

# EDUCATIONAL APPROVAL BOARD MEETING

December 13, 2013

10:30 a.m.

1<sup>st</sup> Floor Conference Room  
201 W. Washington Avenue  
Madison, WI

**Members Present:** Don Madelung, Robert Hein, William Roden, Jo Oyama-Miller

**Others Present:** David Dies, Zachery Galin, Linda Heidtman, Mary Ruhland, Jessica Sabin, *Educational Approval Board*; Jenny Parks, *MHEC (via video conference)*; Jason Chroress, *Bridgepoint*; Chris Bonnell, Kristian Maul, *Capella University*; Wendy Coomer, *Foley & Lardner (Bridgepoint)*; Rocky Klitzke, Broch Vander Velden, *Globe University*; Scott Ridesko, Brian Willison; *Herzing University*; Phyllis Mogrelski-Watson, *Laureate Education*; Nathaniel Orpen, *Rasmussen*; Nathan Halbach, *University of Phoenix*; Julie Parker, Marshall Whitlock, *Upper Iowa University*.

The chair of the Educational Approval Board (EAB), Don Madelung, called the meeting to order at 10:30 a.m. Roll call was taken by Mr. Dies and it was established that a quorum was present. A motion (Oyama-Miller, Hein) to approve the November 20, 2013 board meeting minutes was adopted unanimously.

## **BOARD CHAIR'S REMARKS**

Mr. Madelung mentioned Jenny Parks, director of the State Authorization Reciprocity Agreement (SARA) for the Midwest Higher Education Compact (MHEC), would be discussing SARA and answering questions later in the meeting. He reminded audience members that board materials for this meeting are always available from the EAB website.

## **PUBLIC COMMENT**

The audience was asked to introduce themselves. There were no comments.

## **2014 BOARD MEETING DATES**

Following a brief discussion about the proposed dates, the board's preference was for meetings to be held as follows:

Wednesday, March 12  
Wednesday, June 18  
Wednesday, September 17  
Wednesday, December 10

A motion (Oyama-Miller, Roden) to hold the board meetings for 2014 as indicated above was adopted unanimously.

## **BOARD STATUS REPORT**

### *Involvement in Postsecondary Education Policy Decisions*

State Authorization – Mr. Dies indicated the U.S. Department of Education (USDOE) announced its intent to establish a negotiated rulemaking committee to revisit the issue of state authorization of programs offered by distance learning institutions because a federal court had ruled that previous attempt was not properly noticed.

### *Positive Working Relationships and Alliance*

HLC State Agency Workshop – Mr. Dies provided information on the state agency workshop he attended on November 6-7 hosted by the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. The focus on the workshop was to discuss ways state regulatory agencies and HLC can work together more collaboratively. He noted that the past relationship between the two has not been a strong one. Although much of the conversation was focused on public institutions, Mr. Dies noted it was important for the EAB to be at the table, particularly given there were several sessions regarding SARA on the agenda.

### *Consumer Protection*

Federal Trade Commission Guidelines – Mr. Dies provided a brief summary of stricter guidelines on deceptive marketing practices of for-profit schools that were recently issued by the Federal Trade Commission (FTC). The revised guidelines had not been updated in more than a decade. EAB staff are considering how this information and the FTC’s “tip-sheet” about choosing a school can be incorporated into the EAB’s resource information and materials it provides to consumers on its website.

### *Postsecondary Educational Choices (Public Awareness & Understanding)*

EAB Website – Mr. Dies indicated the EAB is in the process of revising how school-reported annual student outcomes are made available on its website. The changes will reflect the student outcomes reported by institutions last fall. Mr. Dies said the changes are more complicated than what they appear; however, EAB staff is working with the website technician to have the information in place by early 2014.

### *Operational/Administrative Procedures and Policies*

Office Move – Mr. Dies reported there were no updates on the EAB’s move, and that he would keep checking with the Department of Administration (DOA).

## **SCHOOL APPROVAL ISSUES**

Strayer College – Mr. Dies mentioned that the closing of Strayer’s campus in Milwaukee would be January 1, 2014. At a November 13 meeting with general counsel for the institution, the EAB and Strayer reached an agreement regarding the teach-out plan requirements for Wisconsin students affected by the closing. Students not completing 30% of their program would be eligible to get a refund. In addition, Upper Iowa University and Ottawa University will be teach-out options for students and are working with Strayer to ensure smooth transitions during the closing. Finally, students will also have the option to finish their education with Strayer online.

