

EDUCATIONAL APPROVAL BOARD MEETING

September 17, 2014

10:30 a.m.

UW Madison – Union South
Landmark Room – 3rd Floor
1308 W. Dayton Street
Madison, WI

Members Present: Don Madelung, Robert Hein, Omar Parks, William Roden

Members Absent: Jo Oyama-Miller

Others Present: David Dies, Zachary Galin, Linda Heidtman, Blanca James, Jessica Sabin, Patrick Sweeney, Casey Wachniak, *Educational Approval Board*; Wendy Coomer, *Foley & Lardner (representing Bridgepoint)*; Marshall Whitlock, *Upper Iowa University*; Nathan Halbach, Mike Rogowski, *Whyte Hirschboeck Dudek SC (representing the University of Phoenix)*; Phyllis Mogrelski-Watson, *Laureate Education (representing Walden University)*; Nathaniel Orpen, *Rasmusen College*; Jamie Buenzli, *Globe University*; Jeff Russell, Linda Russell, *Russell Consulting*

The chair of the Educational Approval Board (EAB), Mr. Madelung, called the meeting to order at 10:31 a.m. Roll call was taken and a quorum was present. A motion (Hein, Roden) to approve board meeting minutes from June 11 and June 25, 2014 was adopted unanimously.

BOARD CHAIR'S REMARKS

Mr. Madelung noted that the meeting would be brief due to a strategic planning session that would occur in the afternoon.

Mr. Madelung introduced and welcomed Omar Parks as a new board member. Mr. Parks currently works for Ashford University and has been in the for-profit education sector since the year 2000. He has been a professor, faculty member, and student at various institutions and expressed gratitude for the opportunity to sit on the board.

PUBLIC COMMENT

There were no public comments.

BOARD STATUS REPORT

Mr. Madelung asked Mr. Dies to highlight key issues of the Board Status Report. In the interest of time, Mr. Dies indicated that he would not offer any comments, but just answer board members' questions.

Involvement in Postsecondary Education Policy Decisions

State Authorization – Mr. Roden inquired about anything of significance that might be occurring in regards to the State Authorization Reciprocity Agreement (SARA).

Mr. Dies indicated that he would be attending a meeting on September 30, 2014 being convened by Senator Harsdorf. In addition to the Midwestern Higher Education Compact (MHEC) commissioners from Wisconsin, which includes Mr. Madelung, representatives from the UW, Technical College System, WAICU and Governor's office had also been invited.

Mr. Madelung noted that some miscommunication had recently occurred regarding M-SARA. While the state of Wisconsin has looked at a number of issues surrounding SARA, it has not come to any consensus regarding joining SARA. However, M-SARA has gotten broad general support from the tech colleges, liberal arts colleges, and university system schools.

Mr. Dies pointed out that SARA was added to the board meeting agenda as a separate item at the request of Ms. Oyama-Miller and could be further discussed later.

Positive Working Relationships and Alliances

Mr. Madelung noted Mr. Dies' recent appointment to the Wisconsin Center for the Advancement of Postsecondary Education (WISCAPE) and asked him to elaborate on details surrounding this appointment.

Mr. Dies indicated that WISCAPE exists to promote the creation and sharing of ideas for addressing postsecondary education challenges in Wisconsin and nationwide. The EAB's reporting on student outcomes data has received attention from researchers and academics across the country, which contributed to his appointment.

SCHOOL APPROVAL ISSUES

Mr. Madelung noted the summaries concerning the Wisconsin School of Professional Pet Grooming (WSPPG), Anthem College, Herzing University, Amersate University, ITT Services and EDMC. He asked if there was anything in particular board members wanted to discuss.

Anthem College – Mr. Madelung inquired about the closure of Anthem College and the efforts to teach-out students.

Mr. Dies indicated that the teach-outs are going as smoothly as one could expect given the disruptive and complicated nature of the school closure. He commended all of the work EAB staff, particularly Pat Sweeney, has done to address the situation. The EAB has been able to provide students with options to complete their education, though it may not be best option for every student. Some students will likely seek a discharge of their student loans.

Mr. Dies said the EAB is dealing with numerous issues related to the closure. Some of the issues involve Anthem itself, which has declared bankruptcy, and others are related to International

Education Corporation (IEC), the entity that bought a portion of the school. While some branches of Anthem were purchased by IEC, others like the branch in Brookfield have closed.

