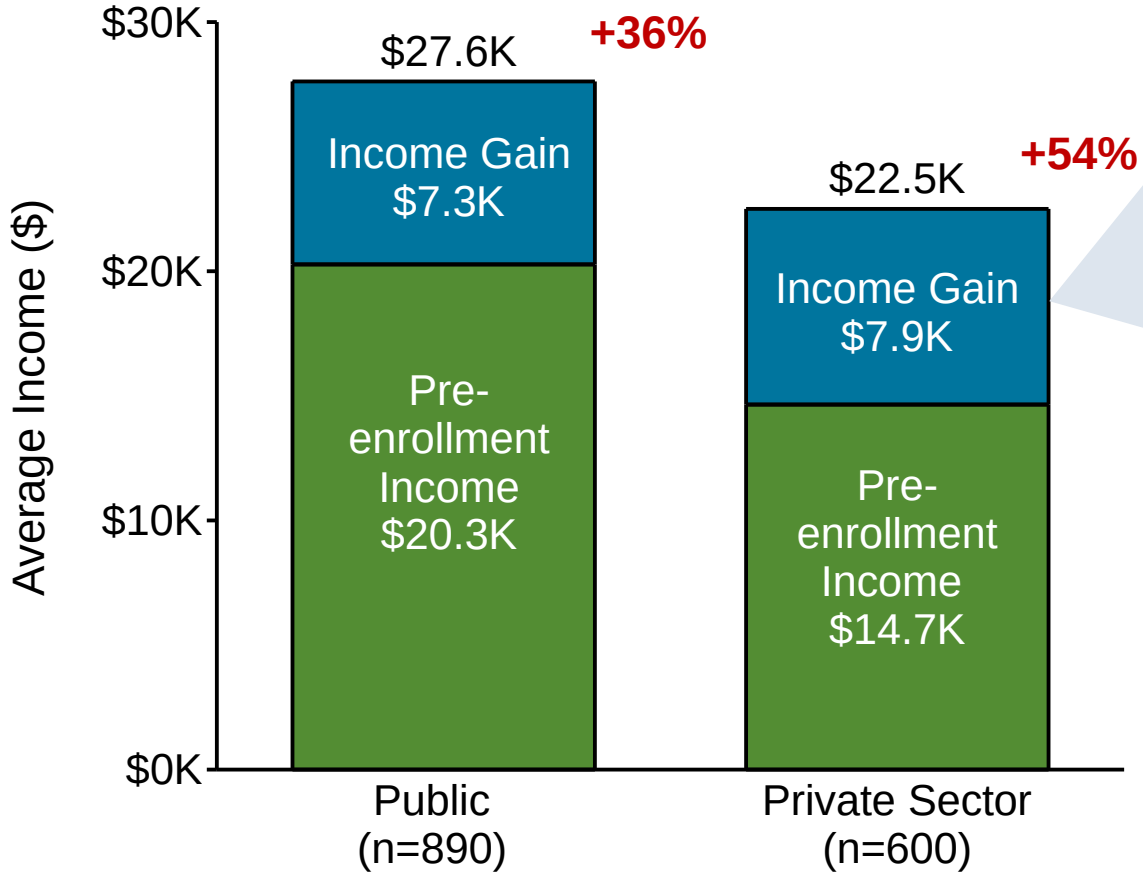


Averages Per School		
Funding	$35.0MM	$5.4MM
Completions and Transfers	1,382	200

Note: Data is normalized for degree mix (private sector funding grossed up to match public sector mix of Associate's degrees and certificates)
Source: NCES IPEDS database; NCES BPS 1996-2001; Parthenon Analysis

Both private and public sector students experience strong income gains from their educational investment

Dollar Gain in Annual Income
(2-Years and Less Institutions, 2002-2005)

