

What are Institutions Doing (or Not Doing) About State Authorization – Revisited

A Joint Project of: UPCEA, WCET, and Sloan-C

March 2013



Methodology

- The survey was designed in partnership between the UPCEA, WCET and Sloan-C. The survey was implemented from November 13, 2012 to January 11, 2013. The sample was created by combining membership and email lists from the three institutions and removing duplicate responses.
- Overall, 659 institutions were invited to participate in the study with 237 individuals starting the survey and 205 sufficiently completed a majority of questions. The 205 responses represents a response rate of 31%. The error margin for the study is plus or minus 5.7% at 95% confidence.
- Not all respondents completed every question.

Major Findings

- While about two-thirds of respondents to a 2011 survey had not applied to any state, now about two-thirds have applied to, at least, one state.
- More institutions are deciding not to apply in some states. Those most cited: MN (22.4%), MA (19.5%), AR (18.0%), MD (14.6%), and AL (14.1%). This will have an impact on student choice.
- Institutions are averaging about half of an FTE dedicated to authorization compliance. We believe that most did not have such staff in 2011.



Executive Summary

- Institutions surveyed have a wide geographic reach. **Institutions reported serving students in a median of 36 states, excluding its own.** The smallest schools (less than 5,00 FTE) tend to operate in fewer states, with a median of 11 states.
- **Just more than one-quarter (27%) of all those surveyed plan to seek authorization in every state or territory.** For the largest institutions (more than 20,000 FTE), the number seeking authorizations in all states grows to two-fifths (41%) of the respondents.
- **The number of states that have not applied to any state has shrunk from 67% to 32%.** Meanwhile, the number of institutions that have applied for or received approvals from all states in which they serve students has risen from 5% to 15%. While there still is a long way to go for institutions in obtaining approvals, it is clear that those responding took it seriously and are moving toward compliance.
- While some public, 4-year institutions have been the most vocal in not seeing the need to comply, only 24% of institutions in that sector have yet to apply to any state.
- Only 20% of the largest (more than 20,000 FTE) institutions have yet to apply to a state.

Executive Summary

- Of the 60 institutions that have not applied to any state, **58% said that they are "waiting for clarification" as a reason.** Presumably, these respondents are mostly referring to the status of the federal state authorization regulation. Those respondents may still be in denial or misunderstand that this is a state, not federal, issue. Other common reasons for not complying are that it "is not a priority," "we have no staff," and "the cost is too high."
- **Institutions are increasingly finding the need to dedicate staff to pursue compliance.** While 17% of respondents have no or less than .1 FTE dedicated to compliance, another 20% have at least one full FTE working on seeking authorizations. The overall median was about one-half of an FTE working on compliance. Not surprisingly, larger institutions tend to have more staff than smaller ones.
- **Distance/Continuing Education Directors are the most involved in authorization decisions.** Chief Academic Officers and Legal Counsel are at least "somewhat involved" for 60% of the respondents. Academic Deans and Presidents are often kept informed.



Executive Summary

- **More than one-third of respondents indicated that they will not seek authorization in certain states.** Comments indicated that high fees and low student demand in a state were reasons for avoiding authorization in those states.
- **Minnesota (46), Massachusetts (40), and Arkansas (30) as the states where institutions are most likely not to accept students due to authorization.** Maryland (30), which overhauled its regulations last year, and Alabama (29) were close behind as states that institutions will avoid.
- **Nearly half of the institutions that have turned away students (46%) have rejected at least 26 students,** while 13% have turned away more than 100 students.
- **About two-thirds (66%) of institutions notify students about state authorizations issues,** which leaves one-third silent on the subject. Without being informed students may, unwittingly, get caught in the middle.



Executive Summary

- Institutions disbursing federal student aid were required to notify all current and prospective students by July 2011 how they could complain to the institution's accrediting or authorizing agencies. **Most (82%) have some form of notification and 4% do not distribute aid.** Only 16% of respondents notify all students, which indicates that many still misunderstand the requirement to provide this information to both residential and distance students.
- Given the complexity of this issue, **collaboration remains important.** About two-thirds (66%) of respondents participate in statewide, system-wide, or other consortial approaches in addressing these regulations.
- Only 13% of institutions are currently participating in reciprocal agreements, but most are optimistic that reciprocity "makes sense" or "might work depending on the details."
- When asked about their opinions of authorization, nearly two-thirds (63%) of respondents said that "**reciprocity can't come fast enough**" and a similar number said that "It's the law and we need to figure out how to comply." About one-in-ten (11%) believe that no states have no right to regulate out-of-state institutions.



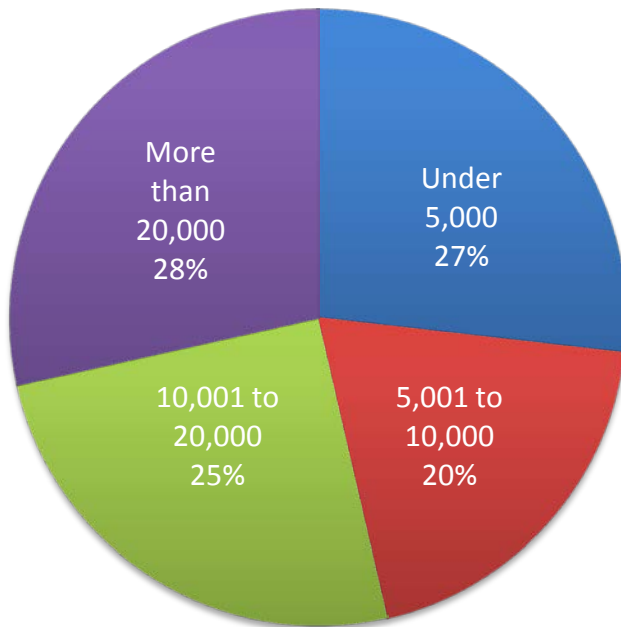
Demographics

The survey respondents are evenly distributed among enrollment sizes. The institutions, based on the type of institution and number of FTEs, is similar to 2011 and allows for reasonable comparisons.

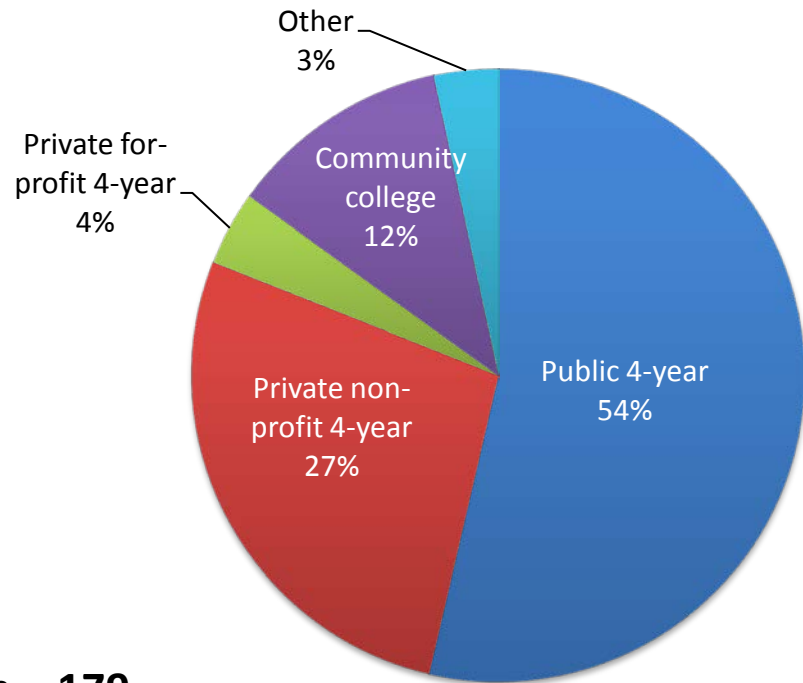
Most of the respondents represent public and private non-profit four-year institutions.

The 19% of respondents from private for-profit institutions, community colleges, and other institutions have been combined in a single group for the remainder of this report.

Estimated number of full-time equivalent (FTE) students



Type of Institution



n = 179



Number of other states/territories/protectorates in which online or correspondence courses are offered

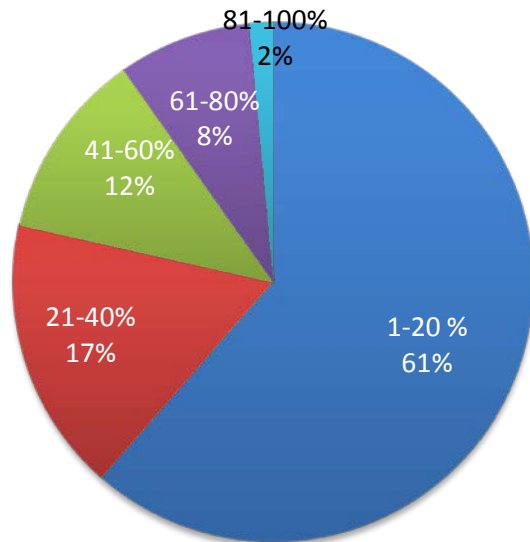
On average, the institutions surveyed said that they serve 32 states, territories or protectorates with online courses. There are differences based on the size and type of institution.

	Average	Median
Public 4-year, n=86	35	34
Private non-profit 4-year, n=41	34	30
Other, n=30	26	21
<5,000, n=37	25	11
5,001 to 10,000, n=32	26	21
10,001 to 20,000, n=40	34	30
>20,000, n=46	43	49
Overall, n=176	32	36

Smaller schools tend to operate in fewer number of states, with an approximate median of 11 states (excluding its own).

Institutions with more than 20,000 enrollments operate in a median 49 states. The overall median is 36.

