

EDUCATIONAL APPROVAL BOARD MEETING

March 9, 2016
10:30 a.m.
431 Charmany Drive
Conference Room B
Madison, WI

Members Present: Robert Hein, Don Madelung, Jo Oyama-Miller, William Roden (*via teleconference*) and Omar Parks (*via videoconference*)

Others Present: David Dies, Anna Fosdick, Blanca James, Jessica Sabin, Casey Wachniak, *Educational Approval Board*; Wendy Coomer, *Foley & Lardner (Bridgepoint)*; Joan Nyamhoudoro, *Globe University - Madison West*; Nathaniel Orpen, Ellen Windler, *Rasmussen College*; Marshall Whitlock, *Upper Iowa University*; Nathan Halbach, Michael Regowski, *White Hirschboek Dudek (University of Phoenix)*.

The chair of the Educational Approval Board (EAB), Don Madelung, called the meeting to order at 10:31 a.m. A call of the roll was taken by Mr. Dies and a quorum was present. A motion (Oyama-Miller, Hein) to approve the December 15, 2015 board meeting minutes was adopted unanimously.

BOARD CHAIR'S REMARKS

Mr. Madelung thanked Ms. Sabin and Ms. Oyama-Miller for representing the EAB at the public hearing on legislation that would allow Wisconsin to become a member of the State Authorization Reciprocity Agreement (SARA). He noted the Legislature had passed the bill and it was recently signed into law by the Governor. He said the EAB gave both legislative committees pause to consider issues that are still out there, and there are still a lot of procedural questions surrounding SARA.

Mr. Madelung commented on the minutes from the last meeting, noting they reflect a new era for the EAB – new location, new staff, and surviving elimination. It seems everything has come full circle. He has seen the EAB's evolution through several eras – the pre-online era where there were no online institutions; then, the online era where online institutions became very prevalent and the EAB had to have oversight of both out-of-state and in-state online institutions that had online programs. Now, with SARA, online schools have been eliminated from EAB oversight. A discussion regarding the ramifications of SARA and the impact it will have on schools occurs later in the meeting.

PUBLIC COMMENT

Ms. Oyama-Miller asked the audience to introduce themselves. Mr. Madelung welcomed the audience and asked for comments. There were none.

ELECTION OF OFFICERS

Officer Elections

Mr. Madelung relinquished the chair to vice-chair Oyama-Miller. Ms. Oyama-Miller entertained nominations for chair. Mr. Roden nominated Don Madelung. The nomination was seconded by Mr. Hein. Mr. Madelung accepted the nomination and was unanimously elected chair. Ms. Oyama-Miller relinquished the chair to Mr. Madelung.

Mr. Madelung entertained nominations for the vice-chair. Ms. Oyama-Miller was nominated by Mr. Madelung. The nominated was seconded by Mr. Hein. Ms. Oyama-Miller accepted the nomination and was unanimously elected vice-chair.

Mr. Madelung entertained nominations for secretary. Mr. Hein nominated himself for secretary. His nomination was seconded by Ms. Oyama-Miller. Mr. Hein was unanimously elected secretary.

Mr. Madelung pointed out the board was two members shy of seven, but has been operating as a five-member board. Mr. Dies noted the statutes simply say the board shall not be more than seven members. As such, fewer than seven is appropriate. Having five members is consistent with the Governor's conviction of smaller government. Mr. Madelung agreed that the board has been working fine, with independent thinkers, who do not rubber stamp things, and are willing to say what is on their mind.

BOARD STATUS REPORT

Involvement in Postsecondary Education Policy Decisions

Mr. Dies noted the board materials provide a link to the SARA hearing. He echoed earlier comments by Mr. Madelung, thanking Ms. Oyama-Miller and Ms. Sabin for attending the public hearing and testifying on the bill.

Positive Working Relationships and Alliance

Mr. Dies mentioned that a draft of the Student Outcomes Report was included in the board materials. Once final editing is done, the report will be added to the EAB's website and disseminated to a variety of external stakeholders.