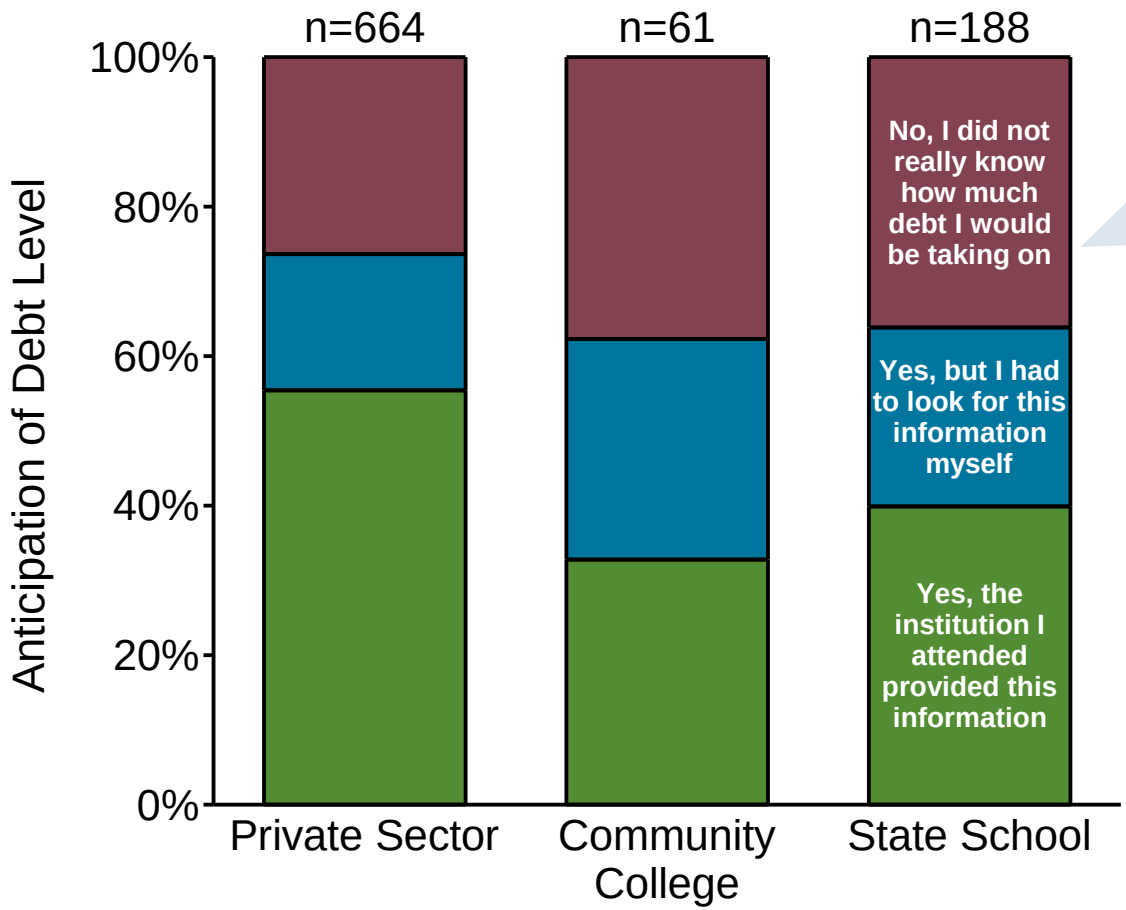


- Private sector students report average income gains of $8K, or 54%, exceeding public school students' gains
- Over a 30-year working life, these gains translate to ~$250K more income

Note: Includes independent students not enrolled as of 2005 who did not transfer; Lifetime earnings estimate = $8K * 30 years employment
Source: NCES BPS 2004-2006; Parthenon Analysis

Though all institutions need improvement, there is limited evidence that the private sector is more opaque about debt

Student Debt Awareness



- Going into your studies, did you have a sense of how much debt you would need to take on?

Source: The Parthenon Group Post Secondary Graduate and Dropout Survey, January 2010 (n = 1,162)

The average student debt burden was calculated using loan data from NPSAS and income figures from BPS

Cumulative debt levels are calculated using data from the National Postsecondary Student Aid Study, 2007-2008 (NPSAS)

- Debt burden analysis considers the cumulative debt still owed by graduates after completing their degree. These individuals must be full-time students who did not transfer mid-year
- Includes all loans except for parent PLUS loans that are borrowed for undergraduate education

