

What are Institutions Doing (or Not Doing) About State Authorization? – 2014

Collaboration between UPCEA , WCET, and M-SARA

May 2014



State Authorization and Survey Background

Colleges are expected to have obtained the “authorization” of any in state in which it enrolls students or conducts other activities regulated by the state. Each state uses authorization as one method of protected consumers within their boundaries. The threshold for a college to need to be regulated varies widely from state-to-state.

This survey is the third in a series of surveys in which colleges were asked about their progress in obtaining authorization in other states. Information about previous surveys (conducted in 2011 and 2013) may be found at:

<http://wcet.wiche.edu/advance/upcea-wcet-sa-survey>



Methodology

- The survey was designed in partnership between the UPCEA, WCET, and the Midwestern State Authorization Reciprocity Agreement (M-SARA). The survey was implemented during January and February 2014. The sample was created by combining membership and email lists from WCET and UPCEA institutions and removing duplicate responses, as well as using a list from the Higher Education Directory. In addition to this effort, individuals from a few highly targeted email lists and discussion boards were invited.
- Overall, 577 individuals started and 498 qualified. Not all respondents completed every question. The 498 participants was significantly higher than in years past. In 2013, 237 individuals started the survey and 205 completed it.



Executive Summary – Major Findings

Institutions Increasingly in Compliance

- Colleges possessing all the authorizations from each state in which they serve students grew from 5% in 2011 to 25% in 2014.
- One-third (31%) of responding colleges have yet to apply to a single state.

Colleges Denying Admissions in Selected States

- About three-quarters (72%) of respondents decided not to admit students in some states.
- Arkansas, Minnesota, Massachusetts, Alabama, and Maryland lead the list of states where out-of-state colleges are no longer accepting students into distance education programs.



Executive Summary

- Institutions surveyed have a wide geographic reach, **reporting serving students in a median of 30 states**, excluding their own.
 - Smaller schools tend to operate in fewer states than larger schools.
 - Public 4-year schools tend to operate in more states than other types of institutions.
 - Fifteen responding institutions (3%) currently offer courses in all 59 states, territories, and protectorates.
- Institutions have been making steady progress in addressing state authorization regulations since 2011. While there still is a long way to go for institutions in obtaining approvals, it is clear that those responding took it seriously and are moving toward compliance.
 - **About one-quarter of institutions have applied and/or received approval from all states of interest**, up from 5% in 2011 and 15% in 2012.
 - All but 3% have taken at least some steps toward authorization.
- Out of the institutions that have not applied to one or more states, **55% indicate that it is due to the high cost** and **52% are waiting to hear about the reciprocity agreement.**



Executive Summary

- Overall, **about 20% of institutions had zero costs for state authorization in 2012-13.** However, out of those that did, **the median compliance cost (excluding staffing) was \$7,750 and the mean was \$28,833.**
 - Small community colleges had the lowest costs, while very large, public 4-year schools had the highest costs. This is likely due to the fact that the costs increase with the number of states.
 - There was a lot of variation in the costs incurred, ranging from just \$10 to a high \$400,000.
- Institutions are increasingly finding the need to dedicate staff to pursue compliance. **A typical institution dedicates about one-half FTE to compliance.**
 - Generally, the larger the institution, the more personnel commitments. The largest schools have about one FTE at a cost of \$32,500.
- **Distance/Continuing Education Directors are the most involved individuals when it comes to making decisions concerning state authorizations,** followed by the Chief Academic Affairs Officer. The Faculty Senate is very rarely involved or informed.



