

What are Colleges Doing
(or Not Doing)
about
State Authorization?

An UPCEA and WCET
Joint Survey

August 2011



Methodology

- WCET and UPCEA's Center for Research and Consulting partnered on a survey to assess the perceptions and actions of its members and constituencies.
- Jim Fong of UPCEA and Russ Poulin of WCET designed and managed the survey with input from members of their respective organizations.
- The survey was launched on July 5 and completed on July 28, 2011. The survey has a error margin of plus or minus 6% at 95% confidence.
- On July 12, the District Court of the District of Columbia 'vacated' the federal 'state authorization' regulation. We continued with the survey, as state regulations are still in place and the federal regulation might return.

UPCEA

University Professional &
Continuing Education Association
<http://www.upcea.org>

WCET

WICHE Cooperative for
Educational Technologies
<http://wcet.wiche.edu>



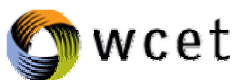
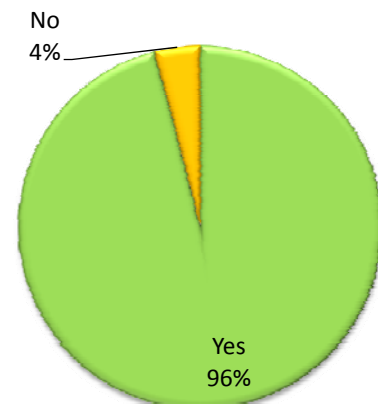
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Methodology

- After removing duplicates/overlapping members of both organizations (which also included WCET's State Authorization Network and voluntary additions from WCET's blog), the final invited sample was 486 institutions. Of these institutions and removing one duplicate response, 230 individual institutions responded for a response rate of 47%. Fifteen institutions responded that they did not offer distance education or correspondence courses, thus leaving the study with 215 full surveys.
- Each organization sent its members an email that the survey would be coming and the survey team sent an initial invitation and a reminder email directly to each member.

Does your institution offer online or correspondence courses to students from other U.S. states? (%)



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Key Findings

Extensive Institutional Reach. Institutions average serving students in 34 states. 46% of institutions plan to seek approval in all U.S. states, territories and protectorates.

Many Have Not Applied. Most institutions (97%) have taken some steps to address state authorization, but 69% of institutions have yet to apply for approval in any state.

Many Misunderstand Regulations. Of those who have yet to apply, 19% believe that the regulation will be repealed. While this is true at the federal level, state regulations are still in place. 10% believe that they are exempt, which seems higher than possible based on our knowledge of the regulations.

Many Lack Funds to Address. Of those who have yet to apply, many are hampered by budget restriction, such as lack of staff (29%) and believe that the cost is too high (15%).

The Costs are Significant. Two-thirds of the institutions have yet to estimate the costs of compliance. For those that have estimated the costs, they estimated an average of \$143,884 and a median of \$78,793. This does not include staff time.

Institutions are Planning to Pull Out of States. 59% of respondents identified states from which they will probably not accept students. Most frequent: MA (29), MN (16), AR (15).



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Key Findings

Significant Revenue is at Stake. On average, the revenue generated by out-of-state students represents 18% of the revenue for the institution's distance education operations. The "trimmed mean" income at stake was \$2,898,595 (note: we had to remove one very large outlier) with a median of \$475,769. The amount and percentage of total revenue that is at stake varies greatly by type of institution.

Thousands of Students Affected. 111 institutions provided estimates of how many students they might not be able to serve because of state regulations. On average, the institutions stated that the number of students that they might not be able to serve is 173, with a low of 0 and a high of 4,000. The institutions responding to this question estimated that they ***will not be able to serve a total of about 19,000 students.***

Smaller Colleges May Suffer. With fewer students in a state, the cost-per-student may have a bigger impact on smaller colleges.

Call for Action. Open-ended comments can be summarized: continued ***confusion*** about the nuances of regulations from state-to-state; frustration with ***difficult processes*** that seem duplicative of accreditation, unnecessary, and expensive; feeling that there is ***little value added*** with the regulations hindering the ability to serve students; and a call for ***consistency*** among regulations or reciprocity among states.



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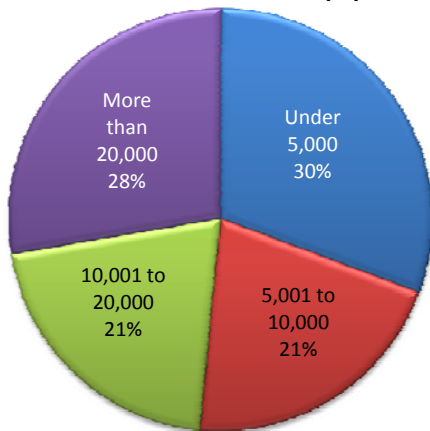
Respondents are an Equal Mix of Institution Size

There is an almost uniform distribution of smaller, midsize and larger institutions.

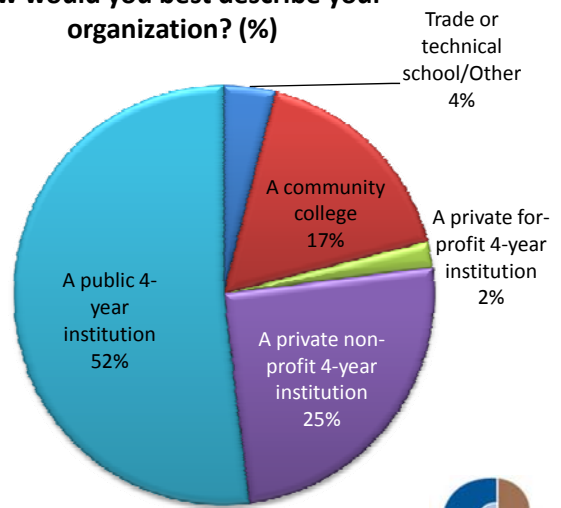
Respondents from All Institutional Sectors

Slightly more than half of the respondents represent public four-year institutions. Slightly less than one-quarter represent private non-profit four-year institutions. The 18 institutions identified as trade, technical, private four-year for-profit or "other" have been grouped together for additional analyses later in the report.

Please estimate the number of full-time equivalent (FTE) students your institution serves: (%)



How would you best describe your organization? (%)



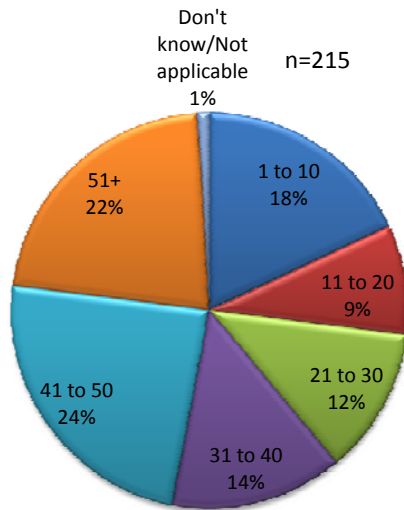
N=215



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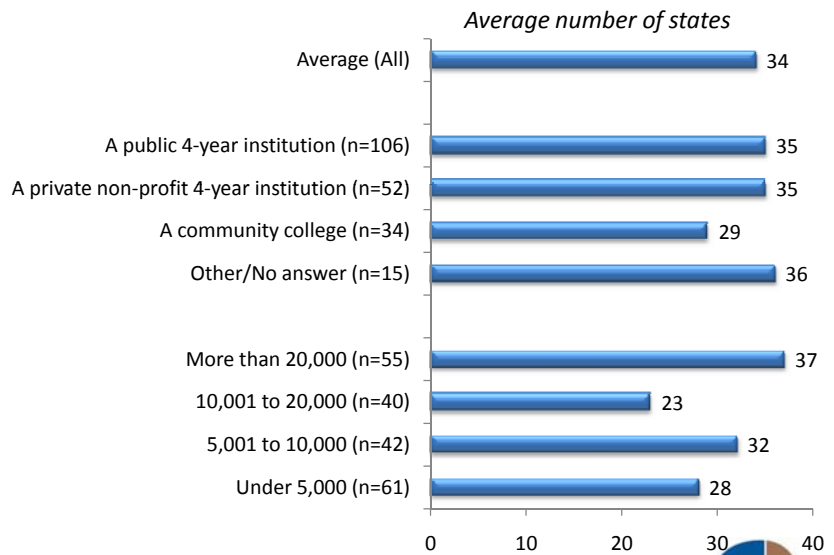


Excluding your state, in how many other U.S. states, territories or protectorates do you offer online or correspondence courses?



Institutions Serve Many States

Sixty percent of respondents serve students in at least 30 states, with the average being 34 states. Not surprisingly, the largest institutions serve the most states and community colleges, the fewest. As can be seen on the next slide, bi-modal differences on the number of states served by institutional size is clear in that smaller institutions serve fewer states while larger institutions serve more states. Given the small sample sizes for for-profits, trade or technical schools or other, they have been combined into the "Other/No Answer" category.



