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# Review of Online Programming Characteristics and Pricing at Private Not-for-Profit Two Year Colleges in the United States

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## **Abstract**

Online programming has expanded greatly within higher education and much attention has been spent on public two year colleges (more commonly known as community colleges) and both private and public four year institutions. This research seeks to expand understanding of the small market of private not-for-profit two year colleges within the United States. The research provides an analysis of 80 such institutions and their pricing strategies for online learning as well as the online programming behaviors within this market. Findings indicate that 48% offer online courses with 32% of them offering online degree programs. Additionally, this market shows a strong preference for setting online programming tuition equivalent to on-campus rates at 87% having this tendency.

## **Introduction**

The United States has over 4,600 degree granting institutions with 1,616 of them being two year degree granting institutions. This small market of two year colleges is principally composed of 920 (57%) public and 608 (38%) for-profit colleges. When looking at studies that target online learning it tends to focus on the public two year colleges, more commonly referred to as community colleges, or it groups the public and private segments of this market together. Hence, two year, not-for-profit colleges are often overlooked for its statistical marginality of representing 5% of all two year institutions and 2% of all higher education institutions. These institutions, as with public two year colleges, have experienced a drop in active operating colleges where in 2003 there were 127 private not-for-profit two year colleges and as of 2015 only 88 such colleges were still active. In regards to total student population over this same timespan there was experienced a 22% drop (NCES, 2016). The fluctuation in these numbers have predominantly occurred due to institutional closures, while a small minority have made the transition to baccalaureate programming (Kinser, K. et al., 2010).

In comparison to this dire number concerning the changes within private not-for-profit two year college market, online learning has grown by 72% since 2002 to where it now garners a total of 5.8 million students participating in some facet across higher education (Allen & Seaman, 2016; Poulin & Straut, 2016). The Pew Research Center in its study of 1,055 colleges and universities found that 77% offer online learning options. In their report two year colleges (private and public are combined) represent an online learning saturation at 91% with private four year institutions being the lowest at 60%. Additionally, their study showed that 54% of two year institutions offering online courses also offer online degree programs with 47% of four year private colleges offering the same options (Parker, Lenhart, & Moore, 2011).

Online learning has been described as a disruptive innovation where colleges are able to reach student populations that they once were not able to reach and achieving this through increasing flexibility and access in addition to increasing potentiality of specialization by bringing together intellectual capital from multiple campuses and institutions (Wendt & Lesht, 2014). This innovation

has grown exponentially due to growth in internet usage, declining costs in instructional development mechanisms, and revamping in higher educational business models (Byrd & Mixon, 2012). Much of this has revolved around discussions of not only reaching a new market of students through access but that there is a perception of cost effectiveness that has led two-thirds of higher education institutions to report that online learning is critical for their long-term plans (Moloney & Oakley, 2005; Parker, Lenhart, & Moore, 2011).

Despite this view concerning the strategic criticality of online learning by many institutions there is still much skepticism concerning the quality of online education among administrators and faculty across institutions (Windes & Lesht, 2014; Parker, Lenhart, & Moore, 2011). Additionally, various research has shown that other institutional obstacles concerning scaling of programs due to institutional mission, that start-up costs for online program development and faculty development can tax resources, intellectual property concerns, increases administrative support, and limitations of technology infrastructure (Windes & Lesht, 2014; Moloney & Oakley, 2005; Crawford, Gould, King, & Parker, 2010). Concerning institutional mission, private not-for-profit colleges often are seen as emphasizing their residential campus communities and as such may be more apt to deciding against increased online programming efforts due to the perceived nature of this mode of learning being targeted towards off-campus students and therefore not consistent with their overall mission and therefore not as critical to its long term plans (Moloney & Oakley, 2005). Furthermore, it is essential for institutions to have proper faculty development around the conduct of distance learning pedagogies to establish teaching presence to ensure enhanced satisfaction, persistence, and retention (Martin & Motet, 2010). The research of Wright (2014) highlights that effectively crafting this relationship and presence has a hidden cost which should be scrutinized to ensure necessary resources are in place to sustain this effort.

