

# The Big Business Profitability of the Nonprofit College Board

Backgrounder No. 183

by Carole Hornsby Haynes

August 2016

*Headquartered in New York City and Reston, Virginia, with six regional and two international offices, the College Board is a nonprofit association of more than 6,000 educational institutions. Its goal is to promote excellence and equity in education. The Board was founded in 1900 by 12 prestigious universities to create a standardized test to admit students based on merit. According to its mission statement, the College Board prepares students for a “successful transition to college through programs and services in college readiness and college success — including the SAT and the Advanced Placement Program.”<sup>1</sup>*



Dallas Headquarters:  
14180 Dallas Parkway, Suite 350  
Dallas, TX 75254  
972.386.6272

[www.ncpa.org](http://www.ncpa.org)

Washington Office:  
202.830.0177  
[governmentrelations@ncpa.org](mailto:governmentrelations@ncpa.org)



In recent years, the College Board became a big business, as colleges increased testing requirements, and Advanced Placement programs and Common Core curricula opened high school markets to the expanding catalogue of College Board products. Today, a growing number of parents and education experts are concerned the College Board has strayed from its original mission and exercises undue influence on education policy. Parents and taxpayers should be concerned, because they fund the operations of this billion-dollar operation.

## The Rise of the College Board

The SAT (originally known as the Scholastic Aptitude Test, then Scholastic Assessment Test, and now SAT), was first adapted from the World War I Army I.Q. test as a tool to identify students who were innately intelligent but came from poor backgrounds. The SAT aided college admissions officers in screening for scholarships at about a dozen selective colleges throughout the 1930s.

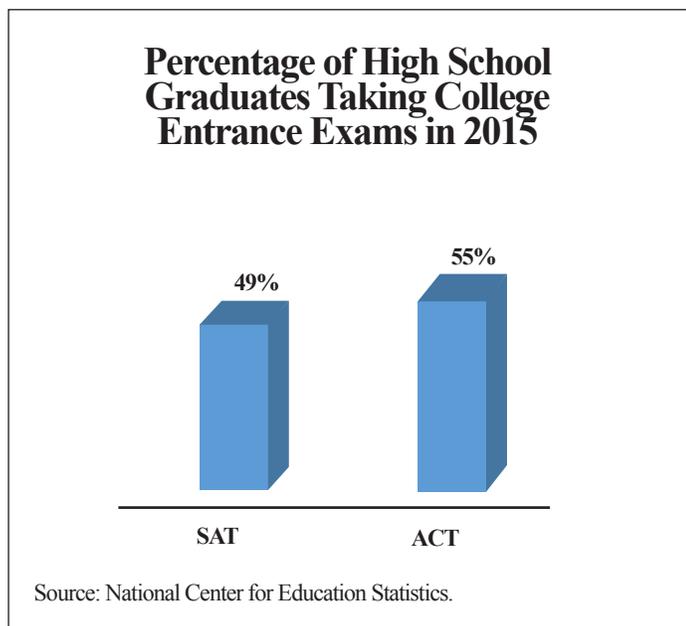
**The SAT.** In 1926, the first SAT was administered to just over 8,000 students.<sup>2</sup> Today, more than seven million students annually use the College Board’s programs and services, including the SAT and the Advanced Placement (AP) Program. Specifically:

- In the fall of 2014, 3.8 million students took the PSAT (the practice version of the SAT), an increase over the 3.7 million in 2013 and 3.6 million in 2010.
- A record 1.7 million students from the 2015 class took the SAT, an increase over the 1.67 million students from the class of 2014 and 1.65 million from 2011.
- In 2015, 2.5 million took the AP Exams, an increase over the 2.3 million in 2014 and just under 2 million in 2011.<sup>3</sup>

The recent federal Every Student Succeeds Act (ESSA) — successor to the No Child Left Behind Act (NCLB) — permits school boards to use the SAT and ACT [discussed below] as their federally mandated annual tests, even for students who do not plan to attend college. Because this will save

## The Big Business Profitability of the Nonprofit College Board

money for the school districts, it is likely that many will use these tests for annual testing. The SAT and ACT are the two most prominent college entrance exams in the nation. [See the figure.]



**The Modern College Board.** The College Board has not always been so successful. In 1999, the nonprofit organization faced a cash-flow crisis. In response, the Board recruited Gaston Caperton, former governor of West Virginia, to transform the company. He turned the organization into a profitable business with hundreds of millions of dollars in increased student fees. He also expanded the AP Program and persuaded 11 states to cover fees for the PSAT in the 10th grade. Today, the College Board is an entrance-exam behemoth.