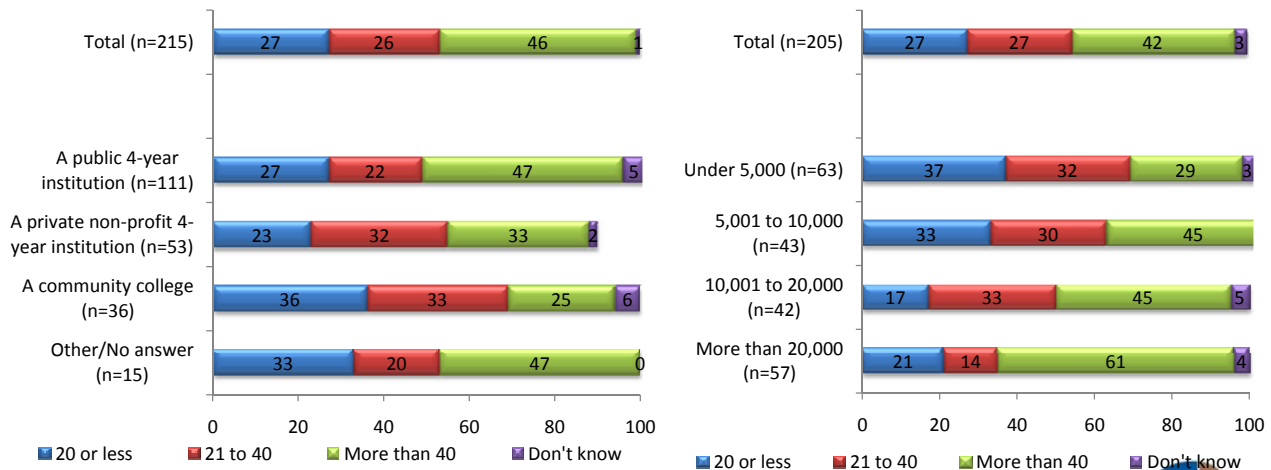
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Excluding your state, in how many other U.S. states, territories or protectorates do you offer online or correspondence courses?

Smaller Institutions are More Likely to Serve Only a Few States

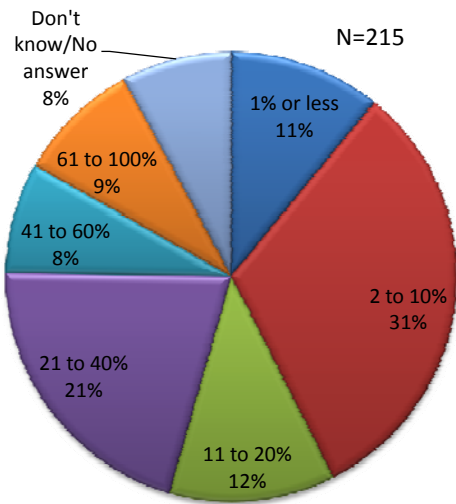
The previous slide had shown few differences based on type of institution and size in terms of the number of states, territories and protectorates served. The charts below show that smaller institutions, those with under 5,000 FTE enrollments, are more likely to serve “20 or less” as compared to larger institutions.



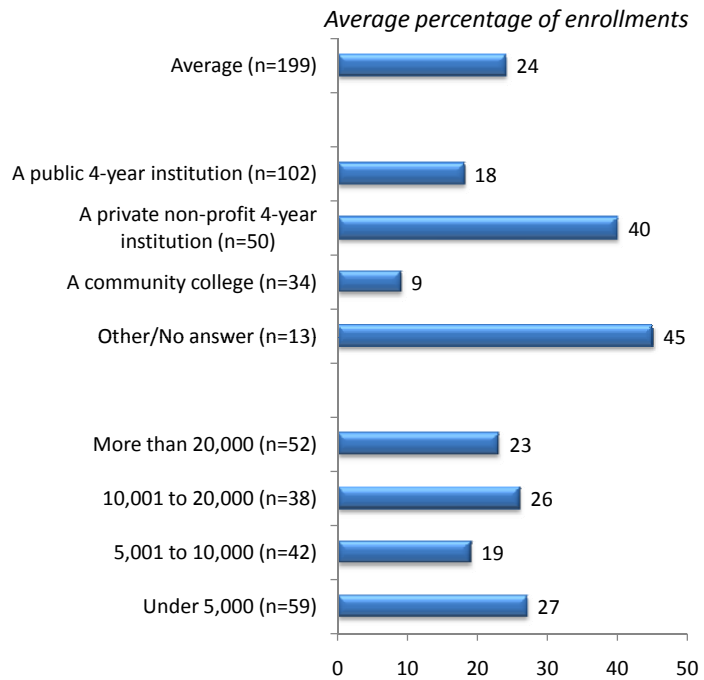
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What percentage of your online or correspondence course enrollments comes from other states, territories or protectorates?



Private Institutions Have Larger Online Presence
Public institutions' online enrollments tend to be a smaller percentage of their overall enrollment.



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Which of the following statements best describes your institution's progress in addressing the state authorization regulation? (%)

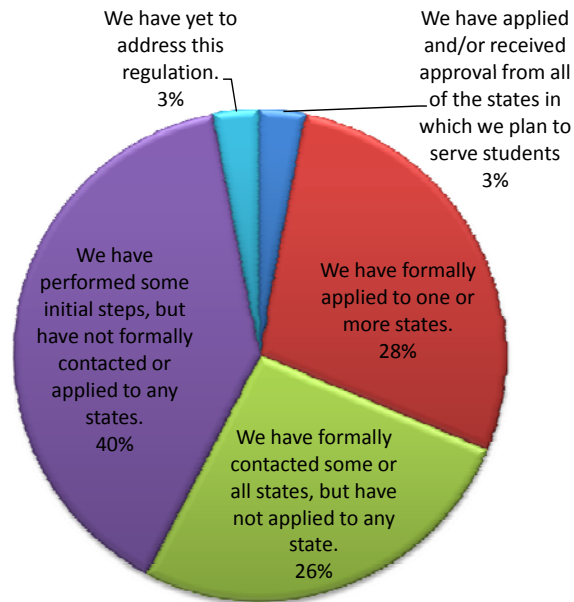
Almost All Institutions Have Done 'Something;' Few Have Applied to a State

Most institutions responding to the survey have either:

- performed some initial steps (40%),
- contacted some or all states (26%),
- applied to one or more states (28%).

A small number have done nothing (3%) or have all the approvals they need (3%).

More than two-thirds (69%) of the institutions have not applied to any state.



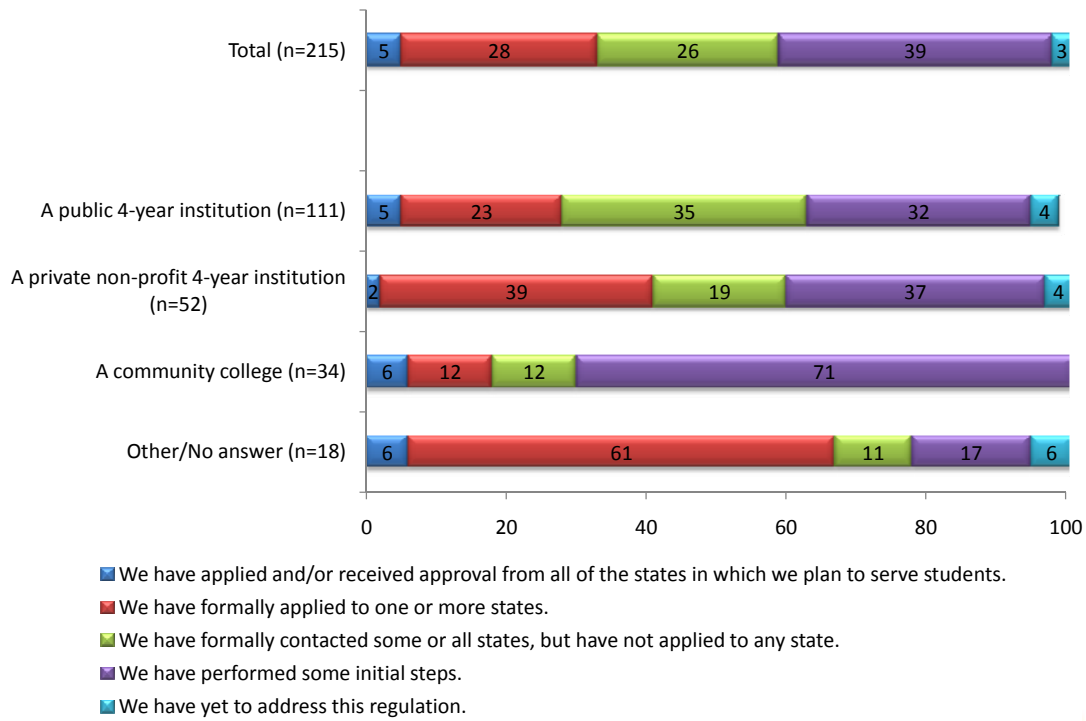
N=215



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Which of the following statements best describes your institution's progress in addressing the state authorization regulation? (%)

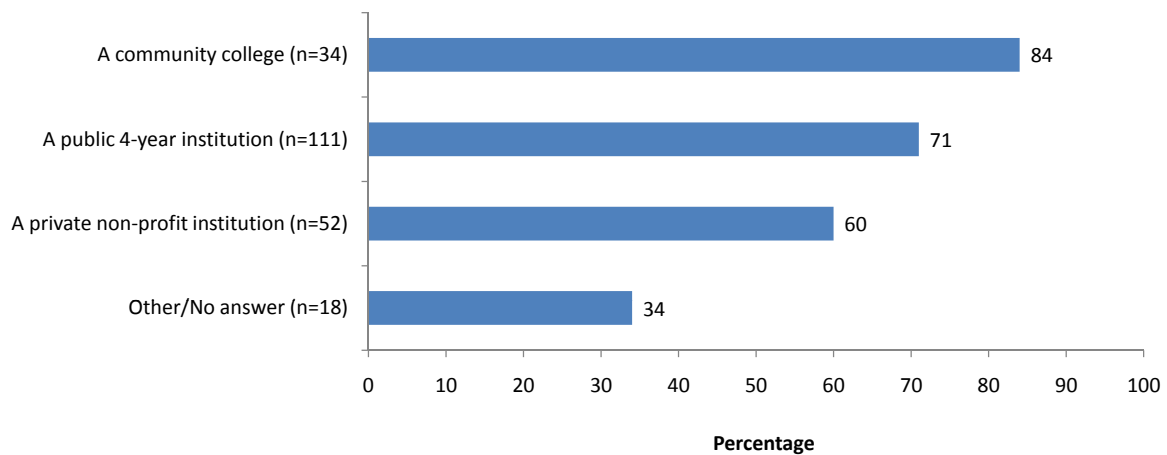


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Which of the following statements best describes your institution's progress in addressing the state authorization regulation? (%)

Extracted from previous slide: Percentage of colleges that have not formally applied to any state.