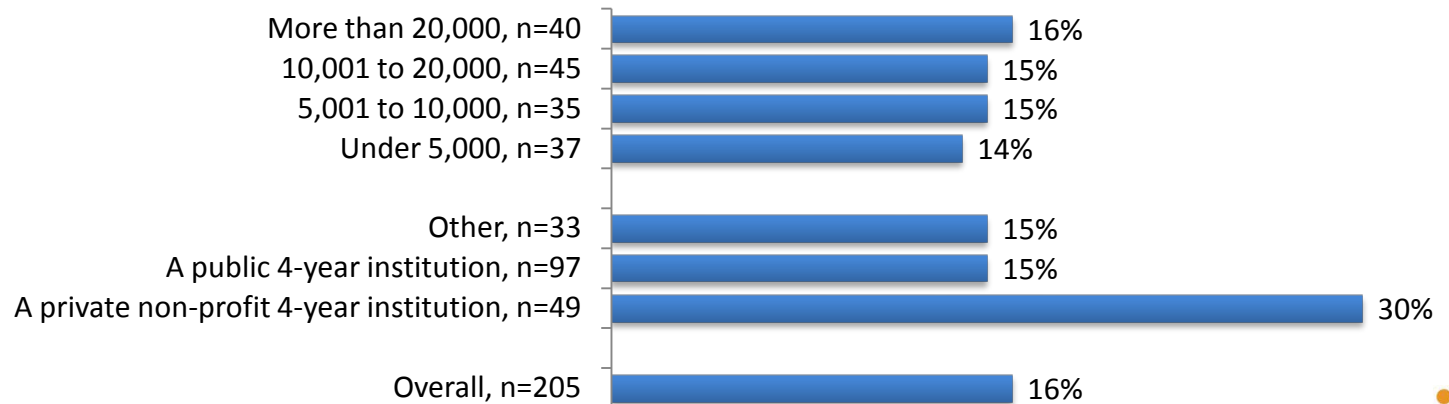
Percentage of online or correspondence course enrollments that come from other states, territories or protectorates



When asked how much of their enrollments come from other states, about 16% of an institution's enrollments come from outside of the institutions home state.

Private, non-profit 4-year institutions have a greater online presence than others, with an approximate median of 30% of enrollments due to online or correspondence courses. The majority of institutions (61%) have 20% or less of total enrollments from out-of-state.

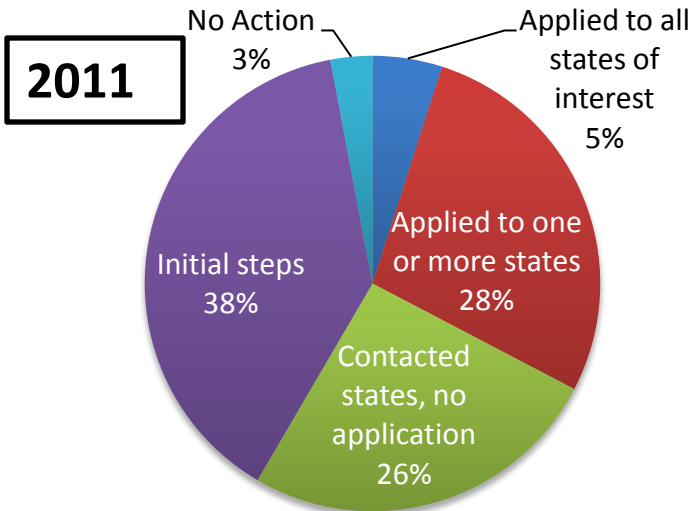
Approx. Median Percentage of Enrollments



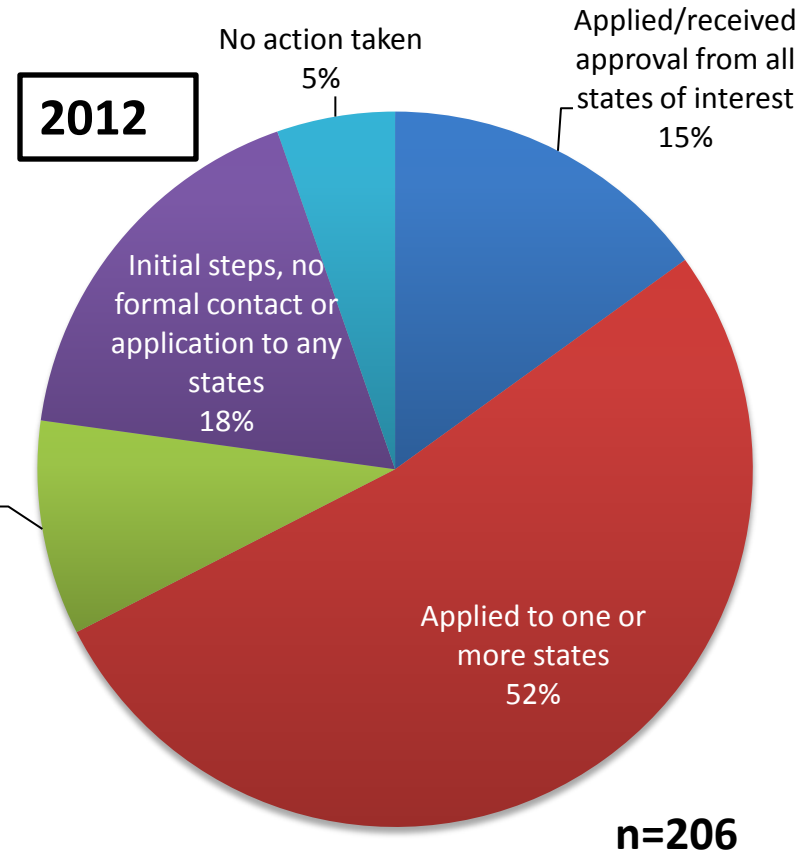
Progress in addressing the state authorization regulation

Institutions have made steady progress since 2011

- Just over half have applied to one or more states (52%), as compared with 28% in 2011
- 15% are finished with the application process in all states in which they plan to serve students, as compared with 5% in 2011
- Five percent have yet to take action

