Jason Altmire (00:04):
Hello again and welcome to another edition of Career Education Report. I am Dr. Jason Altmire and we are coming up on one year of podcast episodes and I can tell you that there is no episode I have looked forward to more than this one, the conversation that we are about to have. Our guest is Kelly McManus and she is with Arnold Ventures. And I’m going to tell you a little bit about Arnold Ventures from the perspective of what we do at Career Education Colleges and Universities. But before I do that, I just want to welcome you, Kelly, and if you don’t mind, tell us a little bit about what Arnold Ventures does and what your role is.

Kelly McManus (00:45):
Absolutely. Thank you for having me. I’m really excited to engage in this conversation. So Arnold Ventures is the philanthropic initiative of Laura and John Arnold. We are focused as an organization on solving society’s most intractable problems. We are big believers in the power of policy to affect change. And so we do that in higher education of course, which is why I am here today. But also in issues from healthcare, looking at drug pricing issues, issues of complex care. We do that in the criminal justice space, looking at issues like fines and fees and then other issues like democracy. That is something that, as we are recording this the week after the election is something that’s on all of our minds right now. So I think that for us, our goal is to maximize opportunity and minimize injustice in the places where that is needed the most.

Jason Altmire (01:50):
And John and Laura Arnold, who are the Arnolds of the Arnold Ventures, they are incredible philanthropists. Forbes has recognized them as being among the top 20 philanthropists in the country. They give away, according to Forbes, approximately 200 million plus of their own money every year to philanthropic causes. And we’re just so grateful that we have people like that in this country that put their money where their mouth is, they find causes that they believe in, try to make a difference and use their own resources very generously to do so. And I first came across John and Laura Arnold personally because of some work that I do on the political reform side and a board that I serve on and I’ve gotten to know John and Laura a little bit. And it’s interesting because a lot of the work that they do, I certainly agree with them on the political reform efforts and you mentioned criminal justice, healthcare, really big issues in America that they’re involved in.

Jason Altmire (02:51):
And one of their priority issues and the priority issues of Arnold Ventures, which you oversee, involves accountability within higher education, accountability for outcomes. And for our listeners, if you think of groups like the Harvard Law School’s Legal Services Centers Project on predatory student lending, that group is subsequently spun off and they’re independent now, but Century Foundation, [inaudible 00:03:17], Veterans Education Success, these are groups that have been very critical of the for-profit sector. We see these reports and studies come out periodically, harshly critical of the for-profit sector. And I get asked all the time, who’s funding these studies? Where does this come from? And most of the time, Arnold Ventures is the lead funder or one of the lead funders for the organizations in these studies. So it’s just interesting for me to have gotten to know them and have the conversation, but also to have this podcast today and have Kelly join us.
Because what I have found is we don’t actually disagree on very much. I think what we disagree is the scope of their activities so far, not the mission. And I would point you to, there was a very good article regarding Kelly's role in a publication called Inside Philanthropy. And they did in October, a summary of Arnold Venture’s work regarding outcomes, accountability in higher education. And it was in response to President Biden's loan plan. And what you find when you talk to John and Laura, and I suspect, Kelly, we're going to have this conversation today is the priority is outcomes, accountability across the board. We argue that all the time. We always say we are not opposed to accountability. We just want all schools and all sectors to be held to the same standards. I don't think you disagree with that.

I don’t think Arnold Ventures disagrees with that necessarily. I think I have found the organization and the individuals involved to be very sincere in their attempt to bring accountability across the board in higher education. So I would just start by asking you that. What led to the interest in looking at for-profit schools in particular and then the outgrowth of that into the more general issue of accountability across the board?

So our goal at Arnold Ventures for our higher education portfolio is to increase the return on investment for both students and taxpayers in higher education. And across the board there is significant work to be done. Unfortunately, right now we have a system in which students are going into debt. There are families are going into debt. People are spending a significant amount of their personal money and frankly taxpayer money to try to get a leg up, to try to get economic mobility, economic stability. And what we find is far too often those bets aren’t paying off for the individuals and taxpayers are on the hook. So when John and Laura started investing in higher education, they saw a system that wasn’t functional. John likes to say a lot, he believes that markets work until they don't. And then when the market is not working, you have to look deeper, follow the data, follow the evidence, and understand kind of where different incentives potentially are distorting the market.

So as John and Laura started to dig into understanding how we can make sure that our higher education system continues to be the key to economic mobility and stability. They started looking at the data, it became clear that there was frankly just disproportionately bad outcomes in the for-profit sector. And certainly that is not to say that that is the only place where there are bad outcomes. There are a number of schools of all types and in all sectors that dramatically need to improve how they are serving students. But policy is based on patterns and there are patterns of challenges, of issues, of bad outcomes and frankly, of even misrepresentation and fraud, particularly in the for-profit sector. John and Laura, this predated me, but their first big investment in higher education was with the project on predatory student lending. And that really came from a consumer protection angle. They identified that particularly at that point the Corinthian Colleges had cheated students and taxpayers and students and taxpayers needed someone advocating for them.
And so that was where we decided to step in. But your point is right, and as we have built out this portfolio, we’ve been investing in higher education for six years now, I’ve been here for four. And we realized that even if we eliminated all predatory behavior in higher education, we still were not going to have the outcomes that we needed for a vibrant economy, a vibrant society. Where students could take out debt knowing that it’s a good bet for them, knowing that it’s more than likely going to pay off. And so our focus has expanded and we are very, very strong advocates of outcomes focused accountability for all schools and sectors. We think that there are probably some important ways to differentiate. We don’t necessarily think that one size fits all makes sense in this case, given the diversity of higher education institutions in our country.