Although Present in Several States, Many Colleges Have Yet to Apply in Any State

The overwhelming majority of community colleges and public 4-year institutions have yet to begin the application process. Private, non-profits are slightly better and for-profit ("Other") institutions may have applied more often. For-profit institutions are exempted in fewer states.

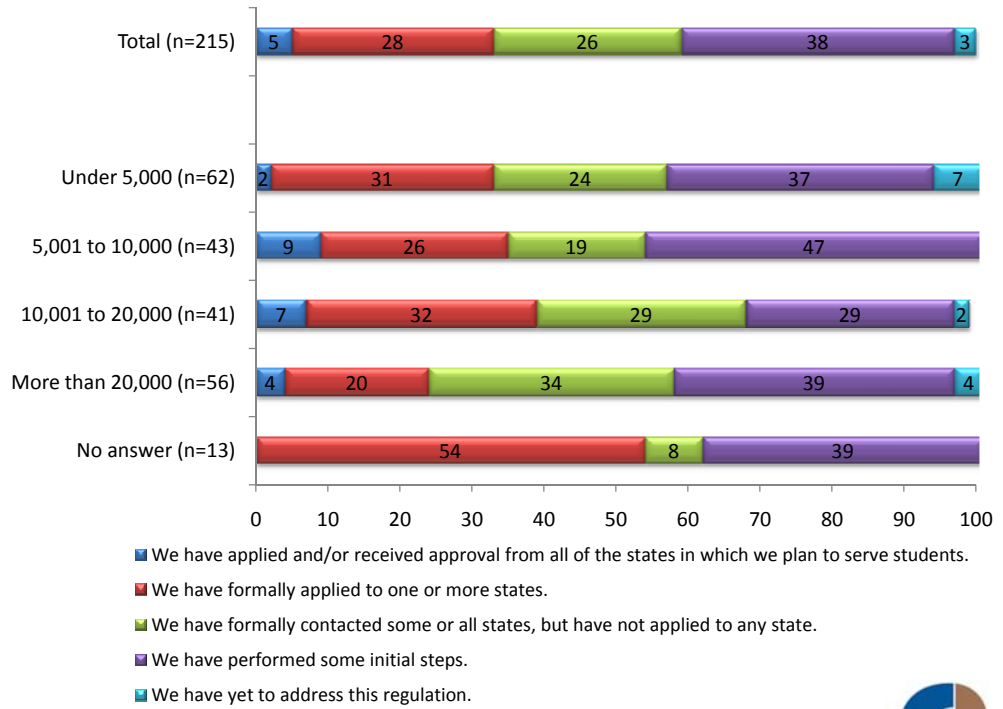


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Which of the following statements best describes your institution's progress in addressing the state authorization regulation? (%)

Size Does Not Matter
 Surprisingly, an institution's size does not seem to have a large impact on progress toward authorization.

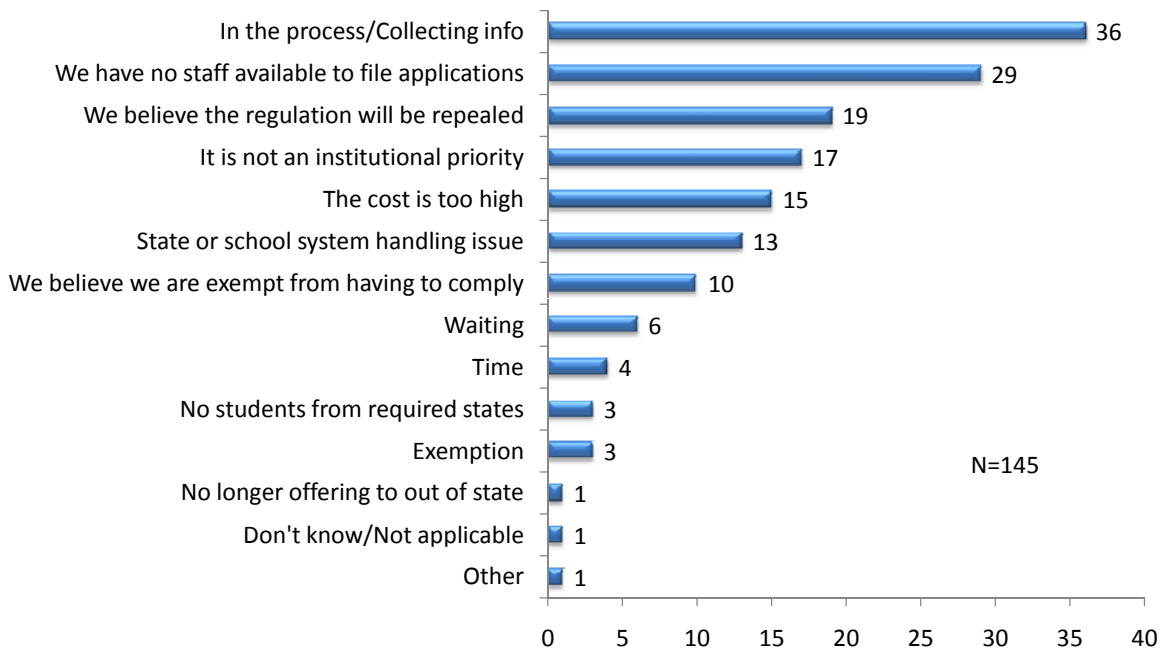


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Why haven't you or someone in your organization applied for approval in any U.S. state for your online or correspondence course?

(% based on those that have applied, Multiple answers allowed)



N=145



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Why haven't you or someone in your organization applied for approval in any U.S. state for your online or correspondence course? (%)

Extracted below: Results by type of institution for key responses.

Between a Rock and a Hard Place

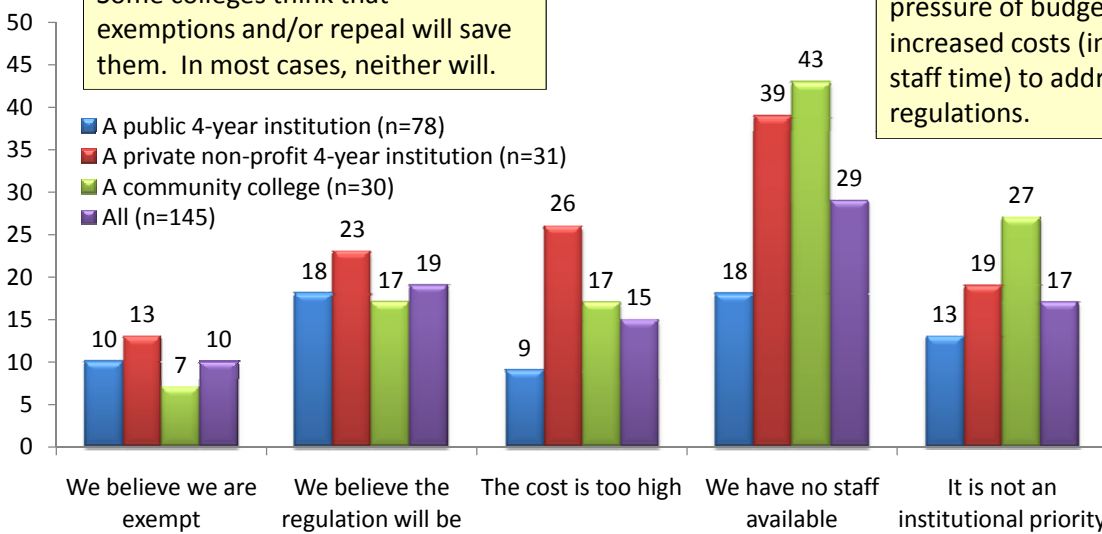
Colleges are caught between misunderstanding the regulations and budget restrictions that hamper them from learning more or acting on those regulations.

Misunderstanding

Some colleges think that exemptions and/or repeal will save them. In most cases, neither will.

Budget Restrictions

Colleges face the double pressure of budget cuts and increased costs (in fees and staff time) to address these regulations.



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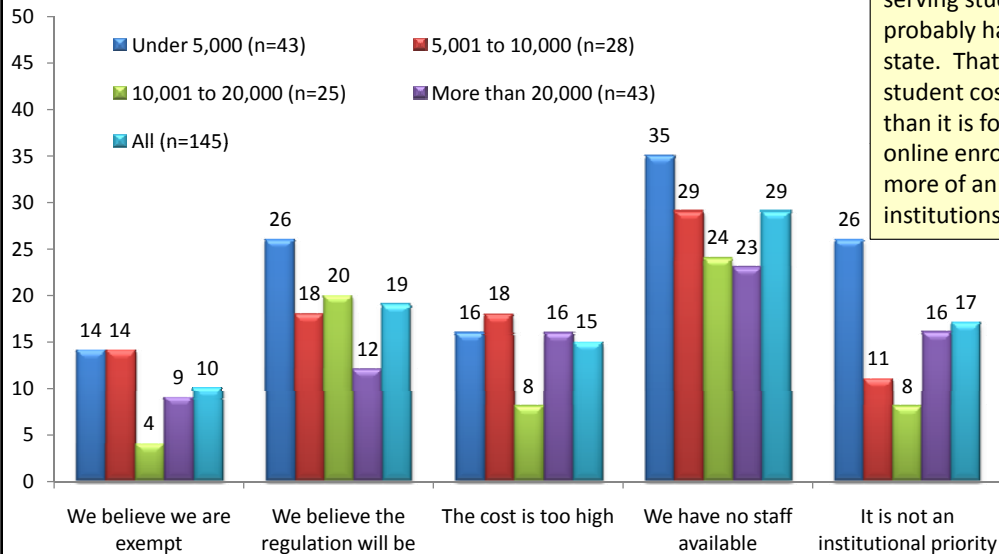
University Professional & Continuing Education Association

Why haven't you or someone in your organization applied for approval in any U.S. state for your online or correspondence course? (%)

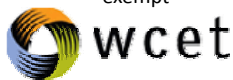
Extracted below: Results by size of institution for key responses.