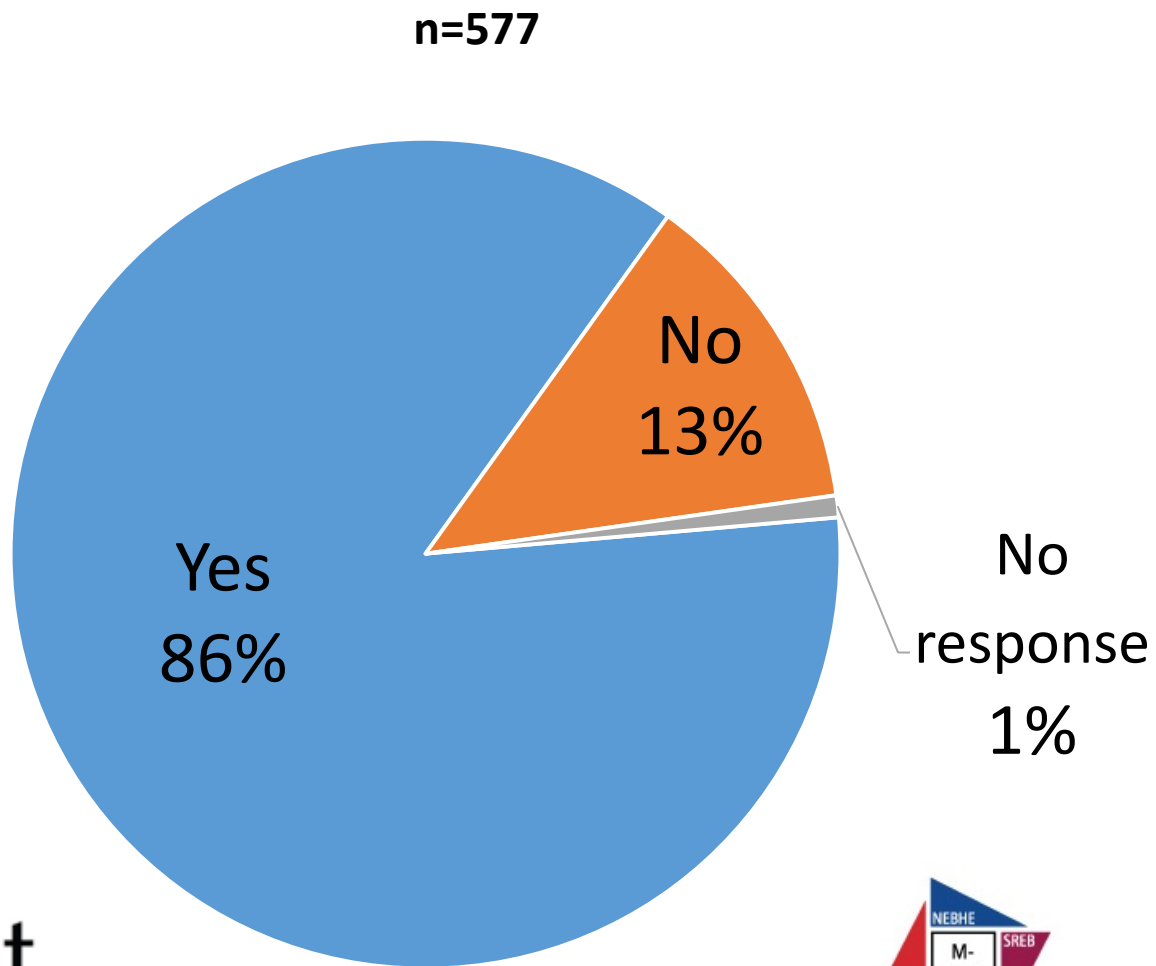
Executive Summary

- **About 32% of institutions have or will seek authorization from all 59 states, territories, and protectorates, with the likelihood increasing with the number enrollments.**
 - Schools typically serve students in more states than for which they have authorization – for example, a representative school may have sought authorization from about 80-90% of the states in which they operate.
 - The smaller the school, the fewer the number of states in which they have or will seek authorization.
 - Public 4-year schools are expected to seek authorization from the greatest number of states.
- **Almost three-quarters (72%) of respondents indicated that they will not seek authorization in certain states.**
- **Arkansas (98), Minnesota (92), Massachusetts (77), Alabama (69), and Maryland (63) were the states named most often by institutions as those for which they will no longer accept students due to authorization issues.**
- **About 40% of schools had to turn away students last year** due to authorization issues.
 - Community colleges and large schools are the least likely to reject students.
 - Of those who had to turn away students, the median number of students turned away was 10, though it ranges from 1 to 1,600.

Executive Summary

- **About 81% of institutions notify students about state authorization issues**, which leaves almost 2 in 10 silent on the subject. Without being informed students may, unwittingly, get caught in the middle.
- Institutions disbursing federal student aid were required to notify all current and prospective students by July 2011 how they could complain to the institution's accrediting and authorizing agencies. **Most (93%) have some form of notification and 1% do not distribute aid.** However, only 35% of respondents notify all students, which indicates that many still misunderstand the requirement to provide this information to both residential and distance students.
- Most colleges have made some effort in complying with state authorization issues and have a defined strategy.
 - The most common strategies are to **obtain approval from states where it is easy and inexpensive to do, there are enough students to justify the costs, or there are already students enrolled from them.**
 - Some colleges are awaiting SARA and thus are doing very little concerning authorizations.
 - For the largest schools, cost is less of an issue and seeking authorization is a higher priority.
- Open comments focused on the cost of compliance, the variation in regulations, the complexity of regulations, the effect on students, the uncertainty of the success and comprehensiveness of SARA, and the purpose of the regulations.