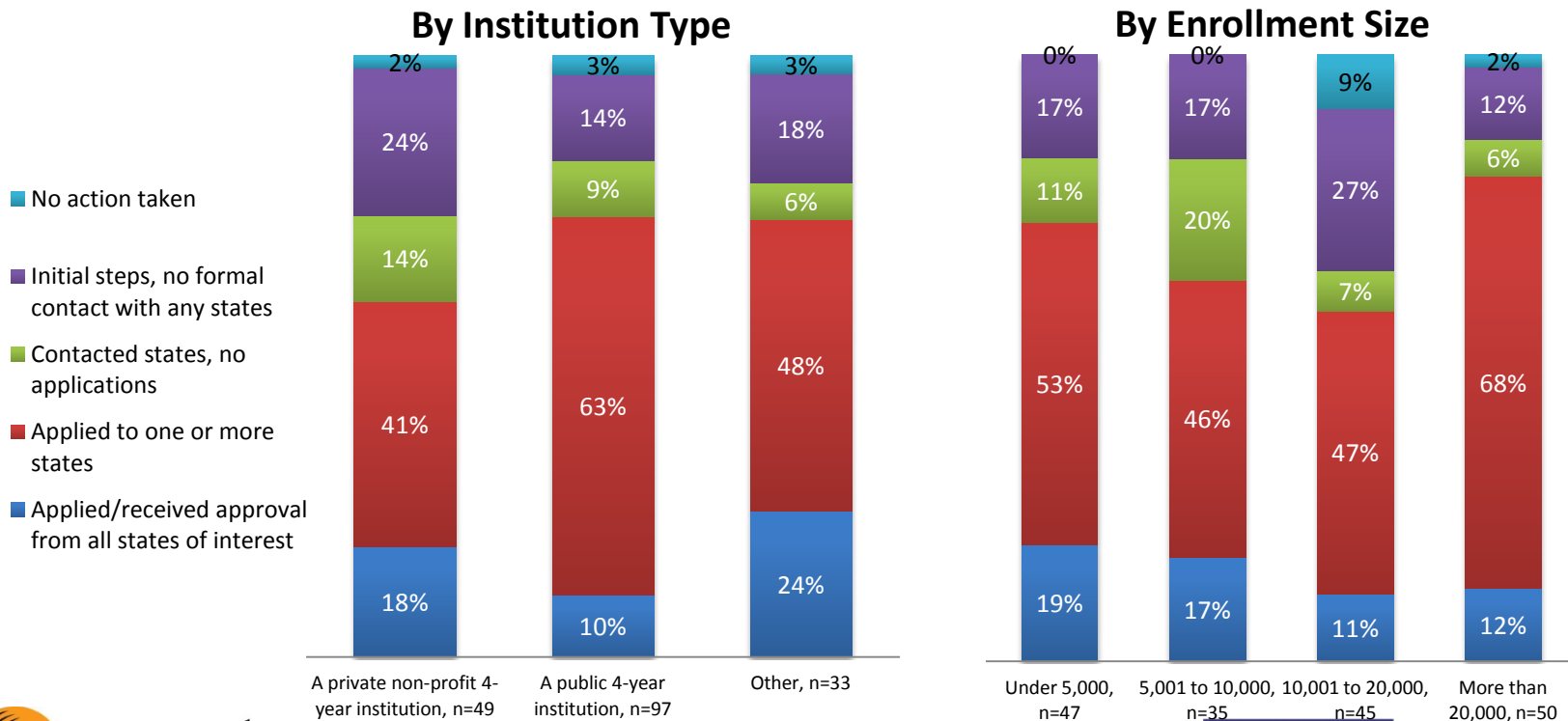


n=215

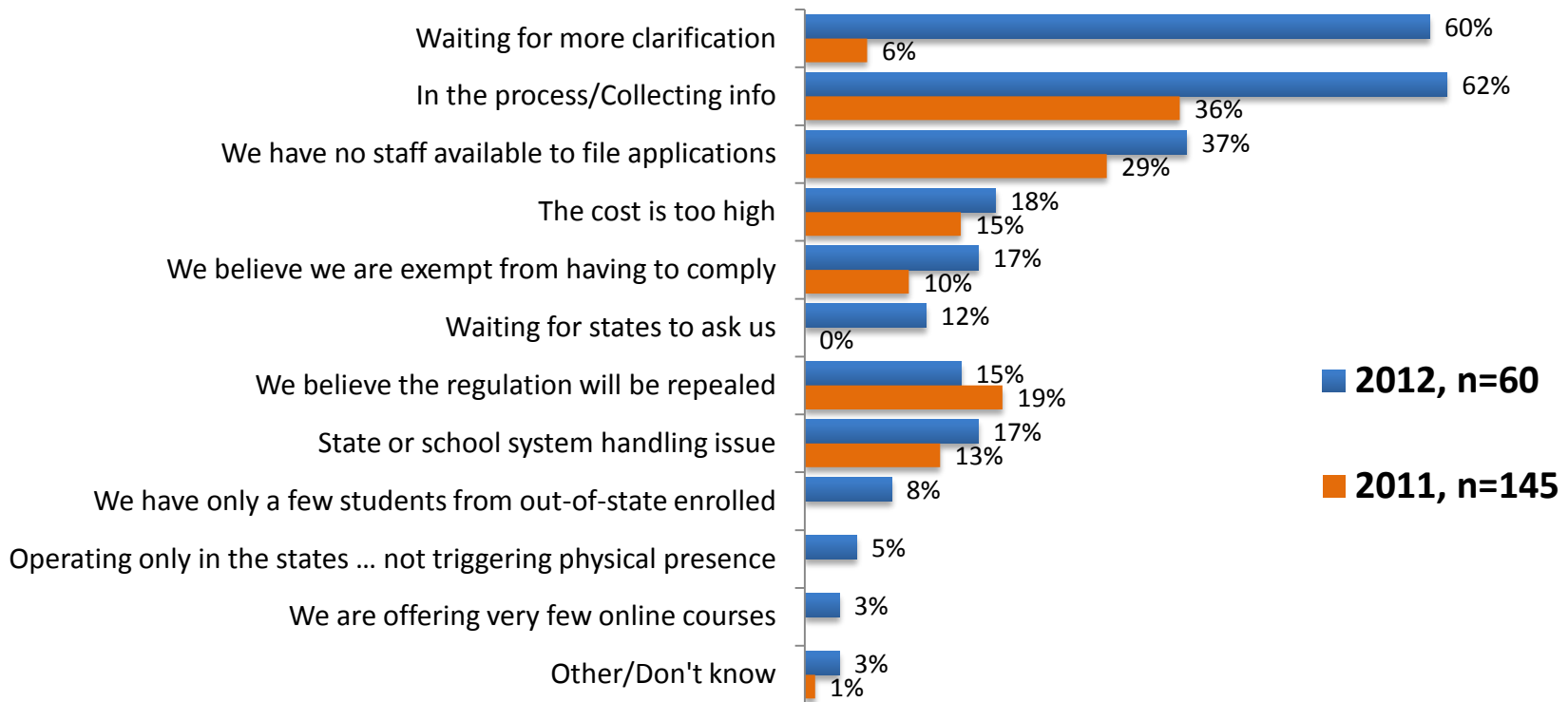


Progress in addressing the state authorization regulation

- Public 4-year institutions are the most likely to have applied to at least one state (73%) but the least likely to have completed the application process (10%)
- “Other” institutions have the highest portion of respondents to have all necessary approvals (24%)
- Institutions with greater than 20,000 enrollments are the most likely to have begun the application process (80%)
- Nine percent of respondents from institutions with 10,001 to 20,000 enrollments have yet to take any action on the state authorization regulations



Reasons for not applying for state authorization



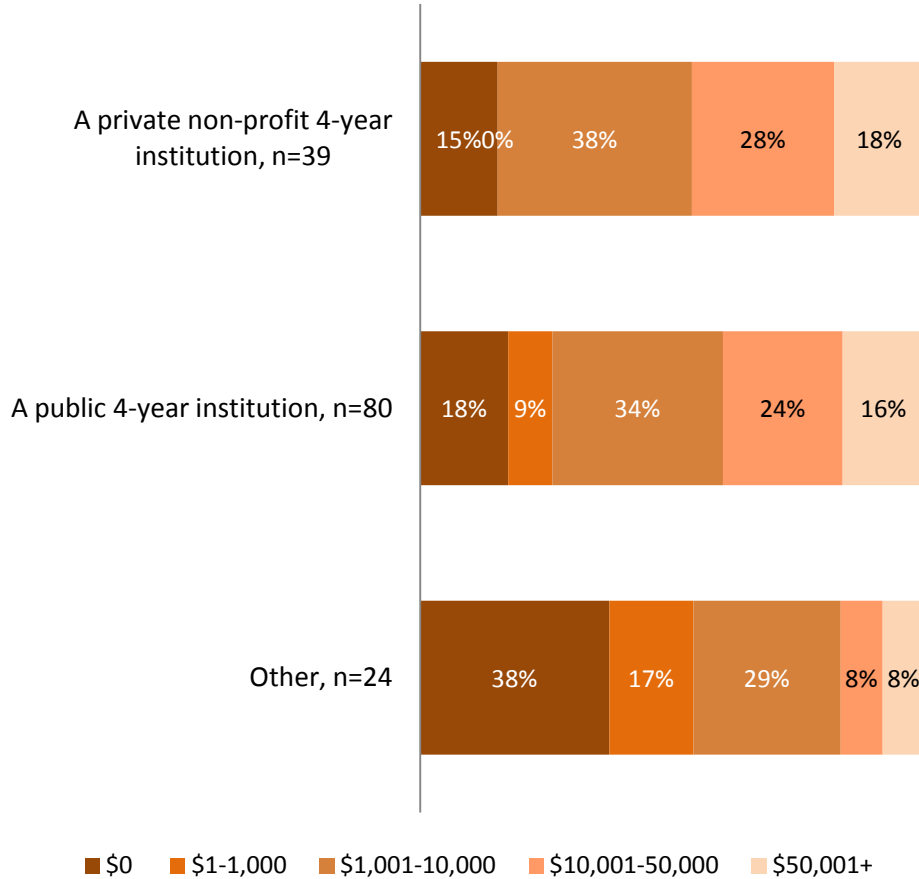
- Only those who have not applied to a state answered this question. The majority have not applied for a state authorization because they are still awaiting clarification or are in the process of applying.
- In 2011 a greater proportion believed that the regulation would be repealed (19% in 2011, 15% in 2012).
- The biggest reasons in 2012 are awaiting clarification, in the process/collecting info, and lack of staff.



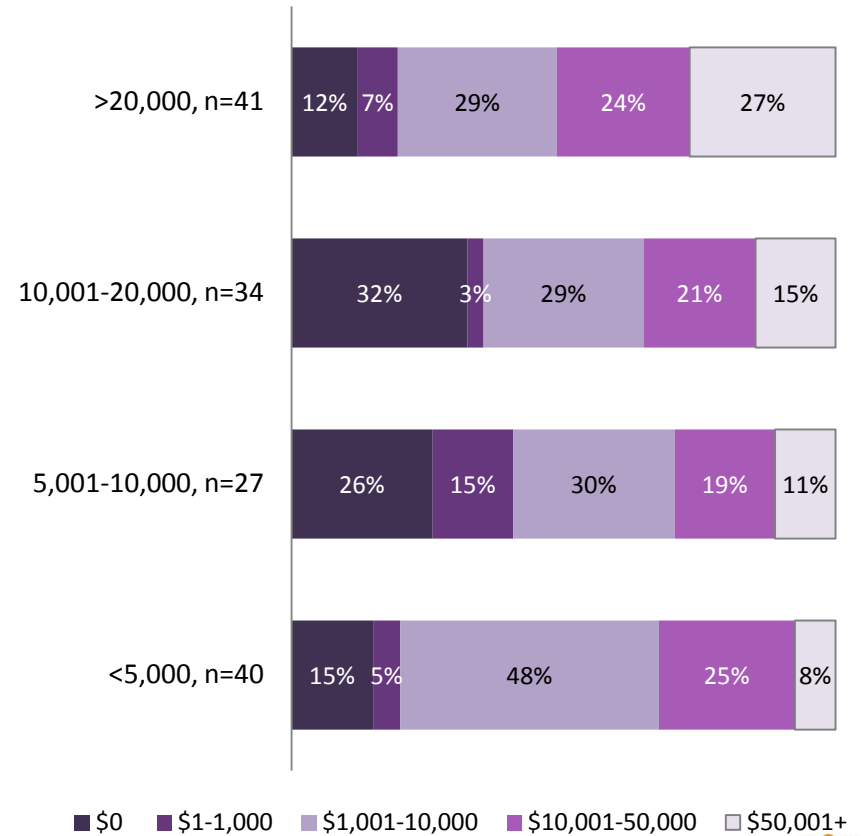
Expected Compliance Costs

The chart shows the expected compliance costs and that approximately one in five expect to pay nothing. It is likely that these institutions are applying to states that require no fees. Larger institutions are less likely to pay nothing. These compliance costs do not include staff costs.

By Institution Type



By Enrollment Size



Expected Compliance Costs (zeros removed)

If institutions are applying to states with fees, most institutions still expect to spend \$10,000 or less on compliance costs, with private non-profit 4-year institutions spending the most. In general, the larger the enrollment size, the greater spending expected for compliance costs.