Smaller Colleges Face the Biggest Challenge; But Only Slightly Bigger

Colleges with under 5,000 enrollments responded the most frequently to four of the five options below. They don't have the staffing to address the issue, so they are banking on exemption or repeal.



While the smallest colleges averaged serving students in 28 states, they probably have fewer students in each state. That would make the per student cost of complying higher than it is for colleges with higher online enrollments. Also, staffing is more of an issue for smaller institutions than larger ones.



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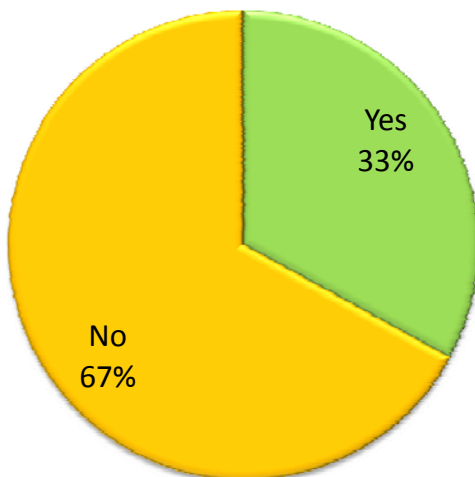


University Professional & Continuing Education Association

Many Colleges Do Not Know the Costs of Compliance

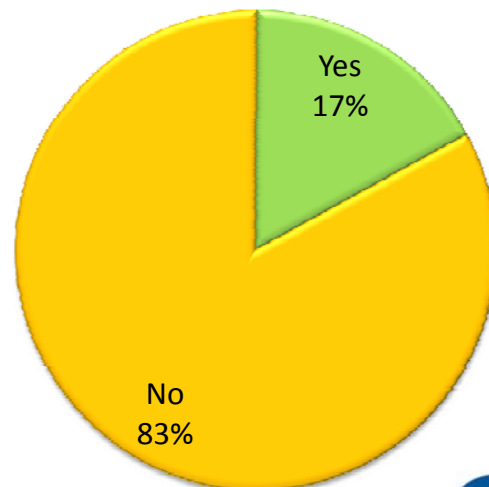
The figures below show that 33% have begun the process of estimating the costs to apply. Just 17% of institutions have started estimating for future years. These results are compatible with the earlier findings that most institutions have not begun the application process and that some are hoping that this issue will go away.

Have you estimated what the costs will be to your institution to comply? (%)



n=215

Have you started estimating costs for future years after the approval has been achieved? (%)



n=215

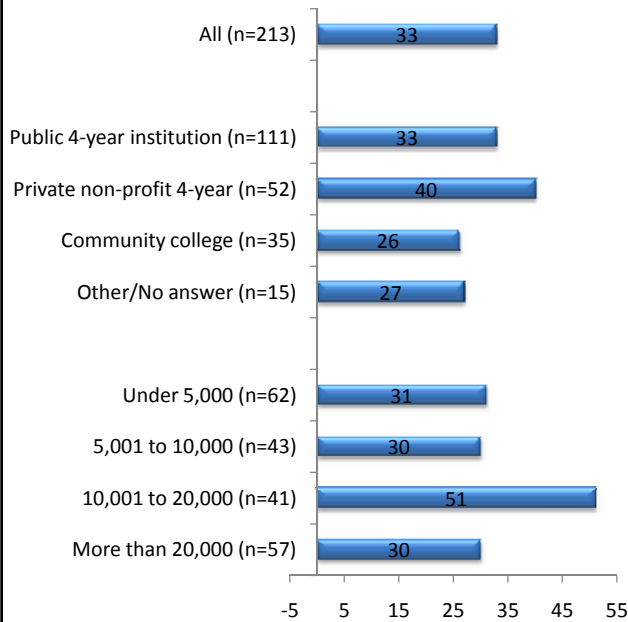


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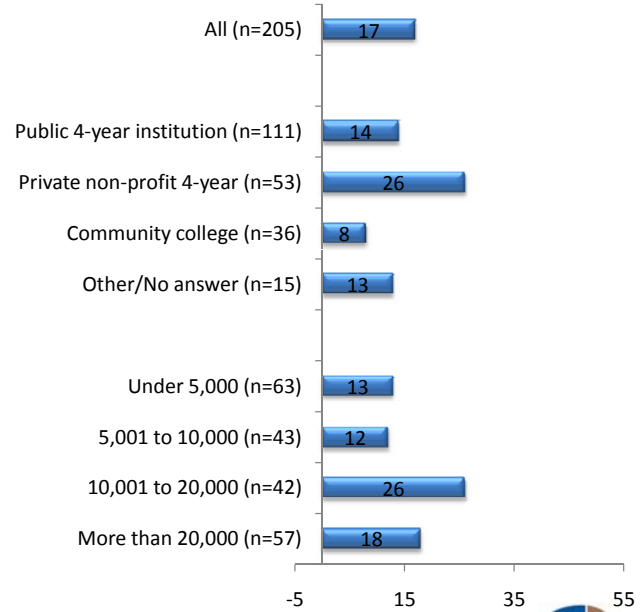


Lack of Cost Estimation Persist for All Types and Sizes of Colleges; Few Know Future Costs
 Half of colleges with 10-20,000 enrollments and 40% of the private non-profits have estimated costs. Few others have estimates. One in six colleges has examined the future costs of compliance.

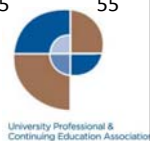
Have you estimated what the costs will be to your institution to comply? (% answering "yes")



Have you started estimating costs for future years after the approval has been achieved? (% answering "yes")



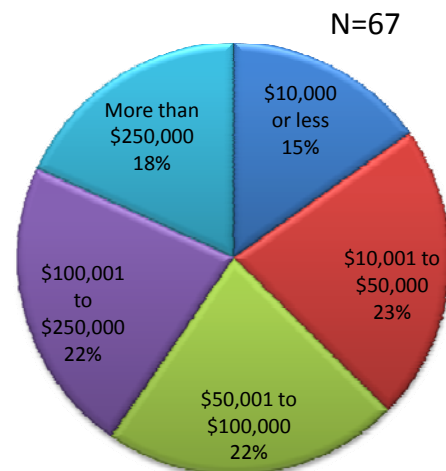
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Estimated Costs for State Fees

Colleges Estimate Significant Costs for Fees

- While 71 institutions responded that they had estimated costs, 67 gave a cost estimate on what they think they will pay in state fees and related costs to the states for applying.
- Of the 67, the average cost estimate was \$143,884 with the high being \$1.1 million dollars and the low being \$250 dollars. However, due to skewing at the higher end, the median cost estimate overall may serve as a stronger measure of central tendency at \$78,793. A trimmed mean that excludes the upper and lower 3% yields an average of roughly \$126,000 while a trimmed mean that excludes the upper and lower 6% yields an average of roughly \$118,000.
- Forty percent expect to pay at least \$100,000 in fees. Estimates in excess of \$100,000 are on par with reports from colleges that have already sought approval in several states.
- These fees do not include staff time to research the regulations and manage the application processes.

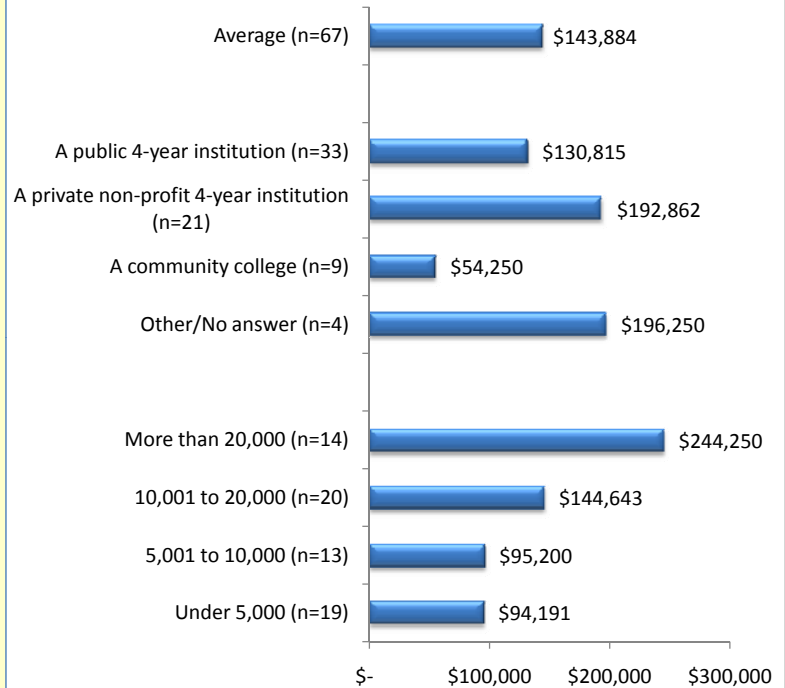


Estimated Costs by Type and Size of Institution

Larger and Private Institutions are Likely to Incur Higher Costs

- With only 67 institutions responding, some caution should be exercised regarding small samples and margins of error. The data to the right is directional and not definitive. One institution that provided an estimate did not provide its enrollment size.
- The chart suggests larger institutions estimate spending more than smaller institutions and privates more than publics.
- Community college estimates appear low, but might reflect their intent to serve students in fewer states.