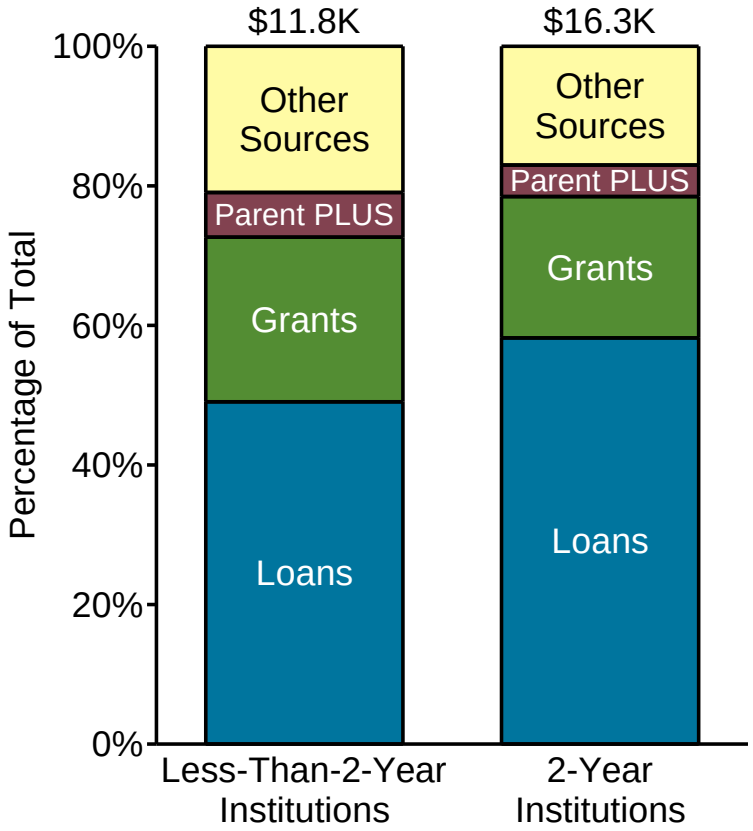
Student post-graduation income is calculated using data from the Beginning Postsecondary Students Longitudinal Study, 2004-2006 (BPS)

- Income based on 2005 figures of graduates who did not transfer and were employed after school
- In order for 2005 income data to reflect 2008 levels, BPS figures were scaled using the growth in wages of full-time workers, 25 years and over, with an associate degree or some college as reported by the Bureau of Labor Statistics

Source: US Department of Education, NCES NPSAS 2007–2008; NCES BPS 2004-2006; Bureau of Labor Statistics

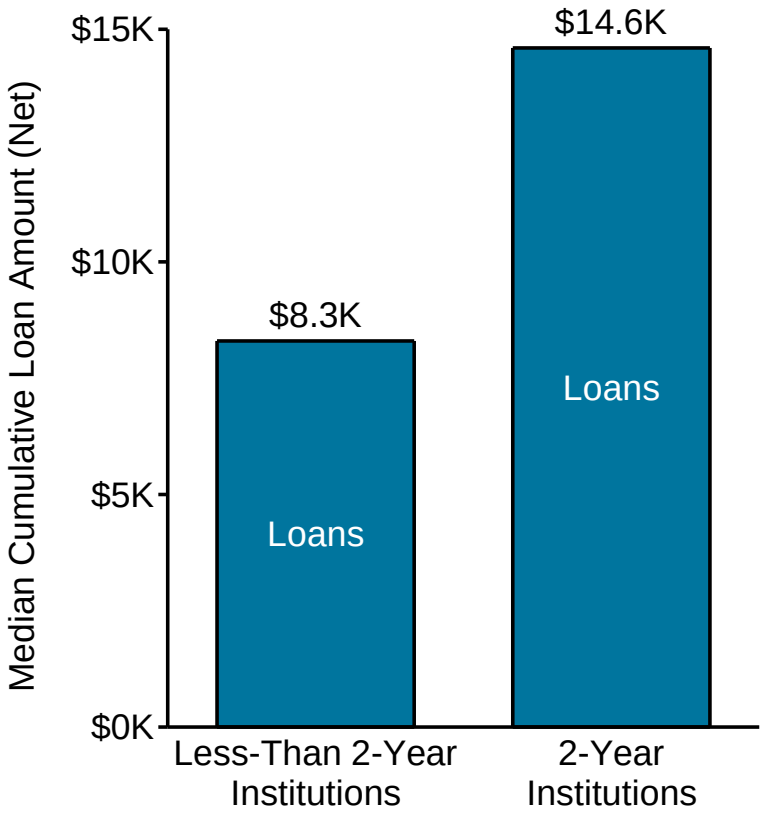
Students at 2-year and less-than-2-year institutions borrow $14.6K and $8.3K to finance their education