Ms. Oyama-Miller asked how many students would be affected by the closing. Mr. Dies responded that the EAB did not have a definitive number, but there were roughly 170 students affected by the closure – 50 to 60 who already signed up for online programs and had a seamless transition and 110 to 120 in hybrid programs at the Milwaukee campus.

Recording Radio Film Connection (RRFC) – Mr. Dies updated the board on efforts to approve the school. Despite significant assistance provided by EAB staff, RRFC has been unable to satisfy approval requirements. A cease and desist order was ignored by the school, and the matter has been referred to the Department of Justice. Ms. Oyama-Miller inquired about the claim made by school officials that the EAB had not responded to its most recent request to discuss the school’s application. Mr. Dies indicated that RRFC had 60 days to contact the EAB but waited until six days before the deadline. Moreover, the school had still not complied with the cease and desist order to stop advertising to Wisconsin residents.

Herzing University – Mr. Dies reported the EAB learned through media reports about a settlement agreement that Herzing University entered into with the Attorney General in the state of Minnesota. The issue involved a lack of information being disclosed to students about what they needed to obtain professional certification. Upon learning of the settlement, the EAB contacted Herzing officials to confirm its campuses in Wisconsin are adequately disclosing accreditation information to its students.

A motion (Oyama-Miller, Roden) to approve items “A” through “I” of the School Activity Report for the period of September 6 through December 3, 2013, was unanimously approved.

## **EAB MODERNIZATION BILL**

As reported at the board’s September 2013 meeting, Mr. Dies noted that the EAB requested a number of changes based on discussions with the Department of Justice (DOJ) relating to provisions about enforcement and penalties. A bill draft incorporating the requested changes was received from the Legislative Reference Bureau on October 28. The bill draft has been shared with DOJ for review.

Mr. Madelung asked if the bill is going to the Assembly. Mr. Dies responded that it is unlikely the bill will go anywhere this legislative session given the limited amount of time remaining in the current session.

In response to a question from Mr. Hein about Wisconsin joining SARA, Mr. Dies responded that SARA would have an impact on the EAB; and if SARA moves forward it will likely require statutory change, which may provide an opportunity to move the EAB's legislation forward. He also noted that Representative Nass' office indicated they would like to see the bill introduced as a budget item.

## **STATE AUTHORIZATION RECIPROCITY AGREEMENT**

Mr. Madelung introduced Jenny Parks, the Director of SARA for MHEC. He noted that she spoke during a recent MHEC meeting that Mr. Madelung attended in his capacity as a commissioner. The FAQ information that she provided at that meeting is now available on the MHEC website.

Mr. Dies mentioned that while EAB staff attended the MHEC webinar on November 22, little was learned as it was essentially an introduction for those who may not have been aware of the SARA efforts and an update regarding implementation. Included in the board materials were the final M-SARA authorizing documents, including application forms for states and institutions. Because the board had questions its previous meeting, Ms. Parks was invited to attend the meeting.

Mr. Madelung asked Ms. Parks if there could be a portal agency or could there be multiple portal agencies.

Ms. Parks responded there cannot be multiple portal agencies. There can be multiple agencies involved with SARA, such as complaint investigation. However, there needs to be one agency – either pre-existing or newly created – in the state to organize and be the single point of contact in the state for complaints, data, and applications.

In Minnesota, for example, the board of higher education there will be the portal agency, but it will be collecting applications, data, etc. through the University of Minnesota, private proprietary institutions, or a [unintelligible] organization. It will be a coordinator and a collator and the ultimate authority in complaints that rise to that level on that state regarding SARA matters. But the state will not be creating a new organization and most of the existing sectors still have their governing bodies or their organizational bodies intact.

Ms. Oyama-Miller asked what the feeling is about Wisconsin – should it do something similar and follow the Minnesota model? Or are there other models that Ms. Parks would be looking at to make a recommendation.