A former admissions dean of the University of Chicago and member of several College Board committees, Ted O'Neill, has said, "The College Board is more interested in marketing and selling things than it is in its primary responsibility, promoting equity and educational opportunity."<sup>4</sup>

**SAT Revenue.** There is growing concern that the improvement in the College Board's bottom line has come at the expense of parents and students, with hundreds of dollars in fees before students apply to colleges. New York high school guidance counselor Bob Sweeney noted that the "College Board is responding to the frenzy around college admissions, offering upgraded services to those who are willing to pay. . . . The College Board is capitalizing on the perceived and exaggerated importance of the SATs. The fees are symptomatic of the frenzy of it all, how much we've all put the testing and the results on a pedestal."<sup>5</sup>

Tens of thousands high school juniors frantically sign up for SAT prep classes each year, buy expensive AP guidebooks, and pay for the SATs, AP exams and SAT subject tests. Consider:

- Test prep tutors range from \$100 to \$200 per hour, while on-site classes can range upward from \$1,000. Many students take both the SAT and ACT — often multiple times during their junior and senior years — and the PSAT, and SAT II subject tests.
- Students incur additional fees to rush scores to the colleges to which they apply; according to the Cooperative Institutional Research Program's Freshman Survey of 2015, 28.5 percent of college freshman applied to seven or more colleges.

College Board fees appear small because they are not paid in a lump sum, but students complain the total cost can range from \$500 to several thousand dollars.<sup>6</sup> [See Table I.]

Official Study Guide (redesigned SAT)	\$24.99
SAT test	\$45.00
SAT with essay	\$57.00
SAT subject test registration	\$26.00
ST subject test	\$20.00
Change fee	\$28.00
Rush	\$31.00 first college, \$11.25 each additional report
Scores by telephone	\$15 per call
Source: College Board, "Fees." Available at <a href="https://collegereadiness.collegeboard.org/sat/register/fees">https://collegereadiness.collegeboard.org/sat/register/fees</a> .	

**Advanced Placement Program Revenue.** There is a broad spectrum of AP courses, including the arts, English, history and social science, math and computer science, physical sciences, and world languages and cultures. The College Board has designed a large number of AP courses for high school students. It profits handsomely from the sale of these study materials to schools, and derives additional income from fees for workshops to train teachers in designing AP courses and fees from AP student tests.

In the United States, the tests cost around \$80 to \$90

(\$89 is listed); \$8 of the fee goes to the school to cover administration costs. [See Table II.] Students who apply and demonstrate a financial need receive fee reductions. Some states underwrite some or all of the costs of tests, usually depending upon the subject areas (often Math and Sciences) and the school district’s socioeconomic characteristics. There is an additional \$45 fee for printing and delivering exams for students with special needs.

Exam	\$92.00 (including \$9 rebate to school)
Late testing	\$45.00
Late orders	\$55.00
Late payments	\$225.00

Source: College Board, “Fees & Fee Reductions,” Available at <https://professionals.collegeboard.org/testing/ap/about/fees>.

**Corporate Financial Information.** With an increase in revenue, the College Board has generously rewarded its executives:

- Gaston Caperton served as College Board president until October 2012. That year he received a base salary of \$445,095 and \$1,147,739 in bonus and incentive compensation, plus \$203,048 in other compensation.<sup>7</sup>
- David Coleman, chief architect of the Common Core, joined the College Board in 2012 as president and chief executive officer as well as a trustee. For the 2013 fiscal year ending June 30, 2014, his reportable compensation was \$690,854 plus \$43,338 in other compensation from the organization and related organizations for a total of \$734,192.

The College Board’s total assets exceeded \$1 billion at the end of 2014. Its AP and instruction program earned \$383 million and the assessment programs — primarily the SAT and PSAT — garnered \$333 million.<sup>8</sup>

### The Future of the College Board

The College Board is facing a number of business challenges, including competition in the testing market and the disillusionment of teachers and parents with the Advanced Placement courses and tests.

**Challenges for the SAT.** The purpose of the SAT has changed over the decades. In the 1970s and 1980s, college admissions began to promote the goal of diversity with an emphasis on personal perspective and

viewpoint over academic knowledge, and experience over intellectual skill. This change was reflected in the “re-centering” of the SAT scoring system in the 1990s, which increased the scores of mediocre students.

Recent changes have connected the Common Core National Standards and the SAT. When David Coleman, a chief architect of the Common Core, became president of the College Board in 2012, he announced he would reshape the SAT to align with the Core.<sup>9</sup> Rather than testing for intelligence, the SAT now tests for course content.

**Competition in the Testing Market.** There are two main challenges for the SAT.

The first is from ACT, which originally stood for American College Testing. The ACT has English, reading, math and science sections, as well as an optional 40-minute writing test. The ACT was first administered in November 1959 by Everett Franklin Lindquist as a competitor to the SAT and has been a national standard for college admissions alongside the SAT. While the SAT often tests for logic and reasoning, the ACT is more subject-matter oriented. The ACT has gained substantial market share at the expense of the SAT since 2012. Over seven years, the declines in SAT test-takers exceeded 20 percent in 19 states, including drops of 59 percent in Michigan, 46 percent in Illinois, 37 percent in Ohio and 25 percent in Tennessee. Those are all states where the ACT test is more widely used.<sup>10</sup>

The second challenge is the recent backlash against these college entrance exams. This has decreased the popularity of both the SAT and ACT in some areas, with more than 850 four-year colleges and universities no longer using either test to admit undergraduates. According to the FairTest National Center for Fair and Open Testing, test score-optional schools have found that “High school performance — expressed either as grades or class rank — is the best available screening device for applicants.”<sup>11</sup>

**Future Profitability of the College Board.** School districts in some states could decide to use the SAT for their annual standardized testing in order to save the money and effort required to develop their own test. However, the SAT is not an acceptable alternative to states that have not adopted Common Core, and to parents that opt out of testing. The opt-out movement will likely grow in spite of the punitive measures against students that states could adopt to comply with the Every Student Succeeds Act.