Consumer Protection

Mr. Dies informed board members that the Wisconsin Attorney General filed a request with the U.S. Department of Education, as well as its appointed Special Master, to make students who graduated from Everest College – Milwaukee eligible to have their federal financial aid loans discharged under the defense of borrower provisions. The request is based on the lawsuit brought by the AG arguing the school misrepresented itself to students. The State of Wisconsin received a \$9.4 million default judgement in the matter, which is the amount the EAB believes graduates owe back to the federal government.

Postsecondary Educational Choices (Public Awareness & Understanding)

Although it was noted more information on the Brensten Education closure was provided under the School Approval Issues section of the meeting, Mr. Dies commented about the news story regarding the closure that ran on Fox 6 News – Milwaukee where he was interviewed about the closure.

Operational/Administrative Procedures and Policies

Mr. Dies reported the EAB would most likely be moving again in about two and half years into a new state office building that will be built. The EAB has been asked to move into the new Hill Farms State Office Building once its lease has expires in August 2018.

Mr. Dies mentioned the Department of Veterans Affairs (DVA) has informed the EAB that it would be terminating the EAB's IT support as of June 30. The EAB is looking for other alternatives.

Mr. Dies reported that when the EAB submits its budget request this September, new legislation will require all state agencies to submit a budget that maintains current levels but also reduces current funding by 5%. Mr. Dies also said additional discussions about the budget could take place later in the meeting when the board considers how to deal with the fiscal impact of SARA.

Mr. Madelung commented on the Student Outcomes Report and encouraged schools to take a good look at it, especially the graduation information. He suggested schools should make retention a priority.

Ms. Oyama-Miller wanted to make sure the report was sent to all legislators and suggested the data be put down as bullet points. She pointed out the EAB's research is very unique and that it makes a difference to those institutions doing a good job, and a warning to those who are not and need to improve. She would like to see the EAB ask institutions about what they are doing to improve their numbers. Improvement doesn't have to come in one swoop, but over time and it needs to occur. Showing those improvements can make a strong postsecondary educational system in Wisconsin, both with the for-profit and non-profit sectors.

SCHOOL APPROVAL ISSUES

Ms. Oyama-Miller asked if there is a report board members can see after staff go to visit a school. She would like to understand what happens to those schools that might have deficiencies or unsatisfactory current issues. Can board members see from these site visits potential problems that can be addressed?

Mr. Dies responded by saying the EAB issues a summary letter after a visit, which identifies the purpose of the visit and with whom staff met, such as administrators, staff and/or students. It depends on the type of visit – whether it is a comprehensive visit or an investigative visit. While visit summary letters are sent to schools, they are not posted on the

EAB's website. However, the School Activity Report provided to the board members contains information about which institutions the EAB has visited. If someone wanted to see the summaries, they are open records and the EAB would produce them if they asked. As a matter of practice, the EAB does not post summary letters on its website. At that point in time, it is usually a conversation between the EAB and that institution. He noted the EAB has in the past specifically asked what institutions with high numbers of dropouts are doing to address the problem. Unfortunately, the EAB has no way of forcing the schools to improve them or authority to pull their approval based on poor outcomes.

In response to a question by Mr. Madelung regarding the number of visit summary letters that go out to schools in a typical month, Mr. Dies responded that it depends on a number of factors, including the time of year and other priorities. In recent years, the EAB has scaled back on the number of visits because of the large number of new approvals. He also noted that visits take a lot of time and create a disruption for the school, to which the EAB is very sensitive to. Ideally, the EAB would like to get to schools at least once every three years; if it is an accredited school at the midpoint accrediting cycle.

Mr. Madelung asked if the number is not voluminous, perhaps copies of the summary letters could be provided to board members. Mr. Dies responded that he could provide board members with copies of the most recent quarter's investigative visits letters as well as the complaint summaries.

Mr. Roden noted he is amazed with the number of schools the EAB approves each year. Realizing the EAB cannot stop a school from operating, he is concerned that so many of these schools will not have a successful shelf life or successful record. Does the EAB have any criteria to make sure there are not going to be any problems?