Mr. Dies noted the role that Milwaukee Career College (MCC) and Herzing University have played in assisting with the Anthem closure. Herzing has accepted a large number of massage therapy program students into its program as transfers, while MCC will be serving the bulk of the students enrolled in the Surgical Technician (ST) program and Medical Assisting (MA) diploma students as a part of a teach-out. As part of the teach-out, over \$250,000 worth of equipment was moved from Anthem to MCC to accommodate the ST and MA programs.

Mr. Madelung asked if any money from the Student Protection Fund (SPF) has been used yet to cover costs related to Anthem's closing.

Mr. Dies noted approximately \$30,000 of SPF money has been utilized so far. In addition, the expenditure limit for the SPF has been increased from \$56,000 to \$150,000, in anticipation of additional expenses. The EAB has agreed to cover the cost of staff related to the teach-out for two months until federal financial aid can be accessed. The EAB has also committed to helping transfer students (particularly transfers to Herzing University) cover the difference in program costs between Anthem and Herzing. The EAB will cover the difference in those costs so no students will be charged more.

Mr. Dies shared information about the difficulty surrounding the Return of Title IV (R2T4) calculations from Anthem so federal financial aid money can be released back to the federal government. Because Anthem declared bankruptcy, they do not have the staff to do this work. As a part of a transitional service agreement, IEC has agreed to do the R2T4 calculations. However, the large number of students requiring these calculations coupled with the small staff working to do them has led to significant delays, even though the calculations are technically supposed to be done within 15 days of a school closing. Until those are done, the EAB will not have a complete financial picture regarding individual students.

Mr. Madelung inquired about the ripple effect this may have on institutions having to pay money to replenish the Student Protection Fund.

Mr. Dies indicated that he doubts the \$1.7 million SPF will fall below the \$1.0 million threshold requiring it to be replenished. He said that the costs related to Anthem closing are estimated to be closer to \$200,000. However, many costs associated with this school closing are still not solidified. For example, costs to move equipment from Anthem to MCC ended up being almost double what they were estimated.

He commended MCC for stepping up and assisting with this crisis while other schools backed away from helping because of financial concerns or because accreditors created barriers. As a part of the teach-out, it was noted that the EAB is also covering the costs of a monitor to assist with answering students' questions and providing guidance and structure during a time of transition. Mr. Dies commended Jarvis Racine for the work and assistance he has provided through taking on this role.

Overall, although there are still many moving pieces, the EAB is fortunate to have a SPF to utilize and has been commended for being ahead of the curve nationally in handling this closure. He noted the large number of student inquiries Mr. Sweeney receives daily from students and the EAB's position of being able to assist with them.

Amerstate University – Mr. Madelung sought clarification about Amerstate University and asked if there is timeline regarding a decision.

Mr. Dies indicated that the briefs have been filed but the case has yet to be assigned. He noted the EAB received word that the briefs were filed, 5 months after the fact, which is a good example of why the EAB has requested a part-time staff attorney. At this time, there is no timeline for when the case will be assigned.

A motion (Hein, Roden) to approve items “A” through “I” of the School Activity Report for the period May 28, 2014 through September 5, 2014 was approved unanimously.

2015-17 BIENNIAL BUDGET

Mr. Madelung asked Mr. Dies to discuss any issues of particular importance within the EAB's budget request.

Transcript Imaging Project– Mr. Dies provided an overview of EAB's upcoming transcript imaging project. Upon further investigation into the statutes, it became clear that SPF monies could be used to cover the costs of a transcript imaging project. Mr. Dies referred to the statute giving the EAB this authority and indicated that much more information about transcript imaging and communications with the State Budget Office were included in the board meeting materials.

In addition, because of updates in technology, this project will likely be under \$50,000, significantly less than the \$100,000 it was initially anticipated to be. The actual scanning of records will be the inexpensive part of the project while indexing of records will be more expensive. The EAB would most likely do the scanning through DOA and contract out the indexing portion of the project.

Staff Attorney Position – Mr. Dies referenced the Decision Item Narrative (DIN) included in the board materials that lays out the justification for an attorney position and indicates that a staff attorney is necessary for the EAB to function properly. He indicated the position would be half time, pointed to regulatory concerns laid out in the DIN and referenced the amount of staff time that DOJ has spent on EAB matters.

Upon inquiry from Mr. Madelung, it was clarified that the staff attorney would be available to both the board and to EAB staff. Having a staff attorney for representation would also resolve issues the EAB has with schools such as Amerstate because a staff attorney would represent the board in front of an administrative law judge.