By Institution Type

Type*	Average*	Median*
A private non-profit 4-year institution, n=33	\$52,623	\$12,500
A public 4-year institution, n=66	\$48,034	\$10,000
Other, n=15	\$37,990	\$10,000

By Enrollment Size

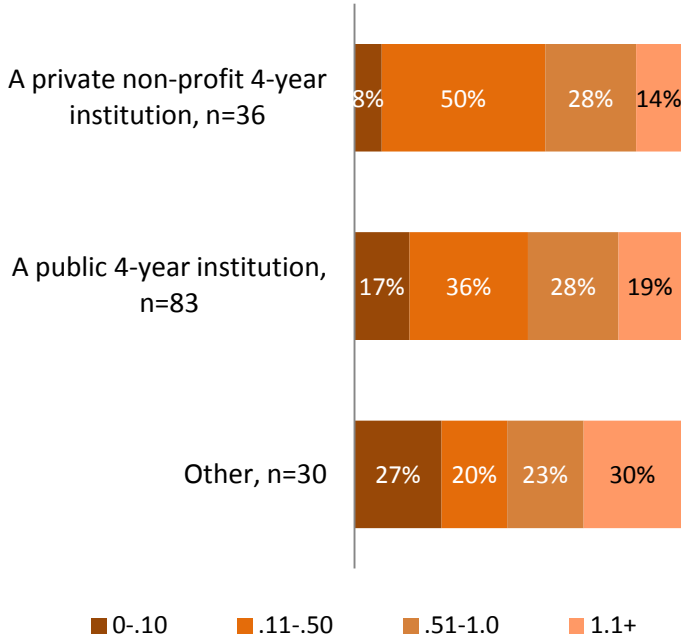
Type*	Average*	Median*
<5,000, n=34	\$32,708	\$15,000
5,001-10,000, n=20	\$57,430	\$10,000
10,001-20,000, n=23	\$46,148	\$10,000
>20,000, n=36	\$59,822	\$25,000

* The values in this table have been calculated from the stated costs excluding \$0



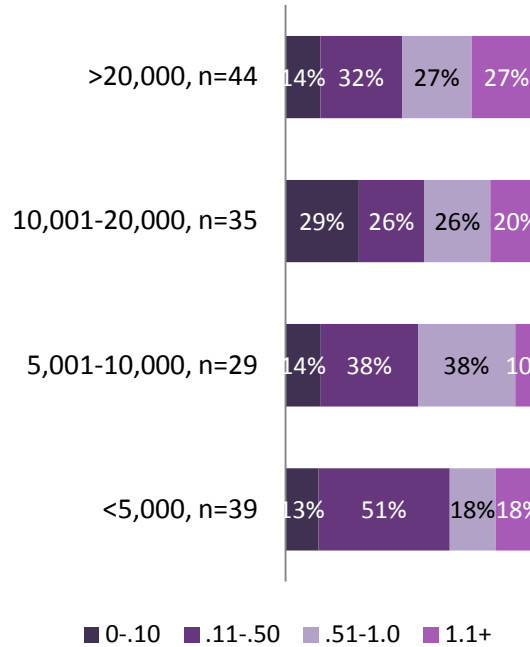
Expected FTE compliance staffing

By Institution Type



Type	Average	Median
A private non-profit 4-year institution, n=36	.83	.50
A public 4-year institution, n=83	.82	.50
Other, n=30	1.54	.88

By Enrollment Size



Type	Average	Median
<5,000, n=39	.75	.35
5,001-10,000, n=29	1.34	.50
10,001-20,000, n=35	.81	.50
>20,000, n=44	1.05	.88

Compared to last year, some institutions have assigned staff to work on compliance.

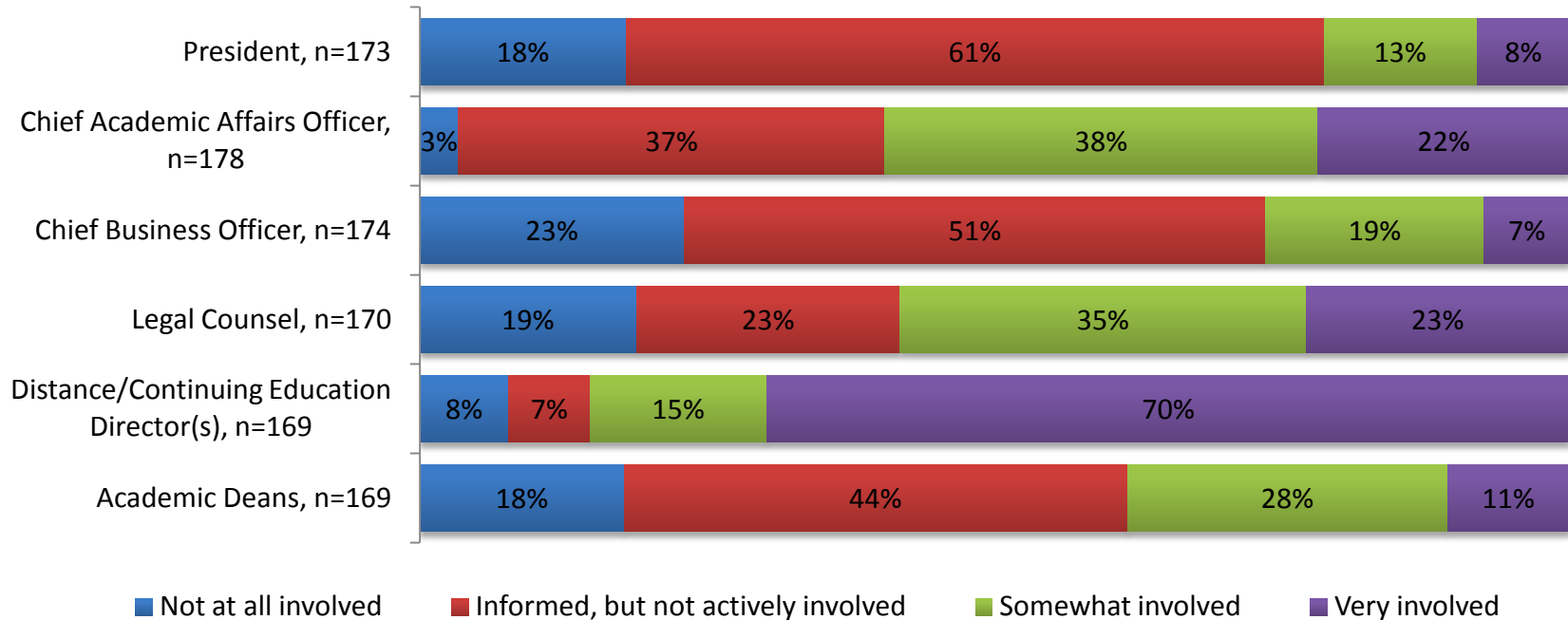
The majority of institutions have fewer than 0.5 FTE staff working on state authorizations. Private and public non-profit 4-year institutions are similar in their staffing, but other types of institutions have the greatest personnel commitments.

In general, the distribution of FTE staffing for state authorizations is similar across enrollment size.



Leadership Involvement, Overall

Distance and Continuing Education Directors drive the approval process, with 85% being somewhat or very involved. Chief Academic Affairs Officers and Legal Counsel also have relatively high involvement. The Faculty Senate is the least likely to be involved or informed.

