



Highlights of [GAO-07-857](#), a report to congressional requesters

Why GAO Did This Study

The Higher Education Act (HEA) defines “institution of higher education” to include public, nonprofit, and for-profit institutions, allowing students at these institutions access to \$83.1 billion in aid. However, the act also includes a second, narrower definition of institution of higher education specifically excluding for-profits from access to nearly \$1.96 billion in other funding.

During the 109th Congress, legislation proposed consolidating the two definitions. In response to a congressional request, this report examines the extent to which a single definition might affect federal spending, other aspects of applicable federal programs, as well as state-level programs and policies.

To address these objectives, GAO searched the U.S. Code to identify federal statutes and programs potentially affected by a change in definition, conducted in-depth reviews of programs and policies, and interviewed relevant officials.

What GAO Recommends

GAO does not make recommendations in this report. The Department of Education stated that a single definition could increase federal spending by increasing access to some special postal rates and tax benefits. GAO does not believe that the former is likely; the tax code does not rely on the HEA definitions of institution of higher education.

www.gao.gov/cgi-bin/getrpt?GAO-07-857.

To view the full product, including the scope and methodology, click on the link above. For more information, contact George Scott at (202) 512-5932 or ScottG@gao.gov.

HIGHER EDUCATION

Including Public, Nonprofit, and For-Profit Institutions in a Single Definition Is Unlikely to Immediately Affect Federal Spending, but Long-term Effects Are Unclear

What GAO Found

Given that GAO’s review of references to the narrower HEA definition did not identify any mandatory spending or entitlement programs, it is unlikely that a single definition would immediately increase federal spending; however, more for-profit institutions may become eligible to compete for federal funds and participate in various aspects of certain federal programs. GAO’s searches of the U.S. Code to identify federal statutes and related programs that could be affected by the adoption of a single definition yielded numerous federal statutes referring to the HEA definition that limits participation to public and nonprofit institutions. However, these references appear to be tied to discretionary programs funded through annual appropriations, not mandatory spending or entitlement programs. Accordingly, adopting a single definition will not immediately increase federal spending.

Although a single definition could affect federal programs by allowing some for-profit institutions to apply for discretionary funds, many federal programs may be unlikely to witness greater competition because for-profit institutions generally lack the kinds of academic programs that would qualify for such grants. While federal spending is not likely to increase, some of the provisions GAO identified were funding-related and, as such, could also affect program administration or increase competition for program resources. For example, some of the provisions relate to forming partnerships to pursue funding, and under a single definition, for-profit institutions could become a potential partner. In a limited number of cases, the provisions GAO identified were not connected to federal funding, but under a single definition could expand the pool of eligible participants for some program activities.

A single federal definition is unlikely to immediately affect state programs but could potentially affect state higher education programs and policies in the future. State statutes and regulations generally do not reference the federal definition when establishing eligibility criteria for state higher education programs, and officials in several states told GAO that an institution’s for-profit status is less important than other factors when determining state program eligibility. State officials told GAO that the likely effects of a single definition were greater competition for funding and greater political influence for for-profit higher education institutions.

The effects of a single definition on the American higher education system over a longer time frame are difficult to predict. For example, states might align their own policies to match the definition; for-profit institutions might expand their research programs; and Congress might decide to increase funding for existing discretionary programs. As policy makers address questions about access, they will want to remain aware of these diverse costs and benefits.