Ms. Parks responded that different states do things in different ways. It all depends on the existence of some coordinating or overarching regulatory or oversight organization. She gave several examples at this point – the Board of Regents will be taking the responsibility in Kansas, Ohio, and possibly Illinois. Michigan does not have a designated portal agency. They have a situation similar to Wisconsin – perhaps more difficult because the University of Michigan is not part of their system and it is more decentralized. It is more difficult when you don't have a coordinating commission or board of higher education. But there are states where that entity does not exist and they are choosing an entity that has the capacity to do

this work, to take on the coordination. Wisconsin also gives the option of creating a new entity. The reason for this agency is a double-ended funnel. It's where all of the information from M-SARA and Regional SARA moves into the state and where all of the information on online activity flows out of the state. SARA is trying to make sure that there are ways to keep good communication and consistent standards.

In response to a question from Mr. Roden about if the EAB should be portal agency in the state of Wisconsin, Ms. Parks responded she could see it being a logical choice, if not *the* logical choice. It would have to be tied for number one with the Board of Regents because of the amount of online education it already "authorizes." It has the mechanism for doing that; it has a data system; it is well-connected to many of the issues that SARA addresses (which are catastrophic closures); and is familiar with jurisdictional issues across the states. She can see the EAB as a viable option – if it is willing and can get buy in from the other sectors in the state in the higher education community. That being said, it might not be something that is part of its mission or may not be interested. It has to be a decision made by the leaders of the different parts of the higher education community in Wisconsin.

Mr. Roden also asked what happens if an online student from Wisconsin is entitled to a refund and gets stonewalled by a school in Arizona. How does SARA work that through? In response, Ms. Parks said that in order to be an institution that participates in SARA, it has to submit its catastrophic failure and financial crisis plan. Public institutions are assumed to have the resources and the ability to transfer credits, statements, and other records between other state-affiliated institutions. So they do not have to submit a catastrophic plan. However, for-profit and non-profit institutions will be required to have a carefully enumerated plan, part of which might include the purchase of a bond to cover those types of tuition refunds. If there is no student catastrophic refund fund part in the state or the state is ordered to join SARA, they are going to have to change their law.

Mr. Roden asked if the school decides the student is not entitled to a refund, is that the end of it. Ms. Parks responded that the agreement contains CRAC [distance learning] standards to which institutions approved under SARA must agree. The compact agencies will make sure that institutions in the respective states are upholding certain standards and abiding by certain rules. If this institution has said they will abide by the set of CRAC standards, has a catastrophic response plan, and has a set of triggers for those response plans, they are not just defined anymore by the institution itself. There is pressure. SARA is trying to make a community of online educators to uphold certain standards and expectations. That institution would now have pressure from its state authorizing entity, its state portal agency, its regional entity, the contacted Midwestern SARA office [i.e., Jenny Parks], and finally the EAB. In addition, the parties may be having conversations with the Attorney General from Arizona and the Attorney General from Wisconsin. Under SARA, there would be a known and clear the line of compliance, as well as standards by which SARA could force the school's hand.

Ms. Parks said that if truly the student deserves a refund rather than a teach-out or a transfer to another institution, there should be, unless they let their bond lapse which would be Arizona's portal agency responsibility to once a year verify that the bond is in place. In the absence of SARA and any of this line of reporting and responsibility and not be able to do this, we would then revert to the old systems which generally are the attorney general's consumer protection people.

Using his example of a Wisconsin resident that takes an online course and he feels he should get a refund, Mr. Roden asked if the student starts with the EAB in Wisconsin or does he go to the attorney general consumer hotline? Ms. Parks responded that the student would start with state where the institution is headquartered; if there no resolution he would go to that state's portal agency.

Mr. Roden reiterated the student lives in South Milwaukee, and raised concern that the other state may not have a vested interest in solving the student complaint. Ms. Parks responded that the idea is that each portal agency is going to regulate the institutions that are headquartered in its state. Mr. Roden asked why not allow the EAB to become the portal agency and handle Wisconsin problems to which Ms. Parks responded by saying SARA does not work that way.

Mr. Roden asked if the current model has to change. Mr. Dies interjected that SARA is voluntary – Wisconsin would have to elect to participate. Mr. Roden questioned why the state would go through that, adding students will never get any satisfaction. Ms. Parks responded that the idea is to allow SARA's infrastructure to work for you. Mr. Roden said that no student will go through all that for a refund.