Ms. Oyama-Miller referenced the site visit to the Wisconsin School of Professional Pet Grooming, the same school the board had met with several years before, and wondered what had changed or not changed since then? What has the EAB done to keep up with what it is doing? If the school's inefficient in any way or provides the best education in their field, then the EAB could only expect future students have similar complaints because it doesn't protect the consumer. If the EAB does not have any recourse, then it needs to change some of those rules or regulations because it does not have protection for those students, which is one of its main functions.

Mr. Dies responded that it is a matter of what type of protection the EAB is offering the student. Is it a matter of preventing an issue or is the EAB to help once a problem arises; or a combination of both. Mr. Dies made reference to the several complaints provided, described some of the findings, and mentioned that those findings are brought to the board to see if the board agrees with them.

Mr. Madelung asked the EAB staff to provide the summary visit letters to the board, which will give the board more insight as to what is happening with institutions. Mr. Madelung asked if the board wished to receive copies of the complaints as well. The board said no.

Brensten Education – At Ms. Oyama-Miller’s request, Mr. Dies confirmed the information provided to board members regarding the Brensten Education closure, as well as the Anthem College closure, was current and the same information that appears on the EAB’s website. Mr. Dies summarized the EAB’s response to the Brensten closure and reminded board members that information had been shared at its December 2015 meeting. It was noted that the EAB is dealing with many issues from Brensten students and is facilitating many processes for those students. Staff is answering many calls coming into the office from students trying to get their loans discharged, trying to correct errors with transcripts, and obtaining transcripts.

Mr. Madelung asked if the school was part of a chain. Mr. Dies responded it was not, but indicated the owner of Brensten, Jim Brent, is also the owner of another EAB-approved school, devCodeCamp in Milwaukee. The school provides a “bootcamp” computer coding program. He noted the EAB does not have the authority to deny a person the opportunity to start a different school on the basis that another has failed. He also noted that devCodeCamp had been operating independently and parallel with Brensten Education prior to the closure.

Ms. Oyama-Miller mentioned that at the SARA hearing, the ability for the EAB to be able to take possession of records and provide students with records was acknowledged at the hearing. She advised schools in the audience to develop a records retention plan so that they could maintain and provide students with their transcripts and information.

A motion (Oyama-Miller, Hein) to approve items “A” through “I” of the School Activity Report for the period of December 10, 2015 through March 4, 2016, was unanimously approved.

STATE AUTHORIZATION RECIPROCITY AGREEMENT

Mr. Madelung commented that the board must consider the future of the EAB as well as where and how it will move forward once Wisconsin becomes a SARA member. He indicated that Mr. Dies seems to be providing a good solution for the future of the Agency.

Mr. Dies pointed out that the multiplier is generally set at the end of the year. He said that he was uncomfortable waiting until then and would like to start a dialogue now to see what board members are willing to support. He explained the EAB’s administrative code requires it to establish fees based on expenses. One- time/fixed fees are prescribed in rule for specific approval activity and generally cover anywhere from one-third to on-half of expenses. Due to the high volume of online schools seeking approval, the fees have exceeded fifty percent in recent years, which has driven down the amount of money the EAB has needed to generate through the multiplier as part of the second payment renewal.

As a result of SARA, increasing the multiplier is not the question. The question is how much should the multiplier be increased. Depending on how much of an increase the board is willing to support, the EAB may find ways to lower its operating expenses. Given that staffing is nearly 90% of the EAB’s budget, it may have to reduce the number of staff and/or hold a vacant position open. Alternatively, the EAB would have to make up all of the lost revenue from online institutions that will no longer be subject to EAB approval from the

remaining EAB-approved institutions. If the EAB simply maintains expenditures at currently authorized budgeted levels, the multiplier would need to be increased between 3.2 and 3.5. Currently, the multiplier is set at 1.6.