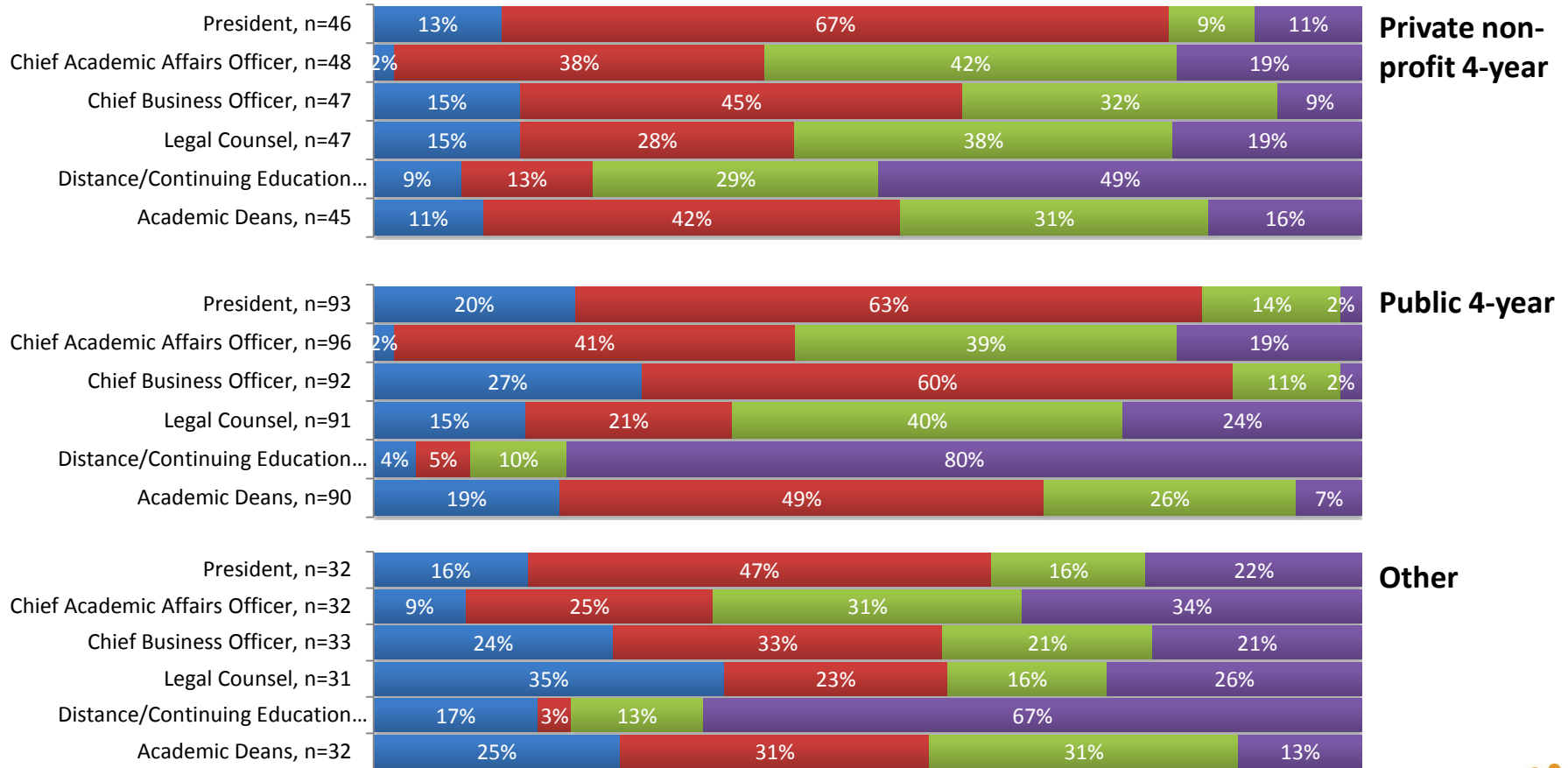


n=181



Leadership Involvement, by Institution Type

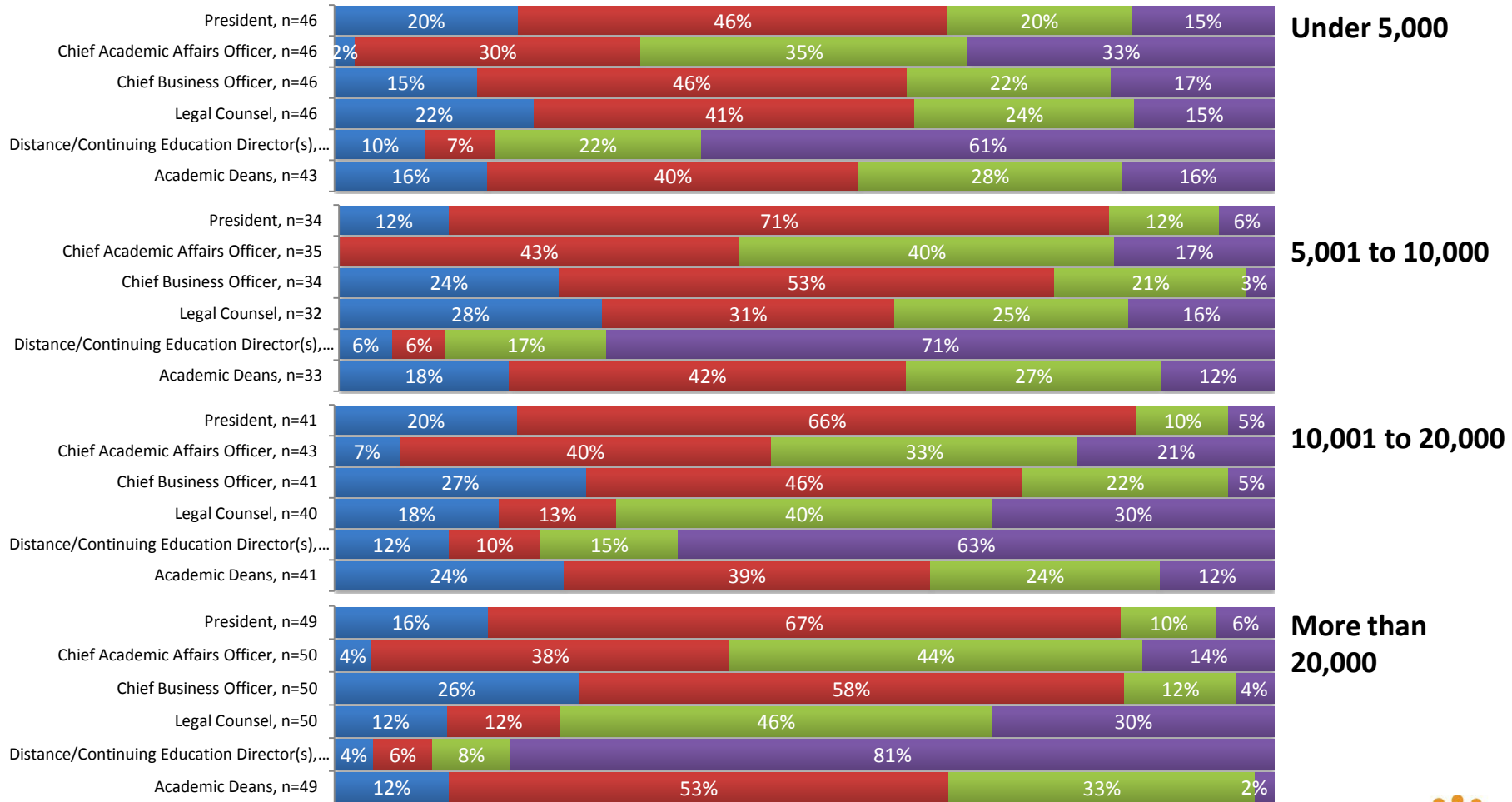
Involvement is more widely distributed at “Other” institutions, which we would expect since it encompasses many different types of institutions.



■ Not at all involved
 ■ Informed, but not actively involved
 ■ Somewhat involved
 ■ Very involved

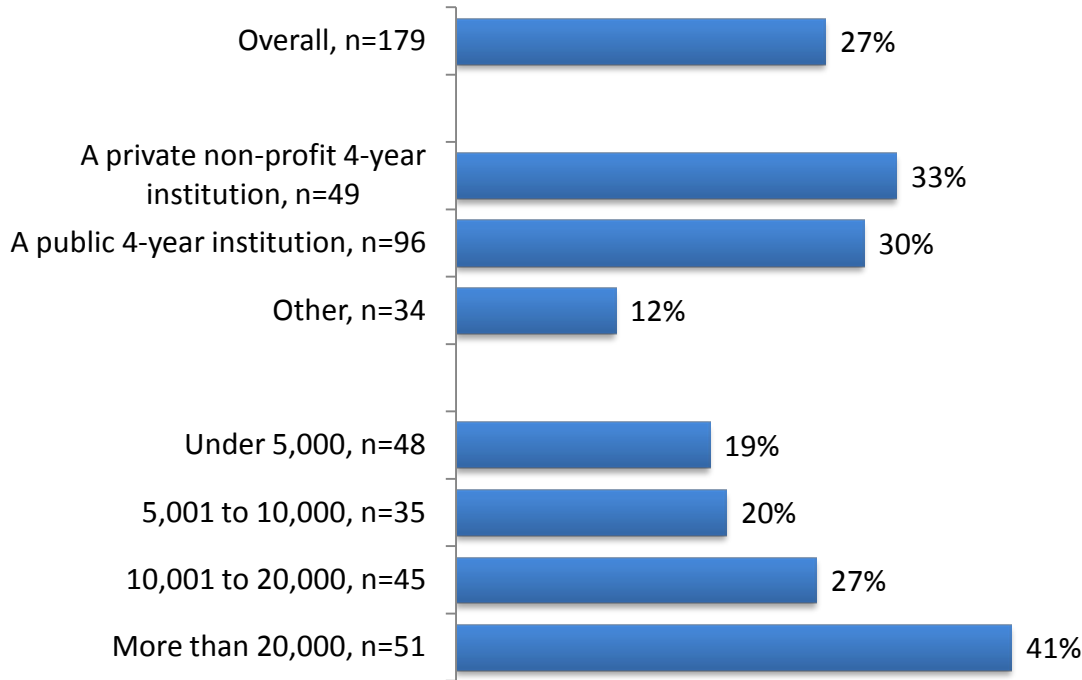
Leadership Involvement, by Enrollment Size

The President has more involvement in schools with 5,000 or fewer enrollments than it does in larger institutions. Legal Counsel has more involvement in larger institutions than it does in smaller ones.

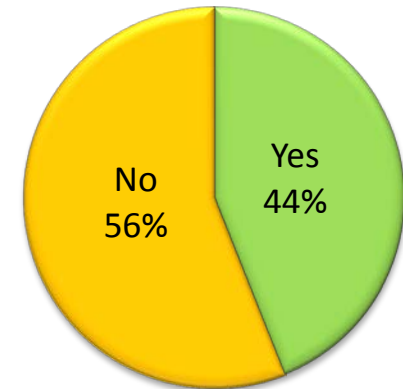


Seeking Authorization in all States

Percentage that will be seeking authorization from all 59 states, territories, and protectorates



2011: Will you be seeking approval from all states, territories, and protectorates?



n = 211

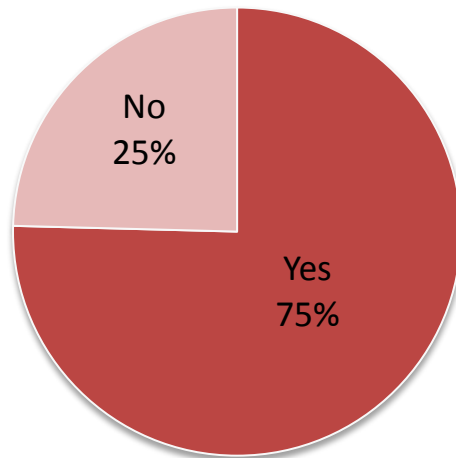
About 27% of respondents expect their institution to seek authorizations from all states, a decrease from 2011 (44%). The larger the enrollment size, the more likely they will seek authorization from all states.