Mr. Dies said he wanted to take a step back and follow up on something Ms. Parks had said earlier. Is it correct that a student would be eligible for a refund based on the laws of the state of domicile? Ms. Parks answered yes. Mr. Dies followed up by asking if there could be a set of refund standards here in Wisconsin that are different than what a student would be entitled to in another state – one student from Wisconsin could get a refund but another student gets no refund because none of the SARA requirements (as far as he can tell from the documentation) aligns any of the refund standards that states have in place, or for that matter the bonding requirements. Ms. Parks answered he was correct and that they don't align those; and do not contemplate SARA tackling that at this time. What they do is create a way for a complaint to get up through the SARA structure and to have some consistency across the nation. But you cannot join SARA if you do not have a policy to take care of catastrophic events. You are not talking about a catastrophic event in this case; you are talking about a refund based on other criteria. That is going to be up to the state where the programs are originating. Mr. Dies said those are about 90% of the kinds of situations the EAB handles. The high profile situation catastrophic closure accounts for less than 10% of the types of issues.

Mr. Dies asked another question about the state portal agency. Does the portal agency have any authority or leverage in the complaint process? He quoted Ms. Parks describing the process with a funnel on both ends so that everything flows through the portal agency, but if the individual ultimately files a complaint and the portal agency refers it to the UW System, and the respective UW institution does not satisfactorily address the complaint as far as the complainant is concerned, does the portal agency have any review or any ability to supersede the decision that was made by the institution? Ms. Parks answered yes, that is part of what the portal agency will be trying to do for only the institutions of its own state. She said one of the key components of the SARA agreement is that you have to trust that other states will do this. We have to try to move forward, in some manner, so we do create something nationwide that is better for all of our students, not just students in Wisconsin.

Mr. Roden asked if Wisconsin can enter this agreement for transfer rights, transferability, but not enforcement jurisdiction – can the state [EAB] still keep all of our enforcement we had before but we sign that part of the agreement that allows our students to have this transferability? Ms. Parks responded that it is not a piece meal thing. The National Council is the boss and they have certified that the SARA documents for the four regional compact are similar enough to each other to ensure a nationwide consumer reciprocity; and is much like the U.S. Constitution, which is a living document and that there will be amendments as needed; but for now SARA is having the states ratify it and not amending it at this point so that we can get going and get the momentum started.

Ms. Parks asked Mr. Dies to explain what a student would need to do under the current system in Wisconsin to get a refund. Mr. Dies began his response by mentioning the comments Marshall Hill, Executive Director of the National Council, made during the HLC state agency workshop in Chicago in which he acknowledged that SARA is designed to cover the masses; it was designed to address outliers. Mr. Hill noted it will cover the average state, but Wisconsin is not your average state.

Mr. Dies continued by saying that you do not find agencies like the EAB doing the kinds of student outcomes data collection that it is doing and shifting its regulatory focus from one of compliance and consumer protection to really have a different type of conversation with the schools on what it means to be an effective institution. If we can have them focus on institutional effectiveness, a lot of those problems that fall under the consumer protection role would really never happen.

In 2004, the EAB made changes to address distance learning because it understood online programs are very different and that the physical presence becomes moot in that environment. So what the EAB did, in fact, was put our trust on other states and adopted reciprocal-like language in our administrative code. Mr. Dies described the approval process for online institutions, which allows the EAB to consider the home state's approval and using to satisfy all, or parts, of the EAB approval process. Accreditation is considered making it easier for institutions to get their programs approved. The EAB also has a modified fee structure for out-of state, online institutions. This greatly reduces the cost for program approval so that it will not be cost prohibitive for an institution to come into Wisconsin to do business. He indicated the online institutions are required to carry a minimal \$25,000 bond and must use the EAB's refund policy. Because bonds are not always the best way to guard against catastrophic situations, the EAB has a student protection fund that "backs-up" the bond that is required; and there is over a million dollars in that fund. Mr. Dies said that if the University of Phoenix precipitously closed its doors, the 6,800 online students from Wisconsin would put a big dent in the EAB's protection fund. However, it could absorb the impact. How this would be handled under SARA. Could Arizona indemnify 250,000+ online students attending the University of Phoenix? Are they going to have the resources in a catastrophic situation? Could they solve the problems of students in all 50 states?

Ms. Parks said she does get a lot of questions about the University of Phoenix and given that she is not the director for the western region she does not have all of the first-hand information, but that she will find out a little bit more about the plans and the legislation that Arizona has for its portal agency. She said it is specifically a University of Phoenix issue because it is one of the bigger providers and a big concern.