Kelly McManus (08:56):
But we need a system where if taxpayers are investing billions of dollars every year, if students are making one of the biggest investments of their life, there needs to be some consistent quality assurance, again across the board. We've also realized that we can't just have a system of sticks, there need to be some carrots too. There need to be some incentives. And one of the things that we've learned over the past few years in particular through some of our research is there are programs out there that are consistently increasing outcomes for students. One of the programs that we've invested heavily in is the CUNY ASAP program. This is the accelerated studies, but CUNY ASAP is the program that has consistently both at CUNY and when it has been replicated in other areas, has consistently doubled graduation rates for community college students. And so we also want to find ways to incentivize schools that are serving students well and that are seeking to improve how they are serving students by implementing these kinds of evidence based programs.

Jason Altmire (10:16):
When you talk about the impact of Corinthian and presumably ITT was happening at the same time as well, and I know John has mentioned that to me in our conversations. And you also mentioned that for-profit schools in your view have disproportionately bad outcomes. So I guess how are you defining bad outcomes, and how do you view the difference between very high profile, what we would consider to be anomalies. But when you're thinking about public policy, what are the outcomes that you're looking at, and how do you protect against overreach where you're harming schools that aren't doing anything wrong?

Kelly McManus (10:55):
We look at a couple of things. I think one of the biggest challenges that I know that you have grappled with, and I’m sure your members have grappled with too, is what are the appropriate metrics? How do you quantify what higher ed should be doing? We think there are a number of ways that you can do that. We tend to look at a combination of a couple of different metrics because we believe that no one metric and it shows the full picture of how a school serves their students. But for us, we look at completion certainly as the first step, overall debt loads. But for us, really the most important thing is the debt to earnings ratio. And also very frankly, making sure that students are able to earn more than they would have otherwise. We know students go to higher ed, I certainly went to higher ed, I'm guessing you did as well to improve our outcomes on the job market very frankly.

Kelly McManus (11:58):
And so I think that that expectation of being better off financially, being able to earn more and having a manageable debt load is really important and what the vast, vast majority of students go to higher ed for. So those are the primary ways that we define outcomes, recognizing that, again, you're trying to take the magic that is higher education and boil it down to metrics.

Jason Altmire (12:27):
And you're no doubt familiar with the Wall Street Journal series last year looking at that very issue, looking at students being unable to repay their investment in higher education. And that involved schools primarily in their series of articles in the private nonprofit sector, most famously the Columbia School of Journalism. Where their master's program students were unable to repay their loans because they didn't make enough money to do so. Does it give you concern that the focus of Arnold Venture's work thus far appears to be, at least from our perspective, directed at for profit schools when it's been well documented that problem that you seem to have a great interest in exists across many other sectors?

Kelly McManus (13:15):
I will tell you that Wall Street Journal series was one of my favorites and favorites kind of sounds [inaudible 00:13:23] because it's a terrible story. Just a really egregious actions here, but it helped people understand kind of a trend that we had been seeing when we look at the data over the years, and that is especially in graduate programs. The growth of these masters and other programs that in private nonprofits and in publics frankly, that we think are taking advantage of the fact that there are not limits on graduate borrowing. And that schools are putting together these programs to really absorb some of the cost and potentially subsidize some of their undergraduate work. Seeing that trend, we have invested quite a bit in research to try to really understand the root of that problem, understand how deep that problem is and what the right policy responses are so that we aren't taking advantage of students who, again, are just trying to get ahead in their career, but who might be taking out levels of debt that don't make sense in the context of the ROI for that particular program.

Kelly McManus (14:45):
So I think we would very much agree with you that there are these broad issues that focusing on just one sector alone is not going to fix our higher education system. That being said, I think we are also seeing these same issues with grad schools in the for-profit sector as well. And so I think that we want to make sure that as we are addressing the issues, we're doing so across the board and we are targeting our attention to where the harms are most egregious.

Jason Altmire (15:19):
I get asked a lot of times from our member schools and when I travel around and talk to folks in our sector, what is the motivation of the critics? Why do they seem to have such a bias and just this zealous focus on for-profit schools? It's been my observation, some of those critics including policymakers and people in the Congress that there is an ideological, I would say difference of opinion to put it kindly, on the role of for-profit. Maybe not even just in education, but in business and in the world generally. But as it relates to higher education, there are some that it is an ideological issue. They just don't like the idea of for-profit higher education. I do not get the sense that that is what's happening with you or with John and Laura or with Arnold Ventures more generally. I get the sense that you really are trying to solve
a problem and it is a problem across the board. Again, we maybe have a difference in the focus thus far on for profits, but am I characterizing that correctly?