Qualifier Question: Does your institution currently offer online or correspondence courses to students in other U.S. states?



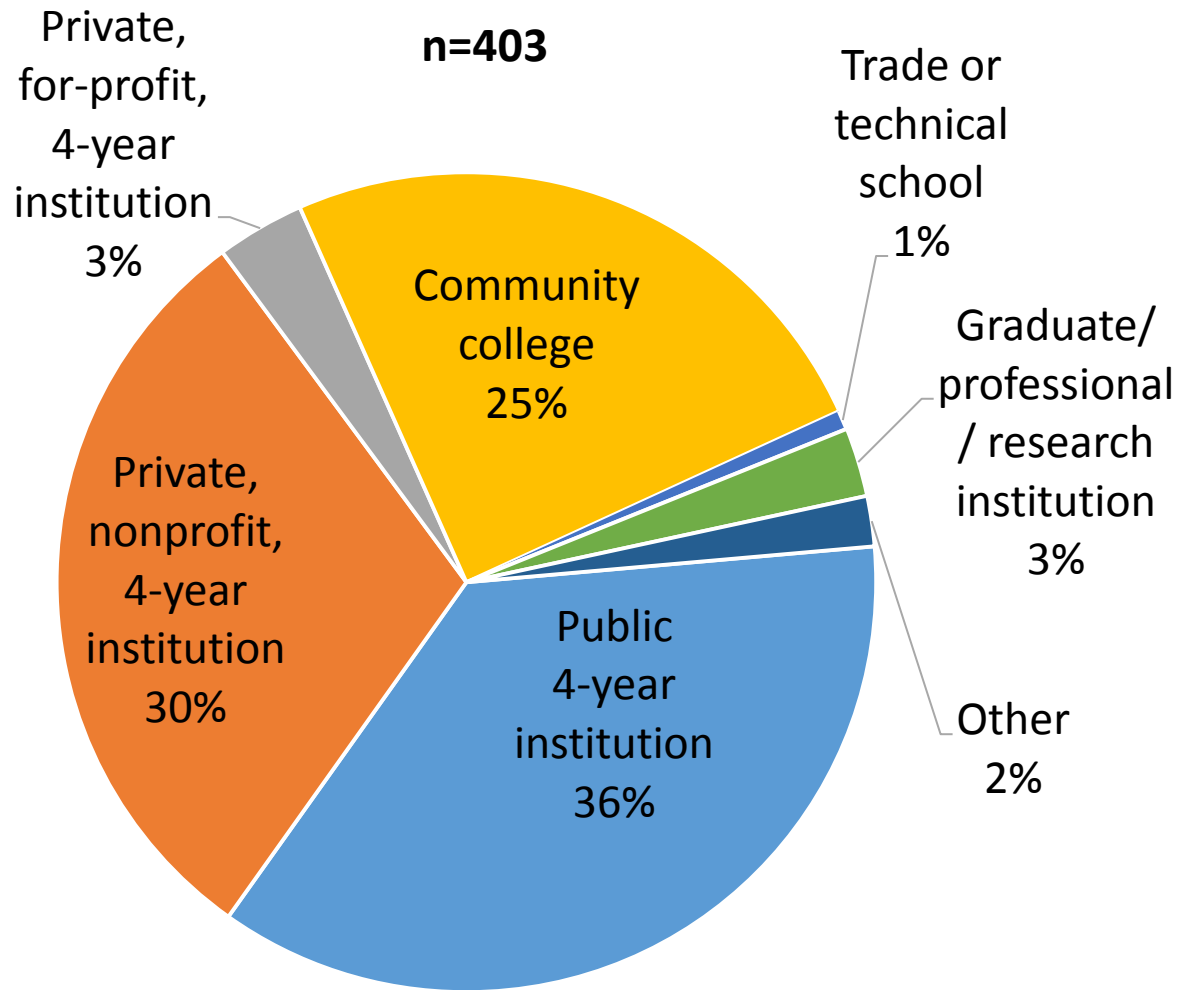
More Institutions Responded

A total of 577 institutions responded to the survey, but only 498 (86%) qualified because they currently provide education to students outside their own operating state.