The role of institutional mission is essential to higher education as it creates and maintains brand which is essential for a successful business model. Higher education is a business that needs to maximize its revenues which can best be achieved through price discrimination determined by a marked demand price elasticity (Crawford et al., 2010; Byrd, Roufagalas, & Mixon, 2015). Tuition discrimination is best seen in the use of tuition discounting which has a long tradition within higher education, especially the private sector, as a means to increase enrollment (Browning, 2013; Hillman, 2012; Duffy & Goldberg, 1998; DesJardins & McCall, 2010). However, this strategy is only effective if it does not overly tax the institutional operating budget and is offset through endowments, grants or other revenues (Wilson, 2008; Browning, 2013). Private institutions rely heavily on tuition and fee generation for revenues (Beamer, 2011) and the demands placed upon higher education for the provision of a full-service model (student and academic services) that continues to expand has led to the rising of tuition costs above the rate of inflation which is compounded as institutions also deal with the loss of external funding sources, either private or public, in recent years (Anderson & McGreal, 2012). Online learning can be seen as an additional revenue generator that has the potential to offset funds with the ability to support its own programming while subsidizing on-campus operations. Some of this can be seen in recent achievements within the educational and instructional technology markets such as Open Educational Resources where costs are being mitigated, thereby advancing instructional development (Anderson & McGreal, 2012). When tuition discounting is applied there are additional financial benefits to the institution through the enticement of new students; however, this requires efficient and responsive practices by the institution to ensure tuition discounting practices are producing positive returns (Hillman, 2012; Redd, 2000).

Byrd, Roufagalas, and Mixon (2015) provides a sufficient summation of the previous information in their research. These researchers identify tuition as an inelastic attribute but only in the short-term and as revenue streams are expanded the price elasticity will change over time as well. They describe this in regards to a theoretical framework of institutions operating within two markets of on-campus and online learning modalities. They argue that when operating within these two markets it is a necessity for optimization through differing pricing strategies. However, their review

of institutional data demonstrated the majority of colleges actually do charge approximate tuition for both on-campus and online courses. In their conclusions they recommend for price discrimination through the discounting of online courses compared to on-campus tuition. The primary motivation for this is the potential stimulation of an increase of online students while having minimal impact concerning on-campus student enrollment.

The literature above highlights that while online programming has permeated higher education at differing levels, institutional obstacles created by culture and infrastructure have limited the use of discounted tuition strategies to create dynamic revenue streams. To better understand and expand research into private two year not-for-profit colleges and their use of online programming, this initial study collected and analyzes data to answer the question of how do private two year not-for-profit colleges implement online programming and how does this resemble trends identified within the larger higher education community.

## Research Methodology

In identifying the population, the Integrated Postsecondary Education Data System (IPEDS) was consulted using the screening criteria of associate degree producing, private not-for-profit two year colleges that award federal financial aid. This initially produced a result of 88 colleges which was further reduced based upon additional criteria. This criteria consisted of ensuring the sample consisted of schools which only offered associate degrees and did not confer a bachelor’s degree, the school was still operational, and it is accredited by agencies recognized by the Council for Higher Education Accreditation (CHEA). With these additional criteria added the number dropped down to 80 institutions.

From these 80 educational institutions additional data was collected by visiting the institutional websites in order to assess prices per credit hour for both online and on-campus courses, whether there were online degree programs, and the general academic focus the institution. Specifically, the five attributes considered in this study were 1) Scale (total student enrollment); 2) Academic Focus (General Education, Occupational (General, Healthcare, or Mortuary Science)); 3) Accreditation (Regional, Religious, or Career); 4) Campus Housing; and 5) Age of Institution. Table 1 shows the institutional profile of the population of this study.

Cross-tabulations were utilized to compare colleges to determine if the potentiality of relationships existed between variables.

Attribute	Description	Number of Sample Elements (80 Institutions total)
Scale (Total Student Enrollment)	< 300	45
	301 – 600	21
	601 – 900	9
	> 900	5
Academic Focus	General Education	35
	Occupational – General	17
	Occupational – Mortuary Science	6
	Occupational – Healthcare	22
Accreditation	Regional	33
	Religious	8
	Career	39

Campus Housing	Offered	21
	Not Offered	53
Age of Institution	1899 or before	12
	1900 to 1949	27
	1950 to 1999	37
	2000 and later	4

Table 1. Profile of Institutions

This study is limited in its generalizability due to the small population in comparison to the larger population of the overall 1,616 colleges that award an associate degree and federal financial aid. This small sample is prone to the probability of having a large margin of error within the statistical analysis. Hence, one needs to be careful in correlating this information to the larger population of colleges, which is not the intent of this research. However, the data does provide insights into online programming and online behaviors of colleges within this segment of higher education institutions.