Mr. Dies went on to explain the impact the lost revenue will have on the EAB, as well as on the schools. He also provided the history of the multiplier, which looks back prior to when the EAB approved online schools, and noted there were times during that period when the multiplier exceeded 5.0. The scenario being proposed would allow schools to move towards a higher fee gradually rather than jumping to the higher multiplier suddenly.

Under the suggested proposal, the EAB would hold open an existing position vacancy for a period of time. This would reduce the budget by roughly 8%. At the same time, the EAB would use a portion of retained earnings (FY 14 through FY 16 revenues that were in excess of expenditures) during the next several to “smooth” the multiplier’s rate of increase. There is currently about \$532,000 of retained earnings available. Mr. Dies suggested that if the multiplier is approved today, it still should be revisited in December.

In response to a question by Mr. Hein about the impact the loss of online schools would have on staff workload, Mr. Dies responded it would allow the EAB focus more of its core functions, such as performing regular school visits. Mr. Dies also noted that in 2001 when he started with the EAB, the EAB had 3 school consultants handling 112 schools. Today, those same 3 staff are responsible for 263 schools. Even with losing oversight of roughly 100 schools as a result of SARA, the EAB would still approve more school than it did in 2001.

Mr. Madelung said the upside will be to allow the EAB to make more school visits and be more advocates. Mr. Dies also pointed out that SARA would get the EAB out of the business of triage, and back to better doctor/patient relationship.

Ms. Oyama-Miller asked if any money will be coming back to the EAB under SARA, to which Mr. Dies answered no. He also clarified that the revenues showing for the 15 hybrid institutions reflected on the online portion that would be lost.

Mr. Roden suggested the board give Mr. Dies the authority to use the reserves.

Mr. Parks mentioned that Grand Canyon was denied approval to go to non-profit status and wondered if that happened to a school that the EAB oversees, would the EAB be able to collect the fees or would it have to put it on hold? What is the impact?

Mr. Dies responded that reciprocity only deals with institutions offering online programs. As such, the for-profit / non-profit issue is not relevant. Mr. Dies referenced Herzing University, which switched from for-profit to non-profit status. The difference was that it was domiciled here in Wisconsin. Because it had operated in Wisconsin for quite some time, it met the statutory exemption for schools that had been around prior to 1992. That is why it is no longer overseen by the EAB. Grand Canyon’s only activity in Wisconsin is online and once the state becomes a SARA member, it will no longer have oversight of the school because the school is domiciled in another state. If they decide to come to Wisconsin and have a physical presence, then the school would need to be approved by the EAB.

Mr. Hein inquired about when SARA takes effect. Mr. Dies responded that the legislation has been signed, but the EAB does not know how quickly Wisconsin will move through the process. While the application for membership is simply a form that requires a series of attestations to be initialed, it is unclear exactly who will convene the newly created Distance Learning Authorization Board, which is attached to the Higher Education Aids Board, or when.

Ms. Oyama-Miller asked if the board needed to take action. Mr. Dies responded the board could take action anytime between now and December. Mr. Madelung suggested that the board hold-off on action until the June 16 meeting so that members could have time to think about the issues.

Ms. Oyama-Miller asked whether online institutions would need to contact the EAB to let them know they are members of SARA. Mr. Dies responded that information would be shared with institutions once a state has become a member about what documentation they would need to provide to the EAB. Not only will institutions need to be headquartered in a state that is a SARA member, but also join SARA as a participant. Rather than having all of the schools notify the EAB, it is likely the EAB will have a blanket notification in its renewal notification letter.

Ms. Oyama-Miller also asked if the AGASR for 2017 was used in the projections provided could be less. Mr. Dies confirmed that it could be less. The AGASR has been coming down and it will be mostly driven by institutions that will no longer be approved. Until schools provide information during the renewal, the EAB will not know exactly what is going to happen with the AGASR.

A motion (Oyama-Miller, Hein) to table setting the multiplier used to calculate the second payment renewal fees until the June 16 meeting was unanimously approved.

ADJOURNMENT

A motion (Roden, Hein) to adjourn was unanimously approved at 12:21 p.m.