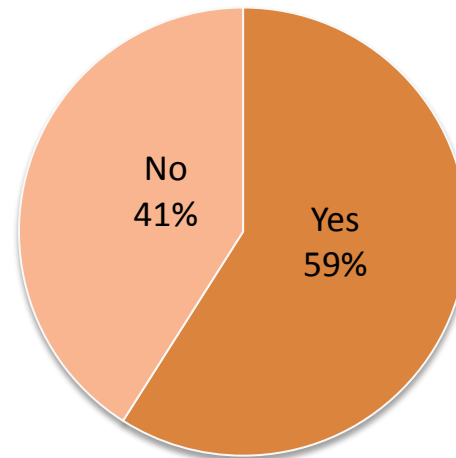
Not Seeking Authorization

Are there states from which you now believe you will not seek authorization (due to requirements and/or costs) or can no longer accept students? *Which states?*

2012, n = 122



2011, n = 119

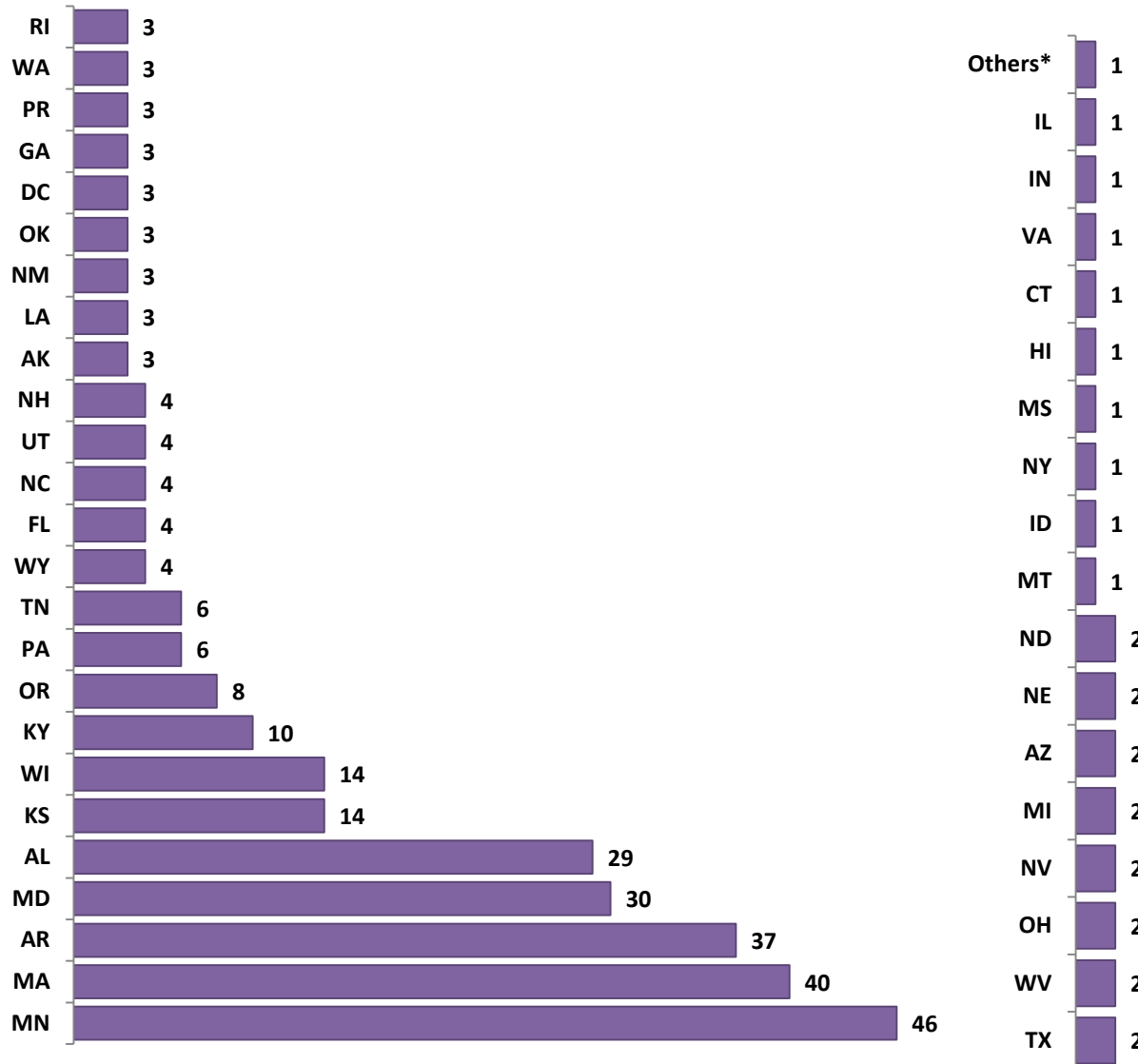


- Of those not seeking authorization in all 59 states, protectorates and territories, about three-quarters said that they will be bypassing some states. These institutions named 45 states/territories.



States Counts for those Not Seeking Authorization

Number of Times Mentioned



- Most named states are Minnesota, Massachusetts, Arkansas, Maryland, Alabama, Kansas, and Wisconsin, in that order
- Comments included not seeking authorization because of high fees and low student demand from those states

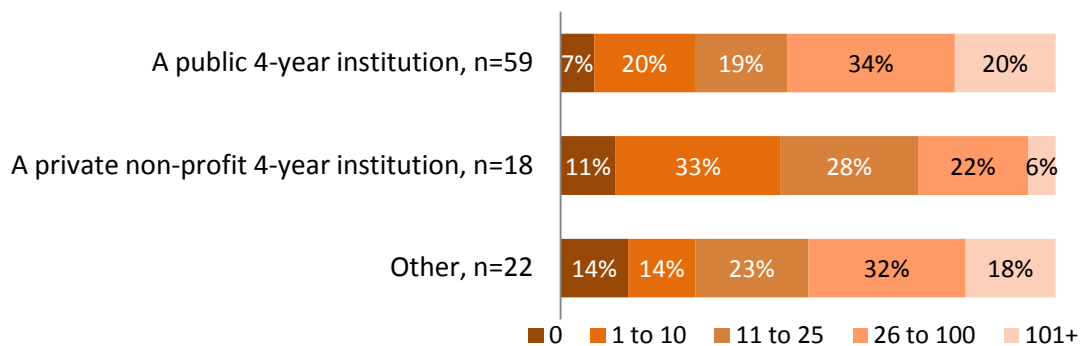
45 States/territories named in total

*Included in "Others" and each mentioned once: Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Republic of Marshall Islands, Guam

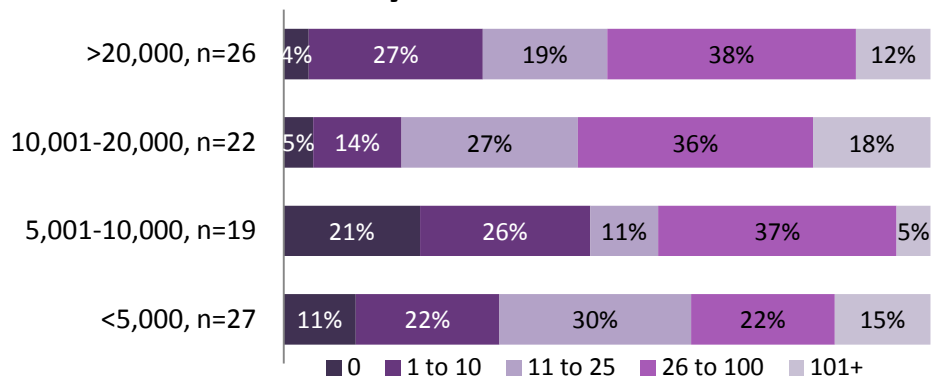


Estimates of Turned-Away Students

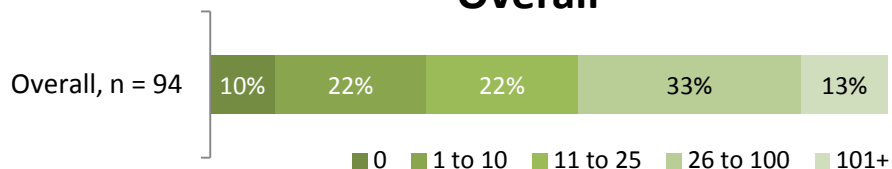
By Institution Type



By Enrollment Size



Overall



Private, non-profit 4-year institutions are the most likely to turn away fewer than 25 out-of-state students (72%). On the other hand, public 4-year and other institutions are about 20% likely to turn away more than 100 students, with some turning away thousands.

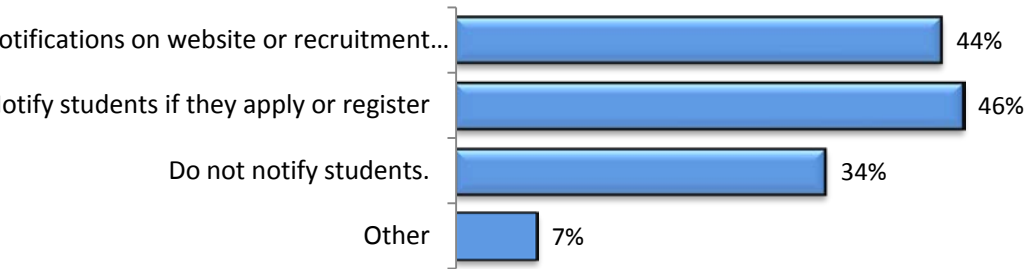
Larger institutions are less likely than smaller ones to turn away more than 25 students, but turning away potential students is more detrimental to smaller institutions.