### Summary

From the 80 institutions within the population, 48% offer online learning options that includes 15% of the total population that offer online degree programs in addition to general online courses. There are three categories for the accreditation of the 80 institutions with 41% being regionally accredited (this includes the six regional accreditation agencies and the New York Board of Regents), 10% are accredited by religious national agencies (these include the Association for Biblical Higher Education and the Transnational Association of Christian Colleges and Schools), and 49% hold accreditation by career-related national agencies (e.g. Accreditation Commission for Education in Nursing, Accrediting Commission of Career Schools and Colleges, American Board of Funeral Service Education, etc.).

The 80 institutions can be separated into four areas of academic concentration with occupationally focused colleges making up the largest portion at 56% of institutions. On-campus housing is minimal at 34% within the total population offer this type of housing option. The majority of institutions at 56% have student populations of 300 or less with only regionally accredited colleges have an enrollment over 900 students which is only at 6% of the population. The establishment timeframe for 79% of the colleges is during the period of 1900 to 1999, with 45% established during the period of 1950 to 1999. The average price range for the colleges is in between \$15,000 to \$20,000 and of note is that none of the religiously accredited colleges charged over \$20,000 a year in net costs.

### Findings

The scope of the study focuses on the 48% of the overall colleges offering online programming and in this portion we will now discuss more concerning the data collected. This percentage reflects that the online programming is significantly lower than that identified in the research for overall two year institutions as well as that of private four year colleges. Concerning the tuition habits of the 38 colleges offering online programming, 11% offer a slightly lowered tuition for these courses compared to the on-campus courses and only 3% of the colleges charge more for online courses and its online degree program than on-campus courses, the remaining 86% of colleges have pricing strategies which keep online and on-campus at an equivalent tuition. There are 32% of 38 colleges identified as offering online programming also have online degree programs; none of these programs are offered at a tuition rate lower to their on-campus peer programs. The tuition strategies do reflect that of the research concerning the tendency of higher education institutions to not price discriminant or tuition discount their online offerings when compared to on-campus tuition.

Occupationally focused institutions have the highest rate of degree programs with 75% of these

colleges offering them; while only 25% of the online degree programs are offered within general education focused institutions. There is little significance in the overall academic concentration trend of online courses in which 53% are within general education focused colleges and 47% within occupationally focused colleges. Concerning trends based upon accreditation, the largest body represented is from regionally accredited colleges at 50% and 42% are with career-focused accredited colleges. The highest percentage of online degree programs at 75%, are offered at career accredited colleges. This tends to support that academic focus and accreditation may not necessarily be of great impact for an institutions choice to offer online course; while academic focus does appear to have a higher relationship within this population for an institution to offer online degree programs which 75% of them are within occupational degrees.

Of the colleges offering online courses 45% of them have student populations below 300 students which in turn also offer 58% of the online degree programs. This point is interesting since no online degree programs are offered at any of the larger colleges in this population which would be those with over 900 students. When looking at net tuition prices 39% of colleges offering online programming and 42% of the online degree programs fall within the cluster of \$15,000 to \$20,000, while no institution with a tuition of less than \$5,000 nor over \$35,000 offer any online programming.

Campus housing is not common at private not-for-profit two year colleges where only 34% have this option available to their students. However, of interest is this small population which does offer on-campus housing accounts for 45% of colleges offering online programming; though only 1 of these institutions offer an online degree program. It would seem that institutions offering residential programs may focus more on this aspect as a concerning for its mission and hence not focus on the development of online degrees; a tendency noted in research concerning private undergraduate institutions. Online programming occurs at a higher level at colleges founded during 1900-1949 with 42% which represents 59% of all the institutions founded during this timeframe within the total population. Though when looking solely at online degree programs we see 50% of them are at institutions founded between the timeframe of 1950 to 1999.

## **Conclusion**

The data shows there is diversity amongst institutions within this category of private not-for-profit two year colleges and that some of this diversity differs from the general trends seen within other institutions and this is especially of note in regards to the lower tendency of these institutions to offer online programming. The data does support already existent research showing higher education institutions trend towards offering prices that make online courses comparable to on-campus courses. Additionally, there does appear to be an impact of tuition costs, type of accreditation, and size of institution on whether a college within this population would offer online programming. Assumptions may be inferred that the restricted revenues and fragile footing of this segment of the higher education community may explain for the lowered level of online programming saturation and its tuition pricing choices.

Further research is recommended in general to determine the relationship between tuition, accreditation, and enrollment size regarding an institutions decision to offer online programming. Likewise, more research is needed to identify institutional decision-making for offering or not offering tuition discounts for online programming since the economic framework around this proposed by Byrd et al. (2015) implies it may be more advantageous for institutions to offer such discounts to increase revenues

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