Average Cost Estimated to Apply



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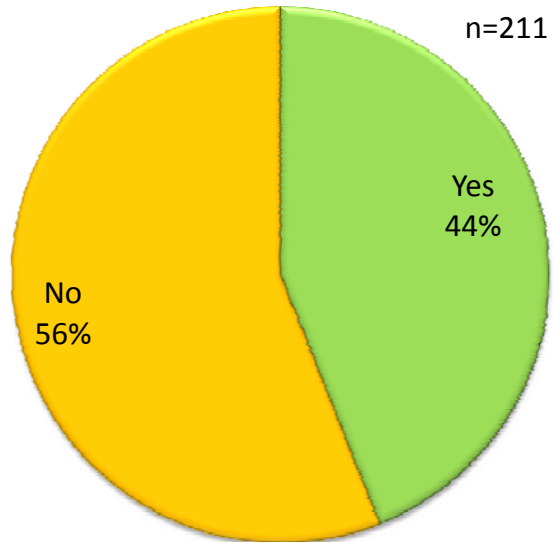


Will you be seeking approval from all fifty U.S. states and the seven territories/protectorates to offer online and correspondence courses? (%)

Many Colleges are National in Scope

In an earlier question, colleges responded that they serve students in an average of 34 states each. It is not surprising that a significant number of colleges serve students in all U.S. states and jurisdictions.

A question for future research would be to determine if institutions are serving a small number of students in several of those states. Many institutions are facing difficult cost/benefit questions for seeking approval for a small number students in a state.



How many states have you or will you be applying to?

Note: Asked only of those NOT applying to all states & territories.

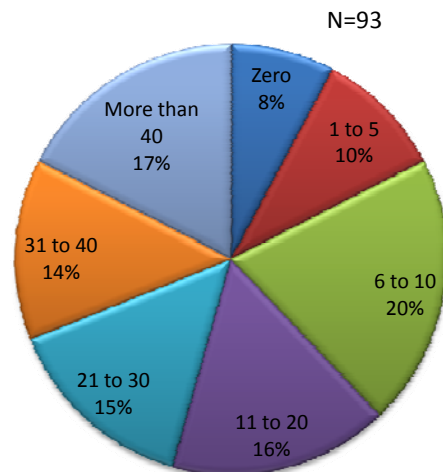
If Not Going to Every State, There is Wide Variation in the Number of States Served.

Of those NOT applying to all states, 93 gave an estimate as to the number of states in which they will seek approval.

For those NOT applying to all states and territories, about one-third (31%) will seek approval in at least 31 states and 38% will seek approval in 10 or fewer states.

When added to those seeking approval in all states, 58% of all respondents will seek approval in at least 31 states.

Of the 93 responding to this question, the average number of states was 23 with a high of 56 and a low of zero.



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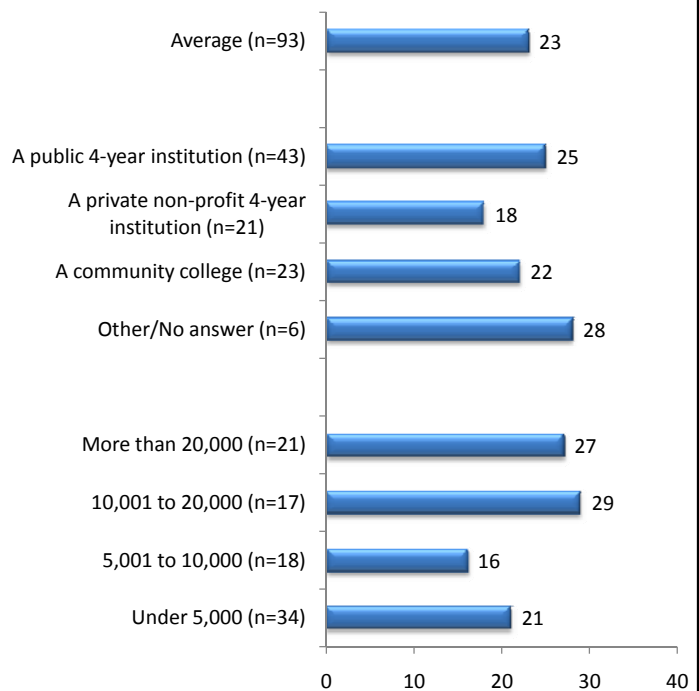
Estimated Number of States by Type and Size of Institution

Average Number of States that Institutions Will or Plan to Apply

**If Not Going to Every State,
Larger & Public Institutions Plan to
Apply in More States**

With only 93 institutions responding to this question, some caution should be exercised regarding small samples and margins of error. The data to the right is directional and not definitive. One institution that provided an estimate did not provide its enrollment size.

The chart suggests that larger institutions plan to apply to more states than smaller institutions. Surprisingly, private institutions may apply to fewer states than their public counterparts. Those institutions may either have (or think they have) exemptions.



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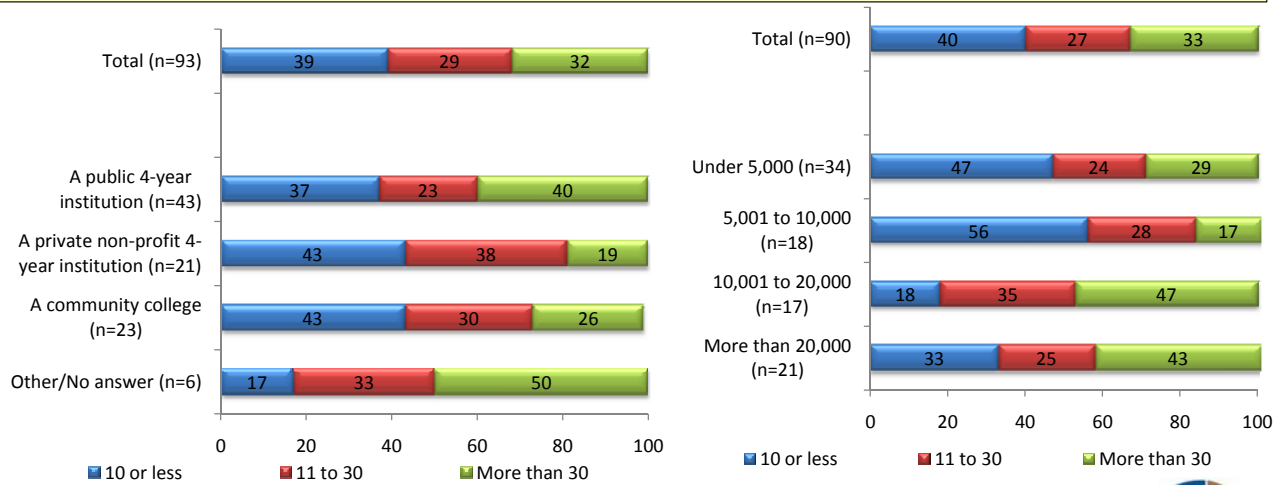


Estimated Number of States by Type and Size of Institution

Number of States that Institutions Will or Plan to Apply

There are Differences by Institutional Size in the Number of States, Territories and Protectorates Where Institutions Will or Plan to Apply

The previous slide had shown few differences based on type of institution and size in terms of the number of states, territories and protectorates they will or plan to apply to. The charts below show that smaller institutions, those with under 10,000 enrollments, are more likely to apply to 10 or fewer states, territories and protectorates as compared to larger institutions. The reverse can also be said of larger institutions applying to more than 30 states, territories and protectorates.



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**Are there states from which you now believe you can
no longer accept students? (%)**

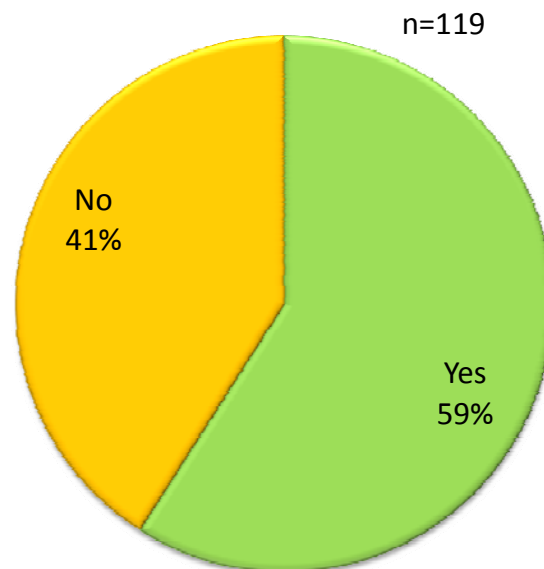
**Institutions Are Identifying States Where
They Will No Longer Accept Students**

Slightly more than half of the institutions
(119) responded to this question.

Some institutions might not have answered
this question because they are early stages
of the process. In an earlier question, 69%
of all respondents indicated that they had
not yet applied to any state.

A few institutions might have responded
“No” to this question because they are or
think they are “exempt” from regulation.

Seventy institutions have found states in
which they will no longer accept students.