In fact, the SAT’s attempt to align with Common Core

## The Big Business Profitability of the Nonprofit College Board

is driving free market competition:

- The Vector Assessment of Readiness for College (ARC) is in beta testing, especially in the Home Schooling industry. ARC also may prove useful for private and parochial schools, as well as public schools in states that did not adopt Common Core.
- At least one other alternative to SAT became available in 2015 through the Annapolis-based Classic Learning Initiatives. Administered online at testing centers, the two-hour Classic Learning Test (CLT) draws on the works of great thinkers such as C.S. Lewis, Flannery O'Connor, G.K. Chesterton, Martin Luther King Jr., Plato and Socrates. Several renowned liberal arts colleges, including St. John's and Thomas Aquinas, accept CLT scores as an alternative to the SAT or ACT.

### Challenges for the Advanced Placement Program.

The AP Program has its own challenges. Parents and teachers complain that in some school districts any student can enroll in an AP course regardless of ability. They contend that it is all about self-esteem and having the course offerings on a student's resume.<sup>12</sup>

John Tierney, a former Boston College professor, says that current AP courses are a scam that brings huge profits to the College Board.<sup>13</sup> He maintains AP courses are not remotely equal to the college courses they are said to approximate and, increasingly, instead of receiving college credit for high scores in AP courses, students are allowed to opt out of the introductory sequence in a major.

According to the *Chicago Tribune*, in January 6, 2016, around 40 percent of the approximately 176,000 AP exams taken in Illinois in May scored below a three out of five.<sup>14</sup> The poor performance of AP students on the tests would not be problematic if it were not for the economic implications. On August 13, 2013, the *Baltimore Sun* noted that state and federal taxpayers had poured over \$400 million into AP since 2005. With its massive expansion, AP should be the top-end standard for public high school performance and academic rigor.<sup>15</sup> However, the poor results combined with increased investment shows the lack of effectiveness of the AP program. This seems to indicate that students are using alternate methods to display their strengths to colleges.

### Conclusion

The steady increase in the number of colleges and universities using screening devices other than the SAT presents a real threat to the College Board. With the public mood turning negative over the partnering of big

education and big testing, it is very likely that more free market alternatives will be created. If these alternatives gain popularity, the College Board's future could very well be in jeopardy.

*Carole Hornsby Haynes is a contributing fellow with the National Center for Policy Analysis.*

### Notes

1. "About Us," College Board.
2. Ida Lawrence et al., "A Historical Perspective on the SAT: 1926-2001," College Board, July 2002.
3. "Annual Results Reveal Largest and Most Diverse Group of Students Take PSAT/NMSQT, SAT, and AP; Need to Improve Readiness Remains," College Board, September 3, 2015.
4. Janet Lorin, "Not-for-Profit College Board Getting Rich as Fees Hit Students," Bloomberg, August 18, 2011.
5. Ibid.
6. Kevin Eagan et al., "The American Freshman: National Norms Fall 2015," Cooperative Institutional Research Program at the Higher Education Research Institute at UCLA, Fall 2015.
7. "College Entrance Examination Board 990 Form," CitizenAudit.org.
8. "College Board 990 Form," *Washington Post*, 2013.
9. Catherine Gewertz, "Incoming College Board Head Wants SAT to Reflect Common Core," *Education Week*, July 13, 2016.
10. Nick Anderson, "SAT usage declined in 29 states over seven years," *Washington Post*, March 16, 2014.
11. Charles Rooney "Test Scores Do Not Equal Merit: Executive Summary," National Center for Fair and Open Testing, September 1998.
12. Diane Ravitch, "Peter Greene: Take More AP, Build Revenue Stream for the College Board."
13. Josh Tierney, "AP Classes Are a Scam," *Atlantic*, October 13, 2012.
14. Diane Rado, "Thousands of Illinois Students can't pass AP exams, won't get college credit," *Chicago Tribune*, January 5, 2016.
15. Metea Med, "Despite Dropping AP scores, College Board rakes in the profits," MeteaMedia, April 29, 2016.



### **“Mark-to-market Accounting”**

Mark-to-market accounting forces firms to revalue their assets to current market prices, such as a stock’s price at the close of business. According to Milton Friedman, mark-to-market accounting was responsible for many banks failing during the Great Depression. In fact, President Roosevelt suspended it in 1938. The practice reappeared in the mid-1970s and was formally reintroduced in the early 1990s. In 2008, mark-to-market accounting rules, enforced by regulators, forced the drastic write-down in the value of mortgage-backed securities (MBS). As a result, subprime mortgages in these MBS pools began defaulting at a higher rate and the market for MBSs dried up.<sup>20</sup>



## The Big Business Profitability of the Nonprofit College Board