A motion (Roden, Hein) to support the EAB budget request for an attorney position was made.

Upon inquiry from Mr. Hein, it was explained by Mr. Dies that although the budget was due two days ago, a draft was already submitted. If any changes need to be made based on action by the board, the budget request would be revised. Mr. Dies also explained that this type of situation is not uncommon when there is an upcoming election and a provision is put in place but can be changed after pending election results.

Mr. Hein asked if there is anything the board members could do to ensure support of the EAB, particularly reaching out to the legislature. Mr. Dies said reaching out to the legislature might not be the best course of action right now, but contacting the Governor's office as appointees would be helpful. Mr. Dies also indicated he would be happy to facilitate a meeting between board members and Secretary Huebsch at DOA if board members were interested.

The motion to support the proposed budget request was approved unanimously.

STATE AUTHORIZATION RECIPROCITY AGREEMENTS

Mr. Roden asked about how Wisconsin becoming a SARA member would hypothetically be affected by a school closure such as the current Anthem closing. In response, Mr. Dies stated that on-ground programs would still be subject to EAB oversight under SARA. However, the roughly 20 online students attending Anthem would fall under the jurisdiction of Arizona, the home state in this case. He added that it would be unlikely that Arizona could effectively assist the thousands of students from across the county affected by the current situation.

Mr. Dies discussed the catastrophic collapse of Corinthian Colleges under SARA as a better example of the efforts' shortcomings. Currently, the EAB approves WyoTech and Everest University's online programs. Everest has 200 students from Wisconsin enrolled in its online programs who would have to seek recourse in Florida upon the school's closing. Nationally, the number of online students who would have to go through Florida is 22,000, which would be unmanageable for that state.

In addition, Mr. Dies expressed concern about Wisconsin being able to participate in reciprocity in the first place. While the Board of Regents oversees the University of Wisconsin System and the Wisconsin Technical College System Board oversees the technical college institutions, there is no entity that has oversight of the state nonprofit institutions. Under the SARA bylaws, states are required to have oversight of all participating entities.

Mr. Madelung said that the irony of this situation is that if Wisconsin were set up differently, the EAB could automatically be the portal agency; however, that is not the case and none of the other stakeholders in Wisconsin want the EAB to operate as the portal agency.

Mr. Dies noted most states have a natural portal agency, but Wisconsin is one of a handful of states that does not have a postsecondary education coordinating body. He named the states that have joined already SARA, but indicated that unless states where the larger online institutions are located choose to participate in SARA, there may not be any advantage of joining, even for the ones who have already signed up.

Mr. Dies said that a lot will be learned in the upcoming stakeholders meeting regarding the state's support of joining SARA. Mr. Madelung agreed that we should further discuss this at the next board meeting since the meeting at Senator Harsdorf's office will have taken place by that point in time.

Mr. Dies suggested the board may want to revisit its position regarding reciprocity given it was deadlocked on the issue. Since the EAB has not taken a formal position on SARA, he has gone as far as he can in raising concerns about SARA. Specifically, he pointed out that the EAB will lose its ability to collect student outcomes data on the 26,000 students enrolled in online programs located in other states.

Mr. Madelung mentioned he wears three different hats when it comes to SARA conversations. He said we need to question where emphasis should be placed, more specifically in terms of consumer protection versus bettering existing institutions. He noted that although his institution does not extend out of the state, his position as a MHEC commissioner gives him a unique perspective into the direction SARA conversations and decisions are headed. Overall, he indicated it is a complex issue and support or opposition for joining SARA depends on from which standpoint you look at the issue.

After some discussion regarding the EAB's statutory requirement to protect students, Mr. Dies acknowledged it is fairly clear to the other stakeholders where the EAB unofficially stands in regards to SARA. At the same time, he said it was important to recognize that the EAB at least has a voice in the SARA discussions. He suggested that the EAB may want to go on the record in the future as formally opposing SARA, rather than just educating other stakeholders about its problems.

Mr. Madelung said that we should continue to see how things develop after the September 30 meeting and revisit this conversation at the next board meeting. Mr. Dies also added that legislation would have to be developed, which would not happen until 2015 at the earliest.

STRATEGIC PLANNING SESSION

The EAB engaged in a strategic planning session facilitated by Russell Consulting, Inc. No action was taken.

ADJOURNMENT

A motion (Roden, Hein) to adjourn was approved unanimously at 3:09 p.m.