

## **Distance Education Goes Public**

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### **Looking to make money and reach more working students, state universities are pushing into the U. of Phoenix's territory**

By ANDREA FOSTER and DAN CARNEVALE

A few years ago, universities were dumping their online spin-offs like rotten fish. Temple University and New York University shut theirs in 2001. Two years later, Columbia University closed down Fathom, its once-vaunted online venture. The spin-offs were never able to attract enough students to justify the millions of dollars invested in them. The flagging post-9/11 economy didn't help.

Now the virtual campus is re-emerging. But the new speculators are public universities, and instead of creating commercial, online branches like their predecessors, they are embracing a not-for-profit model.

A. Frank Mayadas, president of the Sloan Consortium, a group of colleges that offer instruction online, says public institutions are beginning to realize that, with their name recognition and their lower tuition rates, they have an advantage over for-profit competitors like the University of Phoenix, which, with 130,000 students, is the largest of the online institutions. Public universities are "better known," he says, "and they're a better deal."

Inspired by the growth of Phoenix and other online colleges, two big public research institutions, the University of North Carolina and the University of Illinois, are quickly moving to establish their own distance-education spin-offs.

Making money is a key motivation, since state funds for public colleges are drying up. But campus officials also want to reach more working students, who are unable or unwilling to learn in a traditional classroom.

By all accounts, demand for online education is expanding. About 3.2 million students took at least one online course during the fall of 2005. That's 39 percent more than the 2.3 million the previous year, according to the Sloan Consortium, which promotes standards for online learning.

For-profit institutions, like Phoenix, have a large share of that enrollment. Although they enrolled only 5.1 percent of students at degree-granting institutions in 2004, they attracted 37 percent of all online students, according to Eduventures, an education-consulting company. That proportion is expected to fall to 32 percent in 2008, in part because of competition from traditional colleges.

"The consumer, we know from our research, is typically more comfortable with the notion of a traditional school offering nontraditional online" courses, says Richard Garrett, a senior analyst at Eduventures, which is advising Illinois on its online enterprise.

Still, commercial online institutions like Phoenix have more capital and are savvier marketers than public universities, he says, and are unlikely to crumble when faced with competition.

Instead of trying to create national programs like Phoenix's, says Mr. Mayadas, public institutions should create online programs that dominate their regions. Then, collectively, they will be able to compete in the online market instead of letting for-profit universities run the show.

"In their own regions, where they operate, they are generally better known than any for-profit entity," he says. "If every nonprofit did that in their own area, that makes the competition much more interesting."

#### NUMBER OF STUDENTS WHO ENROLL ONLY ONLINE



**NOTE:** Estimated figures cover student enrolled at American degree-granting institutions that provided financial aid under Title IV.

**SOURCE:** Eduventures