From which states do you believe you will no longer accept students? (Number of Mentions)



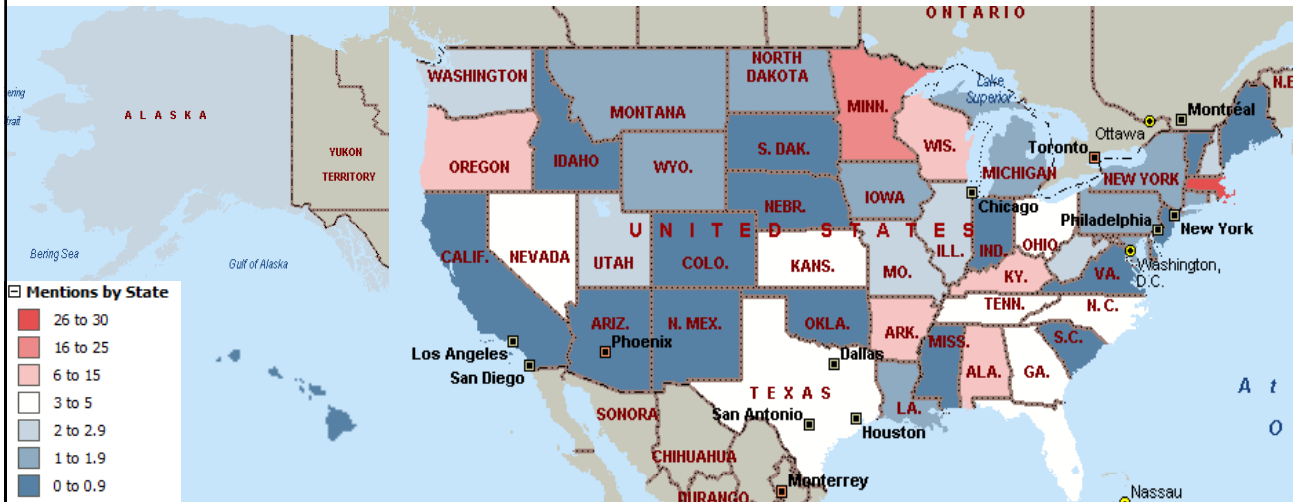
N=87



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From which states do you believe you will no longer accept students? (Number of Mentions)



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From which states do you believe you will no longer accept students? (Number of Mentions)

Brief View of Regulations and Fees for the Top Three States Mentioned

Massachusetts

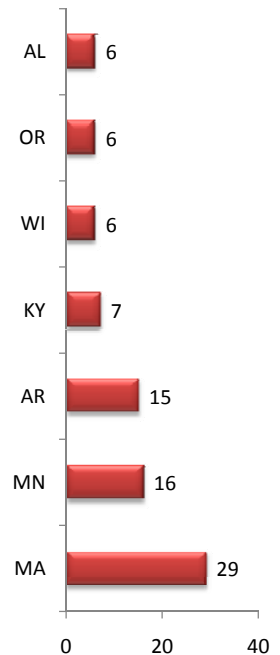
Agency: Massachusetts Board of Higher Education

Cost: The cost for initial application is \$10,000 plus \$2,000 for each degree requested at the same time if more than one, plus \$4,000 annual fee for the first five years following initial licensure.

Application Process: The application requires institutions to complete a nine page application, including listing all faculty. Institutions must submit a proposal, necessary fee, and petition to the Board of Higher Education.

Exemptions: There are no exemptions.

Requirements Specific to the State: If deemed necessary by the MA Board of Education, a site inspection maybe required. The institution is responsible for paying for the travel, room, board and other normal expenses of the visiting committee.



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From which states do you believe you will no longer accept students? (Number of Mentions)

Brief View of Regulations and Fees for the Top Three States Mentioned

Minnesota

Agency: Minnesota Office of Higher Education

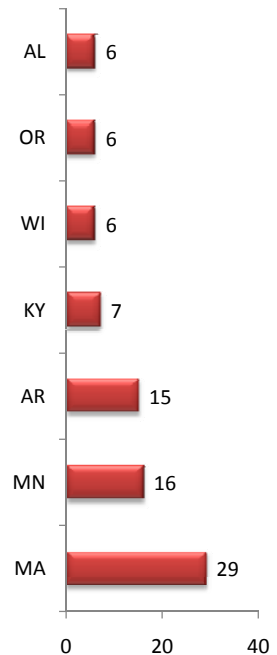
Cost: Application fees range from \$2,000-\$3,500, plus an additional fee of up to \$1,000 for each additional degree program. \$1,200 annual renewal fee.

Application Process: The application requires institutions to complete a nine page application and include several additional documents, including the institution's fiscal balance sheet and course catalog.

Exemptions: Some religious schools are exempt.

Requirements Specific to the State:

- academic degrees that meet state standards,
- sufficient finances,
- an appropriate faculty,
- sound institutional policies and practices, and
- accurate and useful information about programs, tuition and fees, admissions, evaluation, dismissal and refunds.



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From which states do you believe you will no longer accept students? (Number of Mentions)

Brief View of Regulations and Fees for the Top Three States Mentioned

Arkansas

Agency: Arkansas Higher Education Coordinating Board

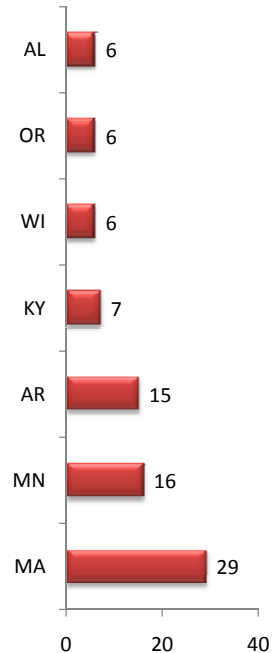
Cost: The cost for initial application is \$500 fee per degree program. There are additional costs for submitting a letter of notification to apply for approval (\$250) and review team expenses, typically just meals.

Application Process: The application requires institutions to submit a letter of notification and complete a page application specific to distance delivery. Additional forms are required for each proposed degree.

Exemptions: Some institutions on military installations and non-credit programs may seek an exemption. There is a \$250 fee for requesting an exemption.

Requirements Specific to the State:

Institutional Certification Advisory Committee (ICAC) Meetings occur quarterly so approval may be delayed depending on when an application is submitted. Also "AHECB has established a general education core curriculum that must be successfully completed in order to receive a degree at the associate or baccalaureate level."



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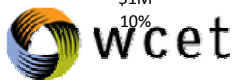
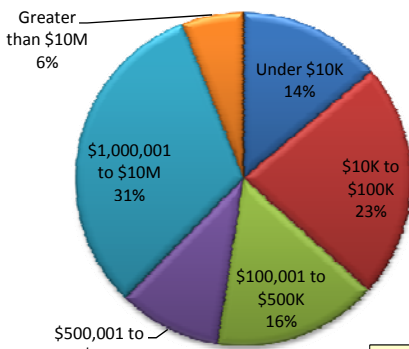


How much revenue do you have at stake?

Significant Revenue is at Stake; Amount Varies Greatly by Type and Size

The average institution has nearly thirteen million dollars at stake in the online or correspondence marketplace outside of their own state. There are significant differences based on institution size and type of institution, as a result a median and trimmed means have been calculated (by eliminating the top and bottom values or the top and bottom 5%). In doing so, the results show significantly different results.

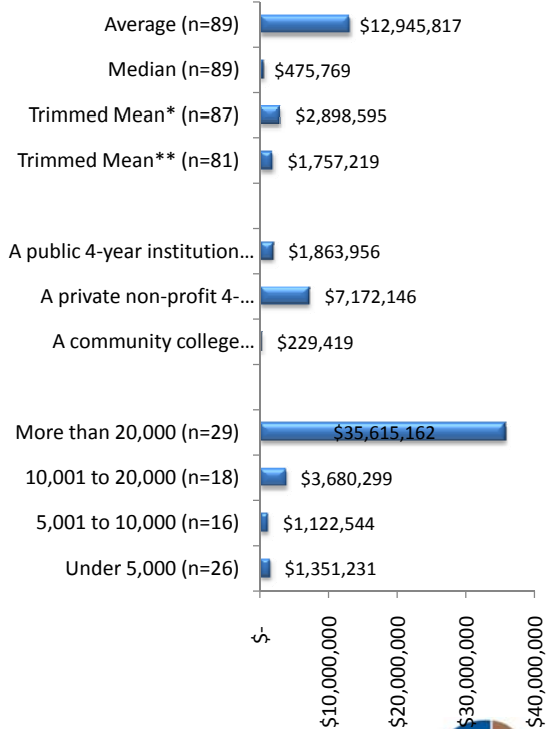
For-profit institutions are not shown in the chart to the right because of a small sample size.



N=89

Only 89 institutions responded to this question. When further segmentation is conducted (i.e. smaller institutions n=16 or community colleges n=16), caution should be exercised regarding small samples and margins of error. While the amount varies greatly, the amounts appear significant for each institution in its own context.