Overall, 13% of institutions turn away more than 100 students, some turning away thousands. Just 10% of respondents indicate that they expect to turn away no students.



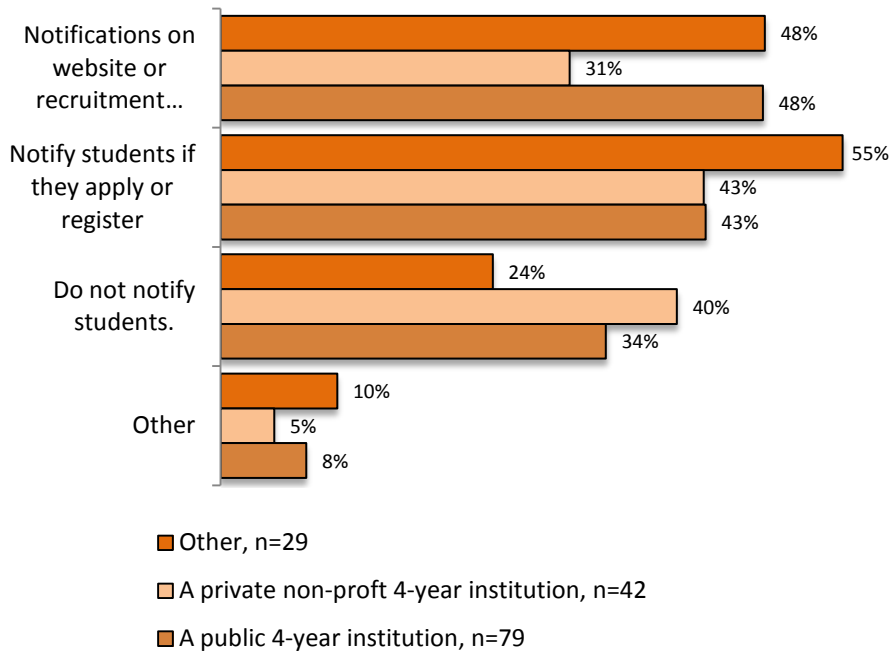
Student Notification of State Authorization

Most institutions (66%) notify their students in some way of state authorization issues. The most common way institutions notify students is when they register or apply.

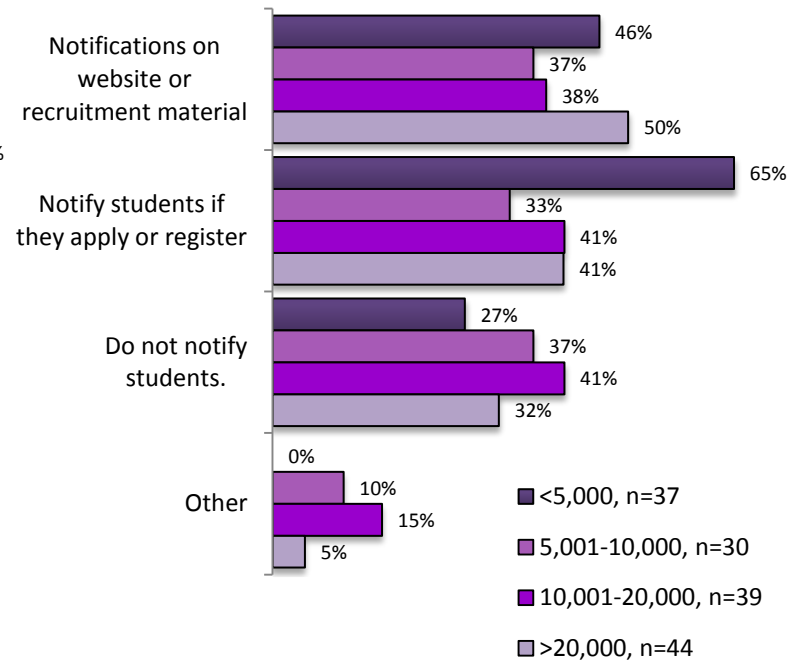


n = 152

By Institution Type

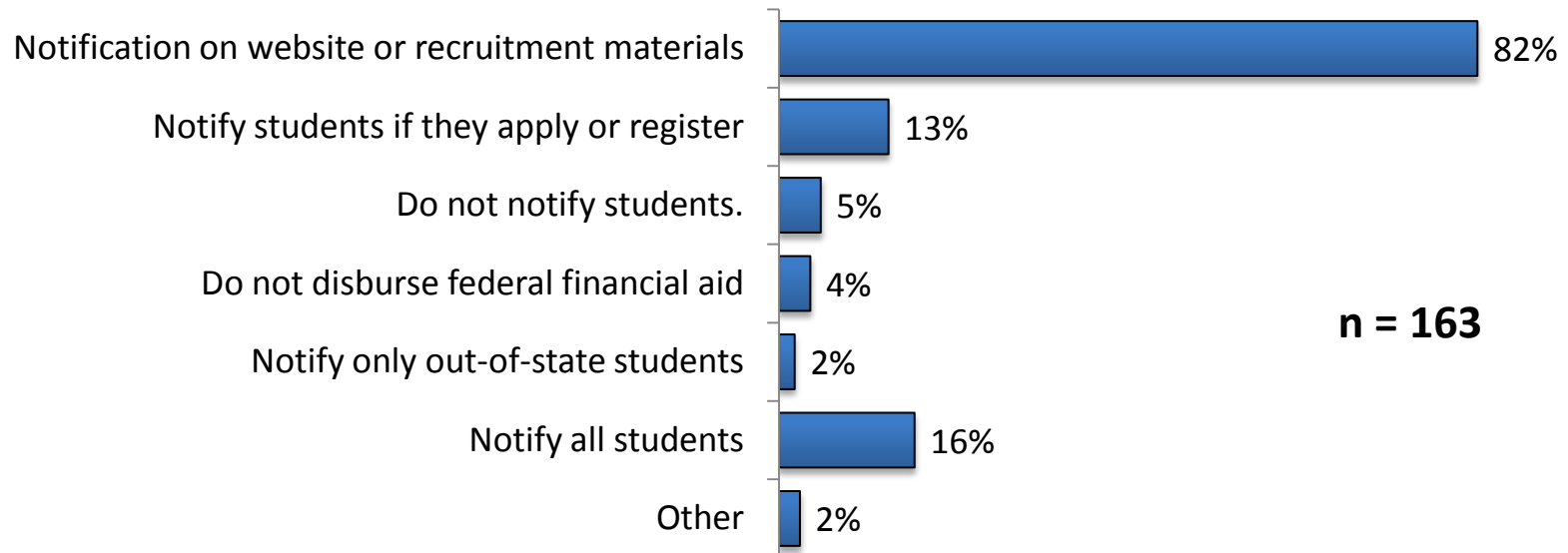


By Institution Enrollment Size



Student Notification of Complaint Processes

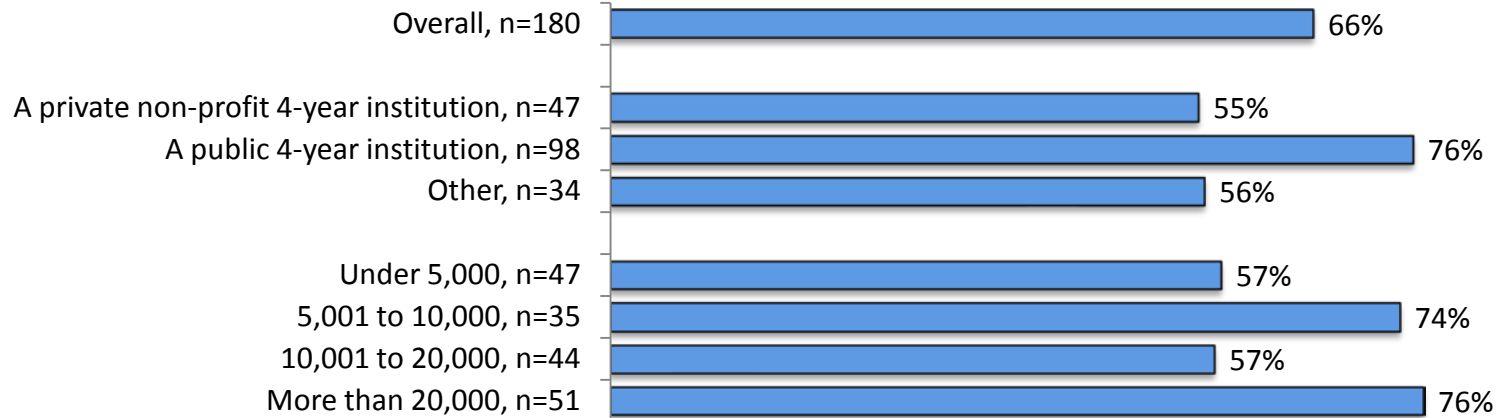
Most institutions (95%) notify their students in some way of the complaint process. Approximately 88% notify all students, while the rest notify only out-of-state students. A typical institution notifies students through the website or through recruitment materials. Four percent of participating institutions do not disburse financial aid.