Private Sector Average ANNUAL Tuition & Fees



Average Aid Package	$9.3K	$13.5K

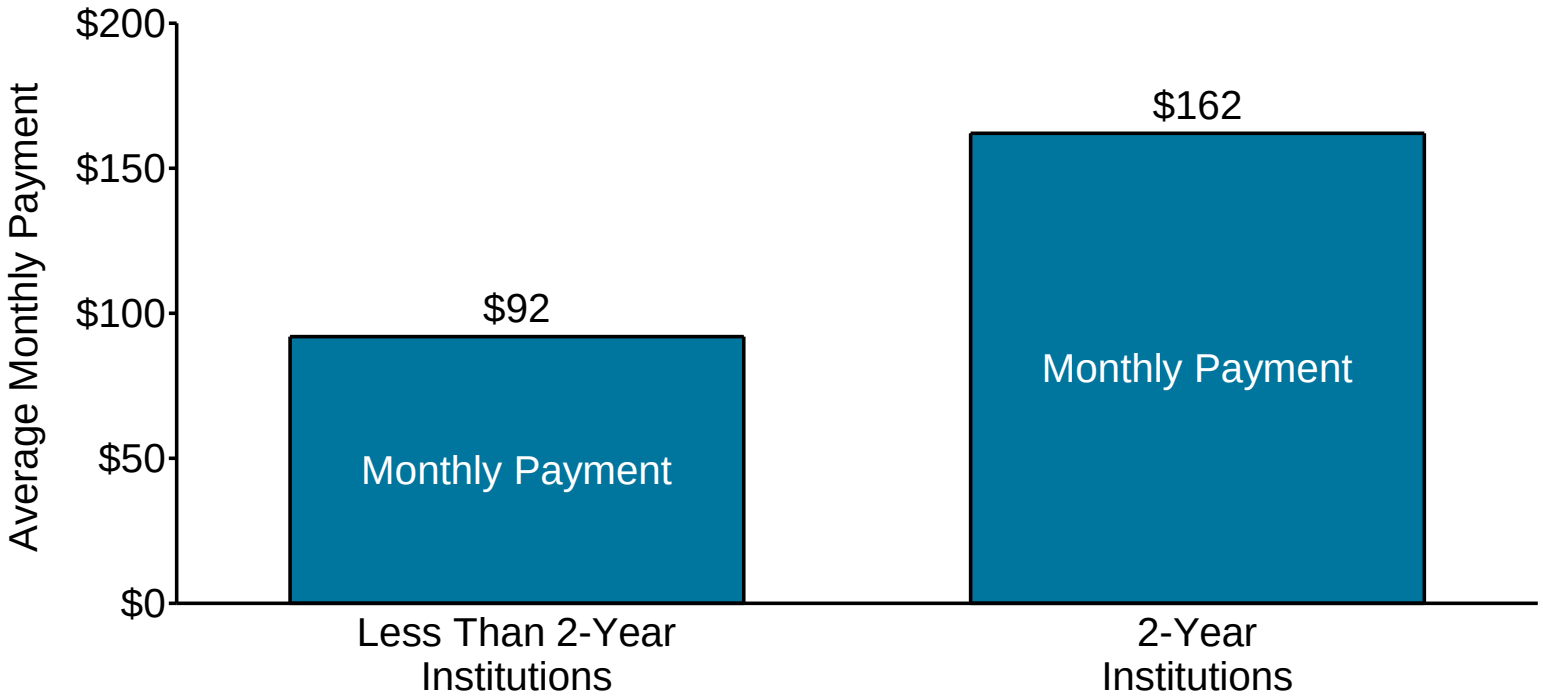
Private Sector Median CUMULATIVE Loan Amount (Net)*



Note: *Cumulative loan amount is net of payments made while the student is enrolled
Source: NCES NPSAS 2007-2008

Graduates' students loan burden is manageable, with average monthly payments ranging from $90 to $160

Graduates' Average Monthly Student Loan Payment, 2007-2008



Average Monthly Income	$1,943	$2,123
Median Loans at Graduation	$8,282	$14,598
Debt Payment as % of Monthly Income	4.7%	7.6%

Note: Debt burden calculated on a 10-year repayment at 6% fixed interest rate; Includes all financial aid; Income based on 2005 BPS figures
Source: US Department of Education, NCES NPSAS 2007–2008; NCES BPS 2004-2006; Bureau of Labor Statistics

Parthenon background and contact information

About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting with offices in Boston, London, Mumbai, and San Francisco. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services; long-term client relationships, a willingness to share risk with our clients, an entrepreneurial spirit, and customized insights are the hallmarks for which The Parthenon Group has become recognized in the industry. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

About The Parthenon Group Education Center of Excellence

Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education Center of Excellence (ECE) – the first of its kind across management consulting firms – has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors.

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