Average Revenue at Stake

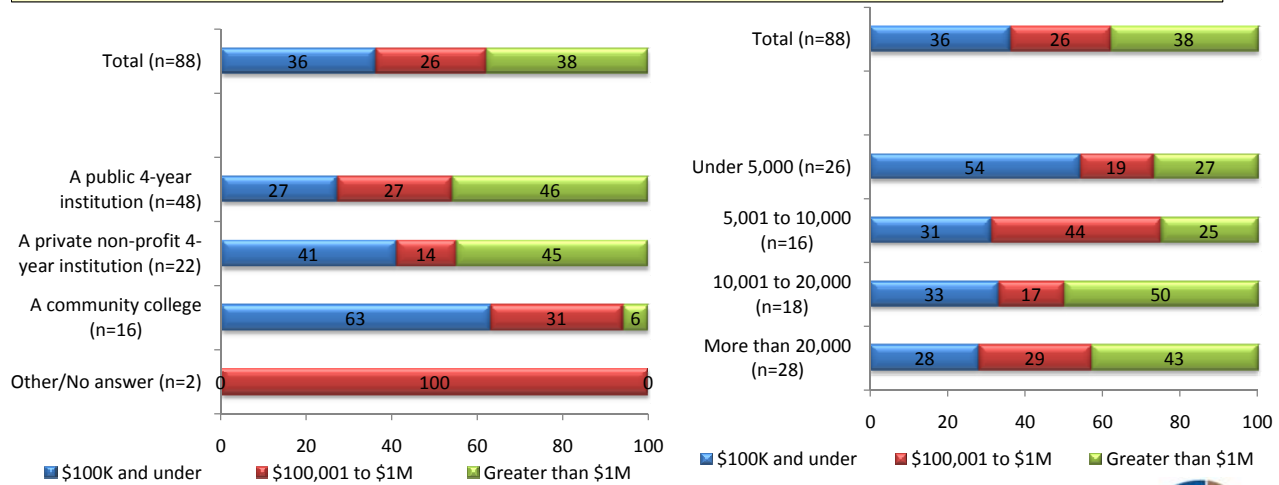


University Professional & Continuing Education Association

How much revenue do you have at stake?

There are Differences by Institutional Size, Type of Institution and the Revenue they have at Stake

The previous slide had shown few differences based on type of institution and size regarding the amount of revenue at stake. The chart shows greater detail as to the amount of revenue at stake by type and size. For example, smaller institutions and community colleges are clearly more likely to have \$100,000 or less at stake. However, on the following two slides this revenue represents a significant percentage of income in many cases.



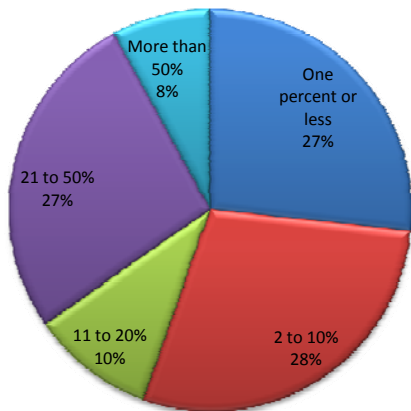
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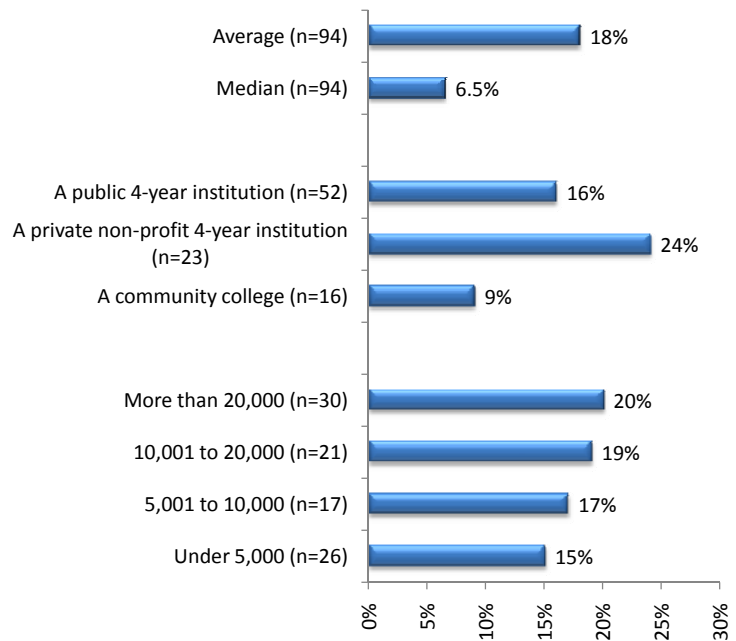
What percentage of your 2010 total revenue does this represent?

Significant Revenue is at Stake; Amount Varies Greatly by Type and Size

Only 94 institutions responded to this question. Caution should be exercised regarding small samples and margins of error. On average, out-of-state students represent 18% of revenue, with private non-profits averaging 24%. There is a slight upward trend based on enrollments.



Average Percentage Revenue at Stake



N=94

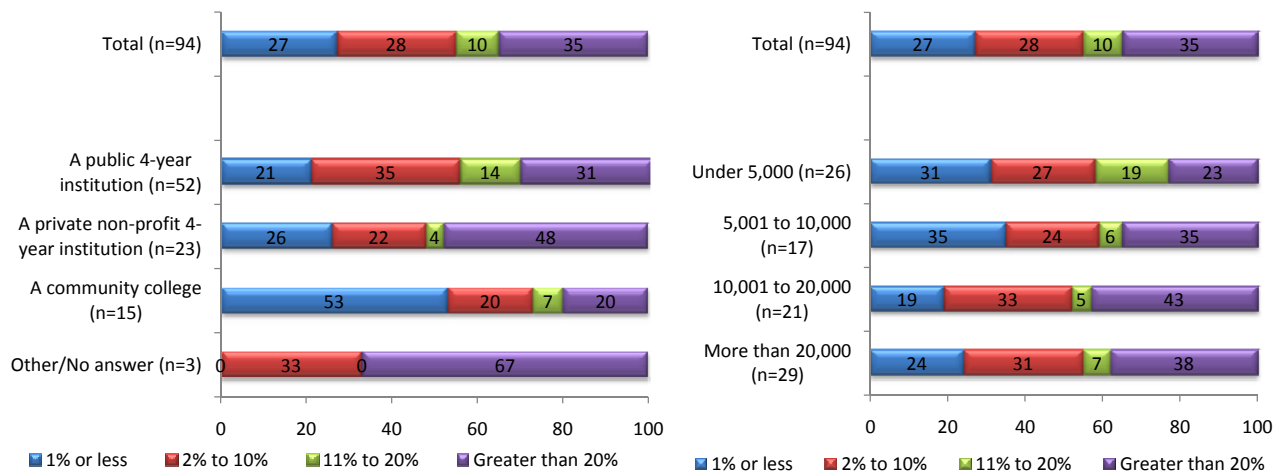
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What percentage of your 2010 total revenue does this represent?

There are Differences by Institutional Size, Type of Institution and the Percentage of Revenue they have at Stake

The previous slide had shown differences based on type of institution and size regarding the percentage of revenue at stake. The charts below show that the revenue at stake for smaller institutions is more likely to be 1% or less of their revenue. However, for private non-profits, the revenue at stake for almost half said that it would be greater than 20%.



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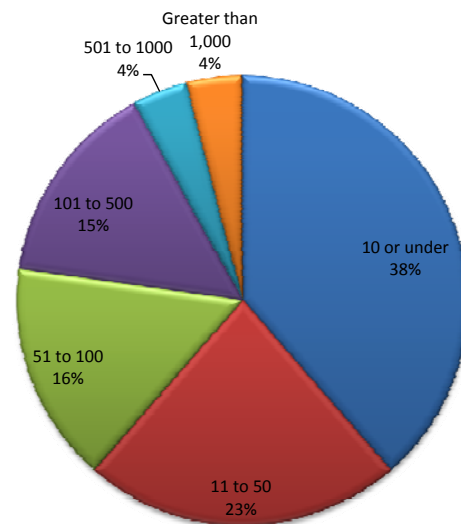


How many students do you estimate you will no longer be able to serve because of prohibitive state fees and processes?

Some Students Will Need to Seek Another College

111 institutions were able to estimate how many students they might not be able to serve because of state regulations. Some caution should be exercised regarding small samples and margins of error. The data to the right is directional and not definitive.

It is unclear why (in a previous question) only 87 institutions could identify the states in which they would not serve students, but 111 institutions responded to this question. Respondents might have been more willing to guess on student numbers than to identify states by name.



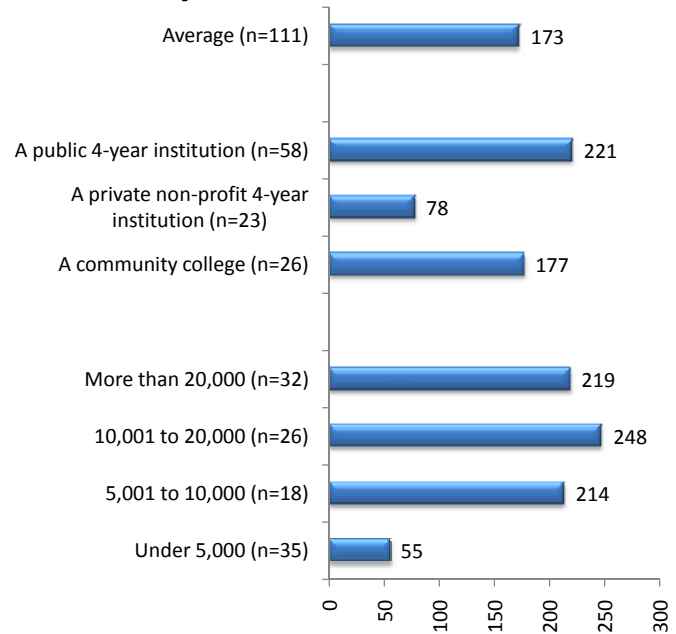
How many students do you estimate you will no longer be able to serve because of prohibitive state fees and processes?

Some Students Will Need to Seek Another College

On average, the institutions stated that the number of students that they might not be able to serve is 173, with a low of 0 and a high of 4,000.