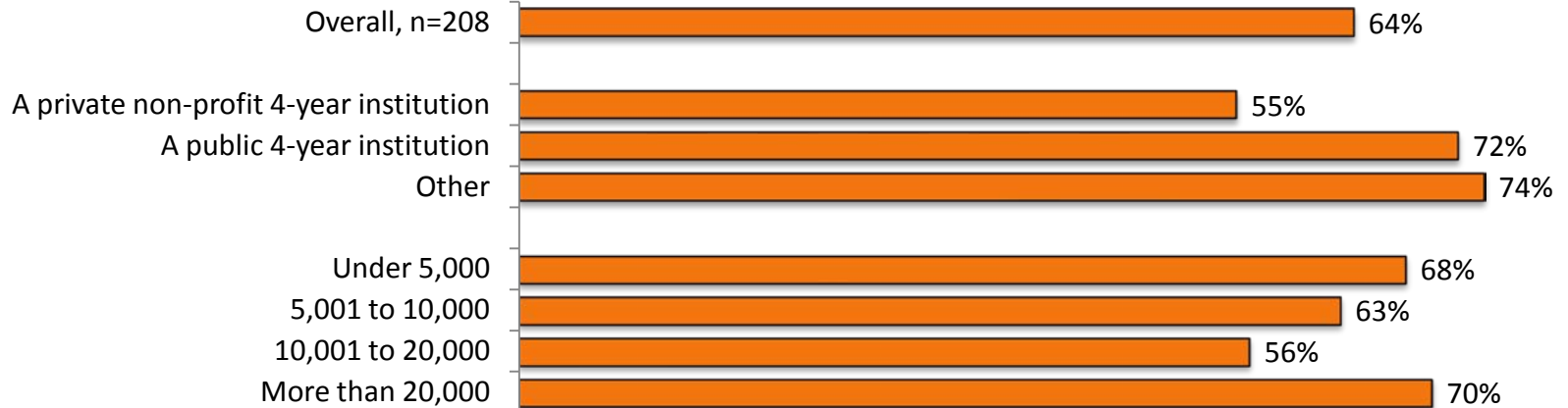
Collaboration for State Authorization Regulations

Percentage of institutions participating in any statewide, system-wide, or consortial approach in sharing information or addressing state authorization regulations

2012



2011

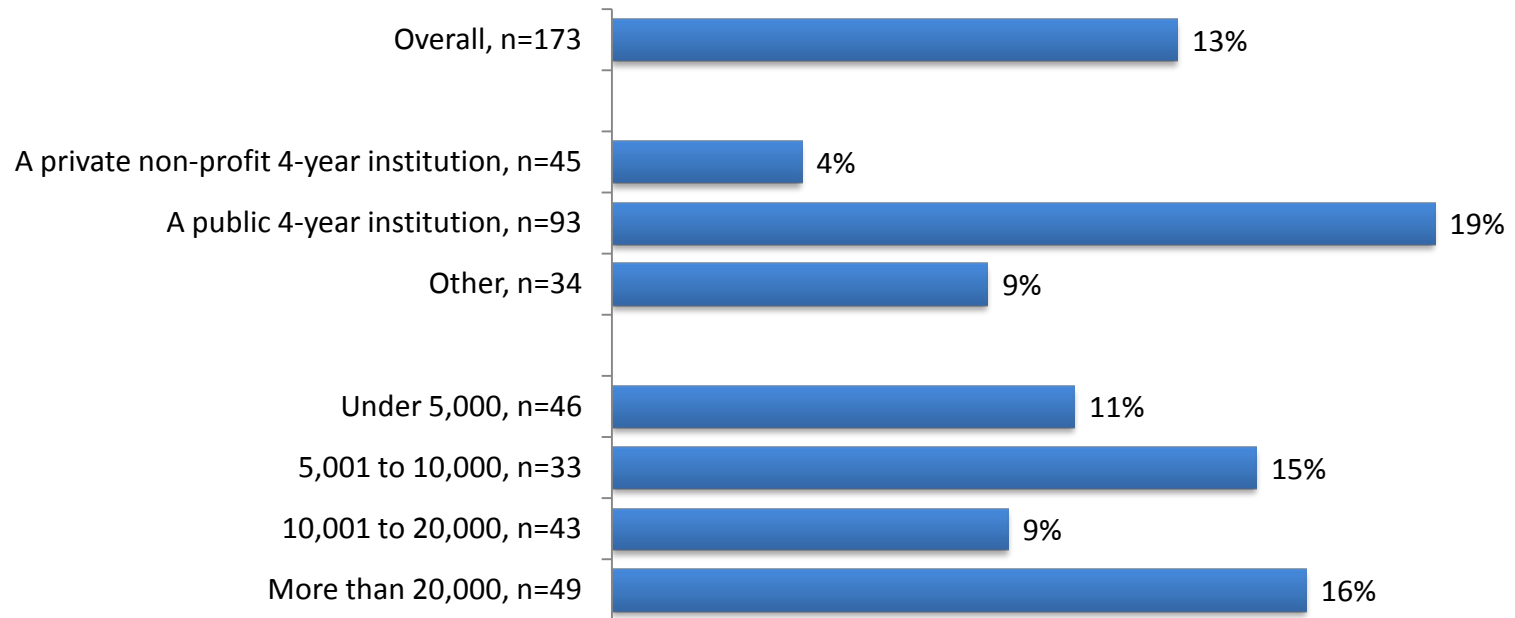


Collaboration remains important, with minor variations from 2011. Schools with fewer than 5,000 enrollments seem to have started participating more in the past year.



Reciprocal Agreements

Percentage of institutions participating in a reciprocal agreement with another state



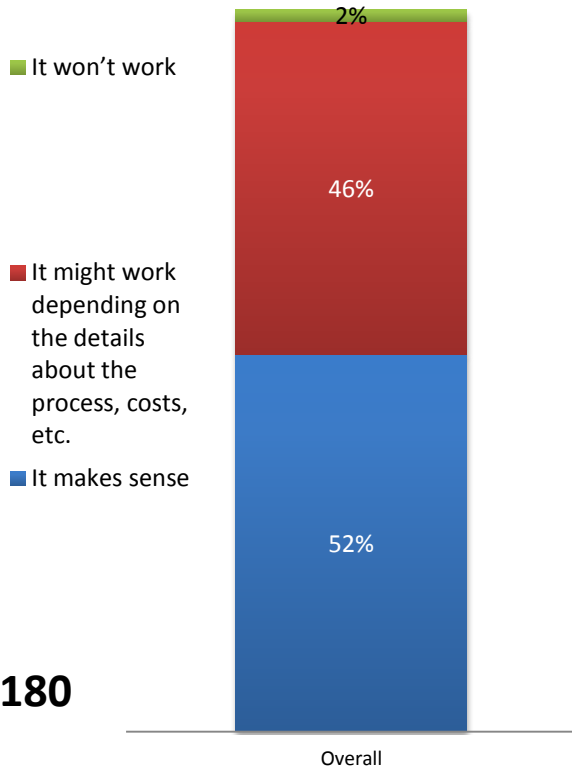
Overall, about 13% of institutions participate in reciprocal agreements, with the greatest participation by public 4-year institutions (19%).



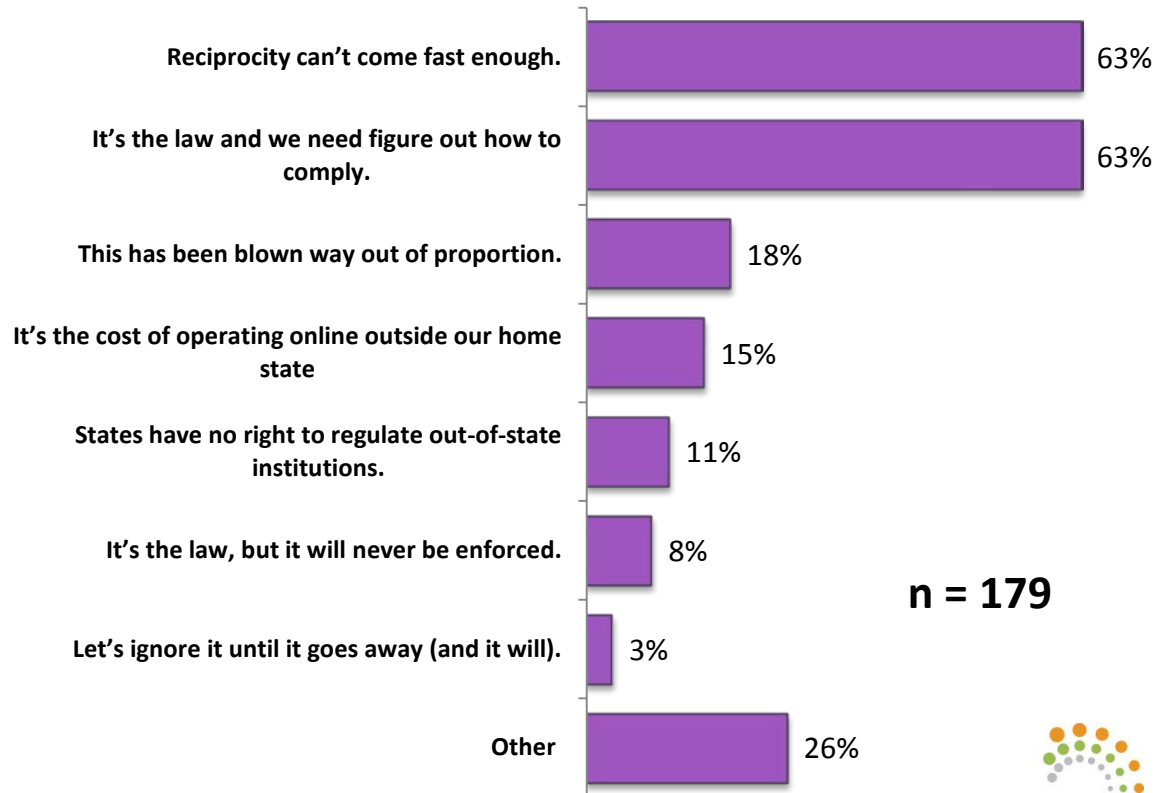
SARA outlook & opinion of state authorization matter

Institutions are optimistic about a SARA-like arrangement with 98% believing that might work or that it makes sense. Institutions also accept the need to comply with state authorization regulations (68%), but also believe that reciprocity is a viable option for easing the process (63%).

Outlook on SARA



Opinion on State Authorization



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