Iowa is not as sophisticated as the EAB with data collection, but they are sophisticated with consumer protection that Wisconsin may not even have. They are talking with the Iowa AG to figure out the best way to move forward and blend Iowa's consumer protection and joining in SARA to address those concerns. Ms. Parks acknowledged the EAB having consumer protection in Wisconsin and asked how it would get the refund for the student referenced by Mr. Roden earlier?

Mr. Dies responded that the EAB would first open an investigation; examining all of the circumstances, including information provided by the student. The EAB then contacts the institution for information it may have since students should have first attempted to resolve the complaint directly with the school. About 60% of the time the EAB finds in favor of the student.

Mr. Dies gave examples of different types of complaints, many which oftentimes require some type of negotiation between the student and institution. He added the EAB has a statutory and moral responsibility to Wisconsin residents and has a direct relationship with the institutions it oversees. If the EAB determine a refund is the most appropriate resolution, generally the school will honor that decision. If it does not, the school can appeal the decision to the board. If the board upholds the staff decision and the school still disagrees, the EAB will make a claim on the bond. If the bond is not large enough to cover the refund, then the EAB will then utilize the student protection fund.

A question was asked if the student protection fund could be used if Wisconsin joins SARA, to which Mr. Dies indicated it would not; adding it would depend whatever protections the home state has in place. Ms. Parks clarified by saying the fund would not go away for students who are attending current on-ground institutions in Wisconsin. Mr. Madelung said the difference is the institution would have to be approved by SARA, which would depend on the other states joining SARA. It is not assumed every institution is going to join SARA; and those who do not will continue with their traditional path.

Mr. Hein cited the SARA materials. Under the Policy and Standards section, it is his understanding that the Wisconsin portal could help but not have some of the legal rights and authority as the EAB has now. Ms. Parks said the Wisconsin portal could certainly push, but would no longer have the legal oversight that it does now. At the same time, no one wants a derelict state agency. Ms. Parks once again indicated that SARA only wants to see a consistent set of expectations and set of standards across the nation that applies to everyone.

Ms. Oyama-Miller said it is her understanding regulatory agencies like the EAB were not initially invited to the table as part of the initial discussions about SARA. She questioned whether the EAB and other states' regulatory agencies operate similarly. Ms. Oyama-Miller said the EAB focuses on consumer protection by looking at student outcomes and the board wants to make sure all of the students that attend institutions, including online institutions from other states, are equally protected.

Ms. Parks said she joined MHEC in September and did not take part of the SARA meetings prior to that time. It is her understanding that at all stakeholders have been involved going back to the President's Forum in 2011. Regulators were at the table from the very beginning, although not from all the states. Initially, the reciprocity agreement was 60 pages long and

looked like a document written by state regulators. There were concerns that no Legislature in the country would adopt it.

Mr. Madelung confirmed Ms. Parks would be having a meeting on December 18 with the other higher education sectors in Wisconsin. To Ms. Parks' credit, Mr. Dies noted she has made sure the EAB is at the table. He also commented that SARA is an institutionally-led effort, despite the involvement by a handful of regulators. Mr. Dies said he feels the EAB was disinvited from the table after a SARA meeting where he suggested other states should follow the Wisconsin model.

Ms. Parks indicated that Wisconsin, Iowa, and Minnesota are gold standards states, but that is not reflective of the entire nation. We have to do better as a nation. It is not just about state authorization, but also making sure same data is consistent and good across the nation so we know what we are doing.

Mr. Madelung mentioned a *Chronicle of Higher Education* article about Congress concerned about some of the ways accreditors, largely regional and national, have conflicts of interest that are inherent within the accreditation system. As Congress moves toward the reauthorization of the Higher Education Act, they are taking a hard look at what role accreditation plays, which is one of the major elements upon which SARA is built. Has there been discussions with MHEC to talk about the possibility that accreditation may be changing in some fairly significant ways and it seems as if SARA is largely contingent upon the existing framework of accreditation? Ms. Parks said the majority of concerns are that not all accreditors are created equal and that accreditation does not equal outcomes. SARA officials are aware of the changing nature of accreditation, and know it has to change by stepping up to the plate and contemplate all sorts of new issues in the modern higher education landscape.