Kelly McManus (16:32):
As you said, these are issues across the board, but I think that it is important as we think about some of those potential ideological differences when we think about what the incentives are. For-profits do have an obligation to their shareholders. Certainly publics and nonprofits have other obligations, but we need to really make sure we’re being clear-eyed about what those incentives are and what that means for the work. That being said, for us, we are very, very, very much focused first and foremost on making sure students, regardless of where they go to school, are better off for having gone. There are times when different approaches make more sense for different people as long as there is a baseline and foundation of quality assurance, where taxpayer dollars are not being thrown away and where students are leaving higher ed on a path for economic mobility and stability.

Jason Altmire (17:40):
Can you tell us a little bit about what type of research you're interested in regarding that point? We see what's been done and it's been done at a high volume focusing on for profit outcomes, but what work are you doing on the other sector? How are you addressing that? What are the studies? What's the work that's being done by Arnold Ventures to solve that part of the problem?

Kelly McManus (18:06):
One of the pieces that we have recently invested in that I'm really excited about is work with Preston Cooper from FREOPP, who I know you have had on the show here. And looking at ROI again across sectors at different levels of education and we think that that's really important work to get out there to help people begin to understand how return on investment is showing up across the board. We also just recently SHEEO, the State Higher Education Executive Officers Association, just released a paper that we funded that looked at school closures and what happens to students again, across sectors when schools close precipitously. And we think particularly given some of the challenges that we are seeing with especially small schools, we know that school closures are likely to be a problem facing students again, regardless of where they go. And that report showed that where there was an orderly process for closures, students were more likely to re-enroll and graduate.

Kelly McManus (19:24):
So that helps us think about what are the policy issues that we need to put in place to make sure that students and their taxpayer dollars are protected from precipitous closure, for example. So that's a paper that just came out that I'm really excited about. And then we also, again, are looking at a number of questions on graduate programs that we mentioned. Where we think that that is an area that is really ripe, again, across sectors to understand which types of programs are producing results, producing ROI for students and taxpayers, which ones aren't. And then for us, the really important question that we ask every researcher we work with and every research project that we fund is, so what does this mean for policy? What can this tell us about how we can better protect students? What can this tell us about how we can better invest taxpayer dollars and then protect those investments?

Jason Altmire (20:31):
I think this is something that we will be able to work with you on moving forward, which I think people would be surprised to hear that there would be anything that we would be interested in working together on. But to the degree that we can have that conversation later, we have collected data that I think would be helpful to you in moving forward and at some point we can have a conversation about our view on some of those issues as well. I would want to just close, we mentioned Corinthian and ITT and the high profile examples of wrongdoing that led John and Laura and Arnold Ventures down the road of taken a very strong interest in the issues related to for-profit higher education. And when I travel around the country, we have close to 800 campuses in America. We have an alliance now with Canada and there’s hundreds of campuses up there and we’re getting to know them. There’s great frustration in the fact that the actions of a few, very large, high profile actors, bad actors have tainted the entire for-profit sector.

Jason Altmire (21:39):
And I would just ask you, what is your perception speaking on behalf of Arnold Ventures of for-profit schools generally? When you say there’s disproportionately bad outcomes, what is your perception generally of the for-profit sector in higher education?

Kelly McManus (21:57):
I think when I look at some of the data, I think there’s particular places very similar actually to what we see in the research on workforce development programs and the programs that have the biggest impact. Where there are very specific needs that need to be met in a high growth, high wage industry with close industry involvement. That is where you see some of the best outcomes in the for-profit sector and so I think that there is an opportunity there to build on those results. And I very much understand your member's frustration and I think this is an opportunity and a place where y'all and you, Jason, especially as a leader here, can be really a great champion for weeding out the bad actors that are going to bring everybody down and highlighting where there are programs and schools that are meeting students needs and serving students well and being good stewards of taxpayer dollars.

Kelly McManus (23:04):
And I think that particularly as we look to a new congress, as we look to new opportunities to find a path forward to ensure everybody gets a high quality return on investment in higher education, I think that there’s a great opportunity there for us to continue this conversation, which I would certainly welcome.

Jason Altmire (23:26):
This has been Kelly McManus. She is the vice president for higher education for Arnold Ventures. And I will just reiterate that I just personally, and I think most people are glad that there are people like John and Laura Arnold out there that are willing to take up causes and support issues that they believe in. And we obviously have a difference of opinion on one of those issues, but we are grateful that they are such activists in the philanthropic world and grateful for you in the work that you’ve done, a lifetime of work in your career in higher education and K through 12 and all types of education in your case. So thank you for the passion that you bring to the issue. Thank you for being willing to join us on this conversation. And if somebody wanted to learn more about Arnold Ventures and the work that you're doing, how would they find you?
Kelly McManus (24:19):
The website is the best way, arnoldventures.org. And somehow I got suckered into joining Twitter, so you can find me there as well.

Jason Altmire (24:29):
Kelly McManus, thank you for being with us.

Kelly McManus (24:32):
Thanks so much for having me. I appreciate it.

Jason Altmire (24:35):
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