In total, institutions estimated that they will **not be able to serve a little more than 19,000 students.**

Small colleges (under 5,000 enrollment) estimated that they would not be able to serve only about 55 students each. All other colleges estimated that they would not be able to serve more than 200 students each.



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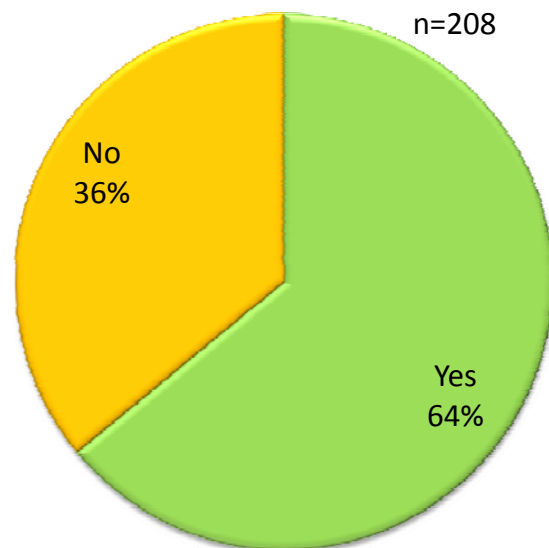
Has your institution participated in a statewide, system-wide, or consortial approach to sharing information or addressing this regulation? (%)

Institutions Are Cooperating

Almost all institutions responded to this question, with almost two-thirds of them indicating that they are cooperating with other institutions on this issue.

Since deciphering federal and state regulations is a difficult task, institutions have found value in sharing information.

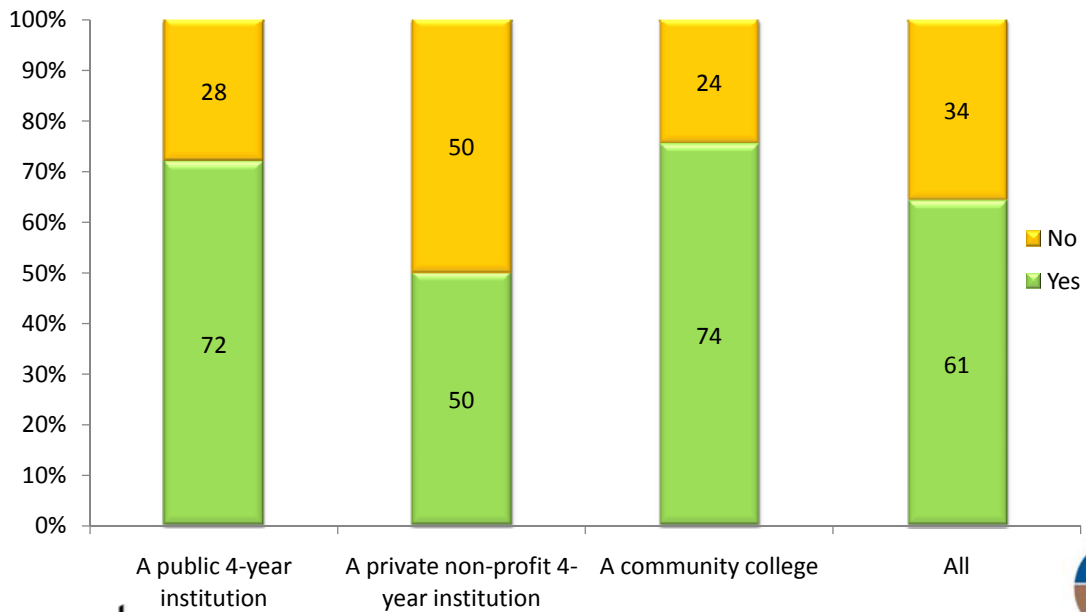
A few states are open to systems or consortia coordinating their responses to a state. This promotes efficiency for both the institutions and the regulators.



Has your institution participated in a statewide, system-wide, or consortial approach to sharing information or addressing this regulation? (%)

Public Institutions are More Likely to Cooperate

With most already in systems, nearly three-quarters of public institutions are involved in consortial approaches to address these regulations.

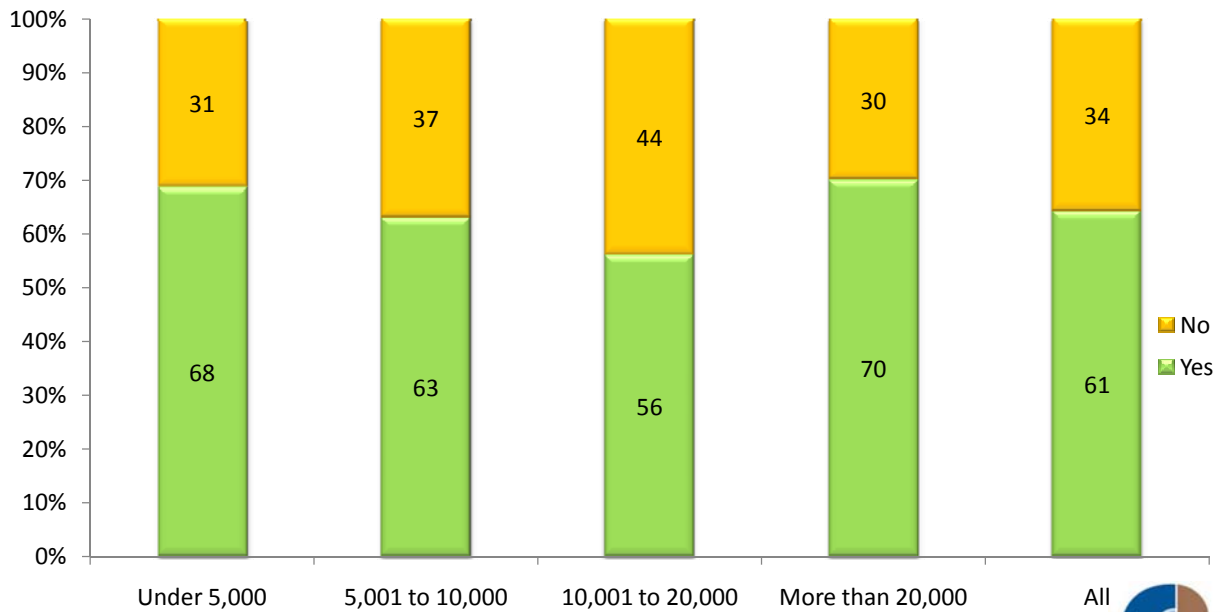


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Has your institution participated in a statewide, system-wide, or consortial approach to sharing information or addressing this regulation? (%)

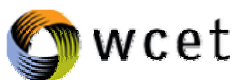
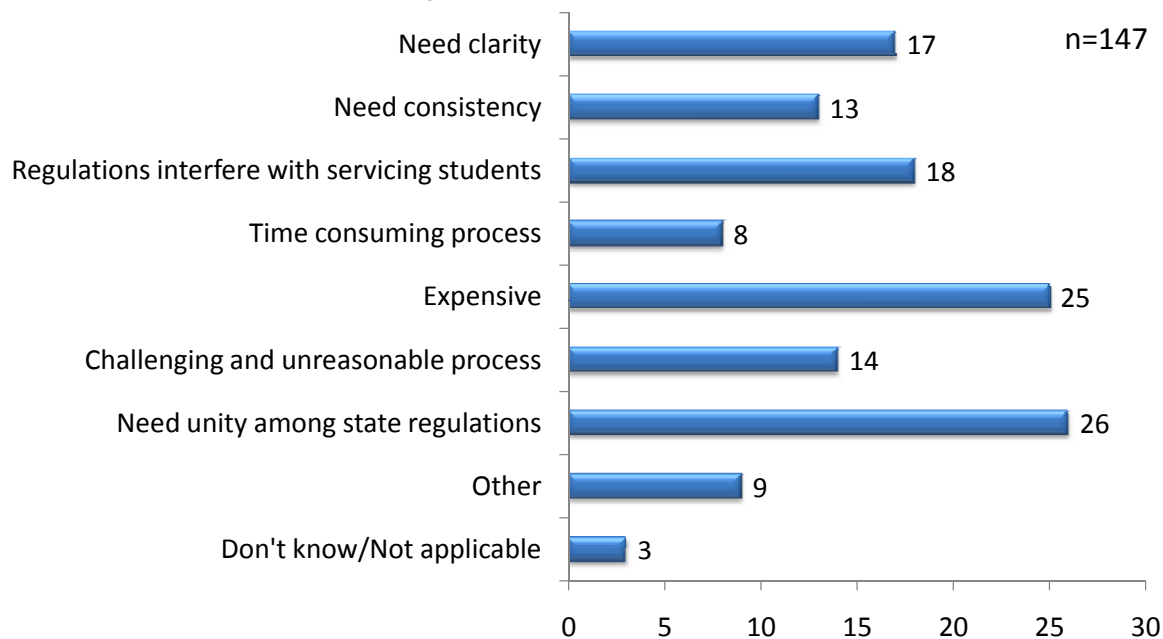
There is Only Slight Variation by Institution Size Regarding Consortial Approaches



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What concerns, comments or questions might you have about the process or what issues related to the new regulation do you think are most important to address? (%)



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What concerns, comments or questions might you have about the process or what issues related to the new regulation do you think are most important to address? (%)

In a nutshell, respondent's comments reflect...

- **Confusion** – respondents don't understand the nuances of regulations from state-to-state.
- **Difficult processes** – some of the requirements seem duplicative of accreditation, unnecessary, and expensive.
- **Little value added** – from their point of view this gets in the way of serving students, but they aren't seeing the need for consumer protection.
- **Consistency** – they would like to see more uniformity or reciprocity among states.



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