However, we have to start trying to connect the states, connect the online programs, connect the information, and so right now accreditation is what we have. SARA is a living document, and indeed it will be, it does have the ability to change with the authority of the national board and we have the ability as the regional entity drawing some information from our states. We have already recommended changes to the SARA agreement based on what we have learned from Nebraska, Michigan, and Indiana. Can we change it? No. Can we recommend changes the next time we revisit the SARA agreement? Yes. It is not an agreement that will change weekly or monthly, but we will have amendments, they will be necessary. Things will come up that we have not figured out yet, such as the changing nature of accreditation, and we will have to respond. However, a new reciprocity network cannot be built based on speculations about how accreditation might change.

Mr. Hein asked a question in reference to private institutions and SARA-member states being required to accept a federal financial responsibility rating of 1.5 or better. He noted the policy does not preclude a state from requiring a higher rating for non-public providers operating in their state. Are there any other opportunities under SARA for Wisconsin to change requirements within the state or is it only with respect to financial responsibility? Ms. Parks responded that is the only provision in the SARA agreement where there is that type of latitude for states, and is because of current practices in some states.

Mr. Madelung asked if board members would be interested in attending the December 18 meeting to discuss SARA. Mr. Dies said he and Jessica Sabin would be attending. He also noted if two board members attend the meeting; it would constitute a quorum and be subject to open meeting requirements, which the other sectors may not want. Mr. Madelung indicated that he will plan to attend the meeting and if he is unable, Ms. Oyama-Miller will represent the board.

Mr. Madelung thanked Ms. Parks.

## **RENEWAL FEE MULTIPLIER**

Mr. Madelung recused himself from participating in the discussion and consideration of the renewal fee multiplier to avoid any conflict of interest given the decision will directly affect the institution that employs him. He relinquished the chair to Ms. Oyama-Miller.

Ms. Oyama-Miller asked Mr. Dies to summarize the renewal fee multiplier. He explained that each year the EAB establishes the multiplier that is used in the calculation of the second portion of the annual renewal fee for school. The EAB uses the revenue information provided by schools in the fall of each year to determine multiplier.

For the benefit of the new board members, Mr. Dies discussed one-time or fixed fees described that the EAB assess various approval activities, such initial school approval, revising or adding a program, or adding a teaching location. Mr. Dies then described school renewal fees; which consist of a flat annual fee of \$500 and an additional amount based on the amount of revenue the school generates relative to other schools. This later fee is referred to as the second payment renewal fee and is determined by using the multiplier that the board is establishing today. He noted the second payment renewal fee applies only to revenue generated from Wisconsin students; it does not generate revenue from students from other states that an institution may be serving.

Mr. Dies made reference to several spreadsheets provided in the board's materials.

Spreadsheet 1 shows the history of the multiplier over time, which has been quite low over the past few years due to the higher than average one-time/fixed fees associated with an increased number of new school application. The increased number of new school applications is primarily due to a 2010 federal rule concerning state authorization, which says an institution must be properly authorized in the states in which it is operating.

Because of the new federal rule, the EAB has approved more new schools than normal (most of them online schools) which has resulted in a lower second payment renewal fee. The spreadsheet also reflects a significant decline – roughly 15% – in the adjusted gross annual school revenue (AGASR) as a result of enrollment declines experienced by many of the larger for-profit institutions.

While it is always difficult to accurately predict how much tuition revenue schools will report on their AGASR, the decline observed during the past year is unprecedented. The AGASR decline is due to a combination of factors, including the continued improvement with the

national economy, the negative attention that has been focused on the for-profit sector, increased debt awareness by students, and institutions increasing their admission standards. As a result, three options for AGASR growth – negative 5%, 0%, and 5% - were developed. Within each option, there are also three alternatives for one-time/fixed revenue.

Spreadsheet 2 provides an accounting of the EAB's revenues and expenditures for the current year and the past four years. As noted earlier, the renewal fee multiplier is designed to generate funds sufficient to cover the cost of the EAB's regulatory functions, less revenue from one-time/fixed fees.

Spreadsheet 3 shows how the EAB's budget is built from a legislative standpoint. Mr. Dies said that it reflects authorized budget as approved by the Legislature and Governor – referred to as the Chapter 20 level.

Spreadsheet 4 is presented in three different versions – 4a, 4b, and 4c. These scenarios are the actual calculations and options to determine the fee multiplier. Mr. Dies reviewed the many items on the spreadsheets which are used to provide the various scenarios to determine the fee multiplier for FY14 and FY15.

Mr. Dies indicated EAB staff recommends setting the multiplier used to calculate the second payment renewal fees at 1.2642 for FY 14 as shown in Spreadsheet 4b. The recommendation reflects the AGASR decline and the fact that the EAB is not approving any out-of-state, online institutions while it waits for a decision regarding SARA. It assumes there will be no increase in the AGASR and estimates one-time fees reverting to the historical average of \$150,000 annually.

Mr. Roden asked if there will be any impact on revenue as a result of SARA. Mr. Dies responded there definitely would be an impact and the board will need to consider how it wants to make up for the lost revenue from those online institutions. While one of the unknowns is whether Wisconsin will join SARA, another is which institutions will elect to participate. Mr. Dies made reference to the FAQs in the SARA material that indicates some states will lose revenue. He said Wisconsin is one of those states, adding the impact will be significant because the EAB has been overseeing online learning for a long time. Version 4c of the multiplier calculations estimates there will be an estimated \$155 million of tuition revenue lost from out-of-state online institutions. As a result, the EAB will need to increase the multiplier in order to offset the lost revenue from those institutions – essentially increasing the fees for the remaining institutions.

Ms. Parks commented what is contemplated in most states is that the loss of revenue will be offset by fees collected from Wisconsin institutions that decide to participate under SARA. Mr. Dies said that issue was mentioned in the briefing paper; however, Wisconsin only has one institution domiciled in Wisconsin that is subject to EAB oversight. Public institutions are not subject to EAB approval and the nonprofits are carved out of any type of state oversight right now. Ms. Parks interrupted by saying that is one of the things Wisconsin will need to change in the statutes to enable SARA. If the EAB is becomes the SARA portal agency, you would have to be able to have oversight and collect fees from every institution in the state that is degree granting and accredited that wants to offer online education outside state lines. That would be one of the necessary changes.

Mr. Dies noted WAICU has clearly indicated the only way they will participate under SARA is if the regulatory status quo is maintained. He said there is no way WAICU, which is a trade association, will allow the members to be overseen by a state entity. To satisfy federal student aid rules, there is an executive order that allows them to get around the state oversight requirement. If SARA has anticipated there would be some kind of revenue offset, it is unclear what that might be and the EAB has no data to make such an estimate. It may be possible to reach out to Herzing to find out how many online students from other state they are serving. But if Herzing realizes that they will be assessed additional fees for those students, they might decide it would be better to be domiciled in some other state that does not have fees. Mr. Madelung said there are too many assumptions at this time and Ms. Parks agreed.

Mr. Hein asked if in December 2014 the board can revisit the FY 15 multiplier and can it be adjusted either up or down. Mr. Dies responded yes to both questions. As a follow up, Mr. Hein asked what a typical institution pays. Mr. Dies made reference to the chart in Tab 7 of the materials where the fees for each institution are shown based on the recommendation presented.

A motion (Roden, Hein) to set the multiplier used to calculate the second payment renewal fees at 1.2642 for 2014 and 1.7524 for 2015 was adopted 3 - 0 with Mr. Madelung abstaining.

Ms. Oyama-Miller relinquished the Chair to Mr. Madelung. Mr. Madelung proceeded with the meeting.

## **STUDENT OUTCOMES**

Mr. Dies mentioned that the EAB had shifted to a cohort-based method of collecting student outcomes data. Therefore, the data being shared is just the 2012 cohort, which reflects students from a 12-month period of time. The standard reporting period is July 1 to June 30, but many institutions do not follow a traditional academic calendar and are given the flexibility to report an alternative 12-month period. He indicated the data is being shared for informational purposes and no specific action is proposed.

It was noted that EAB is just beginning to collect this cohort-based data and over time it will be able to better assess what is happening. Although it was not discussed in the paper, institutions with high dropout rates were contacted. The explanation most often cited for the poor results were the types of students being served. While institutions are working on improving their numbers, the shift to cohort-based reporting gives will allow the EAB to see if the schools are successful because it will continue to track students in the 2012 cohort in subsequent years.

Based on the data reported, there was an overall dropout rate of 28%. Because online programs are more difficult for many individuals; the EAB found a 33% dropout rate for online versus a 26% dropout rate for on-ground. The same thing is seen with degree versus non-degree – 34% versus 15%. The difference between for-profit and non-profit institutions is 30% versus 10% percent. However, the total number of non-profit students is still

relatively small right now and may affect range of the gap and more the number of students attending non-profit institutions increases.

Mr. Dies had Jessica Sabin of the EAB staff join him. She has done most of the analysis of the student outcomes data. Ms. Sabin gave a presentation of the data contained in the various charts and tables. She noted the total institutional enrollment was broken down to three characteristics – degree/non-degree, online/on-ground and for-profit/non-profit – with degree, online and for-profit institutions consistently have higher dropout rates. Of the 3,255 programs approved by the EAB with at least 10 students enrolled, 175 programs with dropout rates greater than 40%; spread-out among 29 institutions.

Ms. Oyama-Miller asked if a trend has been observed among the 29 institutions with high dropout rates and if the EAB should have more scrutiny of them? Mr. Dies reiterated this is the first year in which the EAB has collected cohort-based data so trend analysis had not been conducted. Ms. Sabin noted that the 29 institutions with high dropout rates are not necessary reflective of the entire institution; it could be just one or two programs that are troublesome.

Mr. Madelung asked why 1,469 programs of the programs approved by the EAB had no students enrolled. Mr. Dies responded that they may reflect new programs, or programs that have been approved but they are not currently enrolling students. Ms. Sabin reiterated the fact that the analysis excludes programs that had 10 or fewer students.

Ms. Sabin briefly discussed the methodology used by the EAB to analyze the data. As shown in Chart A, the EAB examined dropout rates according to their CIP family. This is helpful in looking at programs across institutions and understanding the types of programs in which students are enrolled.

The online versus on-ground dropout rate by type of program is shown in Chart B. The actual enrollment numbers are reflected in Chart C, and overwhelmingly show that the majority of students are enrolled in either business or health-related programs. Mr. Dies explained CIP codes are a federally defined classification for programs.

Ms. Sabin discussed Chart D that shows the number of institutions by campus type. From this chart it is clear that dropouts are highest among the degree-granting institutions and the for-profit institutions. The analysis also shows there the 16 institutions with dropout rates greater than 40% are primarily out-of-state, online institutions. Chart E shows the dropout rates by institution among these 16 institutions.

Mr. Roden asked if the EAB's enforcement authority can have any influence on the results date reflected in the charts. Mr. Dies commented not a lot at this time. He also expressed hesitation about moving in that direction; given many of the concerns involve out-of-state, online institutions that the EAB may no longer oversee if Wisconsin joins SARA. As a result, he stated it would be premature to revisit performance standards. While the EAB will be discussing student outcomes reporting with SARA officials, he suspects the public and non-profit institutions will have some concern if they need to provide the same type of student results data.

Ms. Oyama-Miller discussed why the EAB had previously pursued performance standards and what it was hoping to achieve. She believes the cohort information will allow the board to make better decisions.

Mr. Madelung added that the information presented is a snapshot; it is only 2012 cohort and does not show students who dropout and may come back at some future time. He does not feel it is appropriate to make decisions based on a snapshot and the board needs to be cautious about how it uses the data. Ms. Oyama-Miller noted that because the data is not student specific, the EAB will not be able to track individuals over the course of their educational journey.

Mr. Dies indicated the EAB does not have the capacity to collect student-level data, but this data will allow the EAB to observe trends. He also noted students that transfer to other program or institutions are not counted in the dropout rates that are reported. Unless a significant number of students that are reported as dropouts end up returning to the institution, the dropout numbers reported will not improve – these numbers are best case scenario dropout rates because more are likely to drop out in subsequent reporting years.

Ms. Sabin discussed Chart F which provides a comparison of the Wisconsin-based campus enrollments and dropouts. She also referenced the tables included with the materials that show the 175 programs with dropout rates greater than 40%. Mr. Dies noted the importance of being able to look at program-level information.

Mr. Roden expressed concern about dropouts because of the debt that these students incur and have no way to pay back their loan. Mr. Hein asked if the EAB make the information available on its website. Mr. Dies indicated that the student outcomes data will be available beginning early next year.

## **ADJOURNMENT**

A motion (Oyama-Miller, Roden) to adjourn was unanimously approved at 1:04 p.m.