This is more than double the number of qualified respondents from 2011's survey.

Institutional demographics:

Type of institution



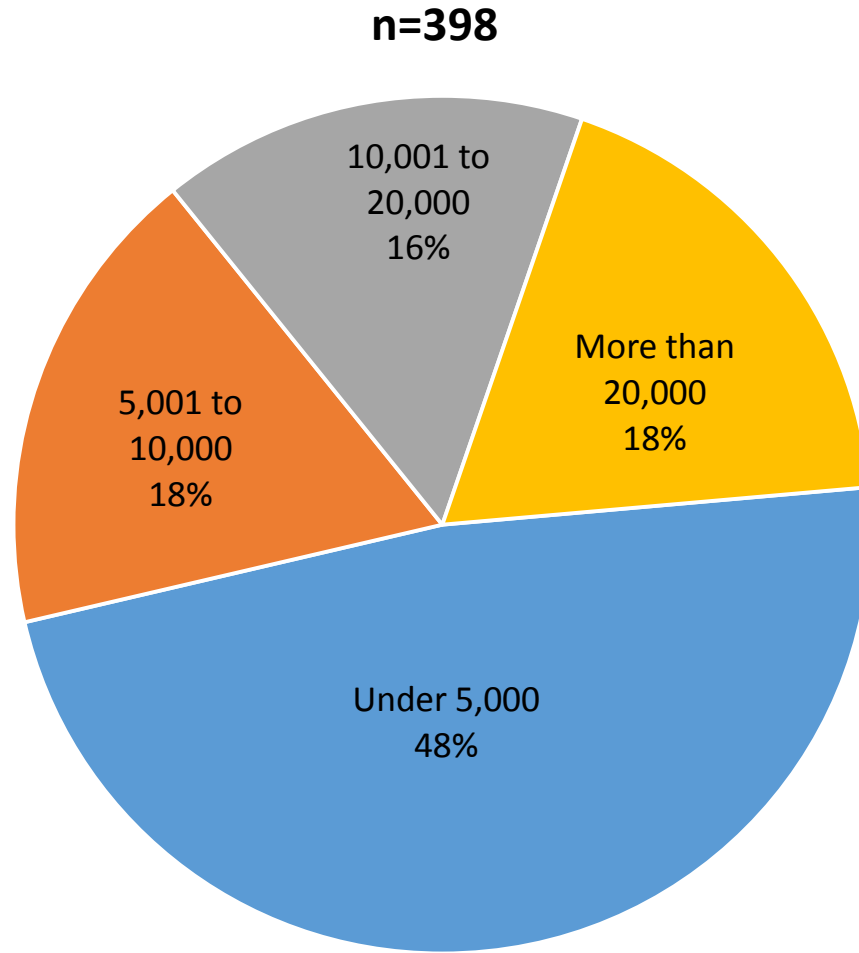
Mostly 4-Year Colleges;

Growing Number of 2-Year Colleges

The most-represented institutions are public 4-year schools, private nonprofit 4-year schools, and community colleges. In further analyses, we will combine the remaining groups into "Other."

These proportions are dissimilar to those we saw in the 2011 and 2012 surveys – this year we have more community colleges than in previous surveys.

Institutional demographics: Size of institution



Nearly Half are Small Institutions

Almost half of the responding schools are small, having fewer than 5,000 FTE enrollments. However, there is still good representation from the larger schools.

These proportions are dissimilar to those we saw in the 2011 and 2012 surveys – this year we have more community colleges and more smaller schools participating than expected.

State Authorization Status



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

	N=	Minimum	Mean	Median	Maximum
Public 4-year	141	2	37	44	58
Private nonprofit 4-year	118	1	29	28	58
Community college	98	1	21	16	58
Other	36	1	33	40	58
<5,000	186	1	24	19	58
5,001 to 10,000	69	1	26	24	58
10,001 to 20,000	62	3	36	43	58
>20,000	71	4	45	49	58
<i>Overall</i>	<i>446</i>	<i>1</i>	<i>29</i>	<i>30</i>	<i>58</i>

Colleges Serve Students in a Median of 30 States

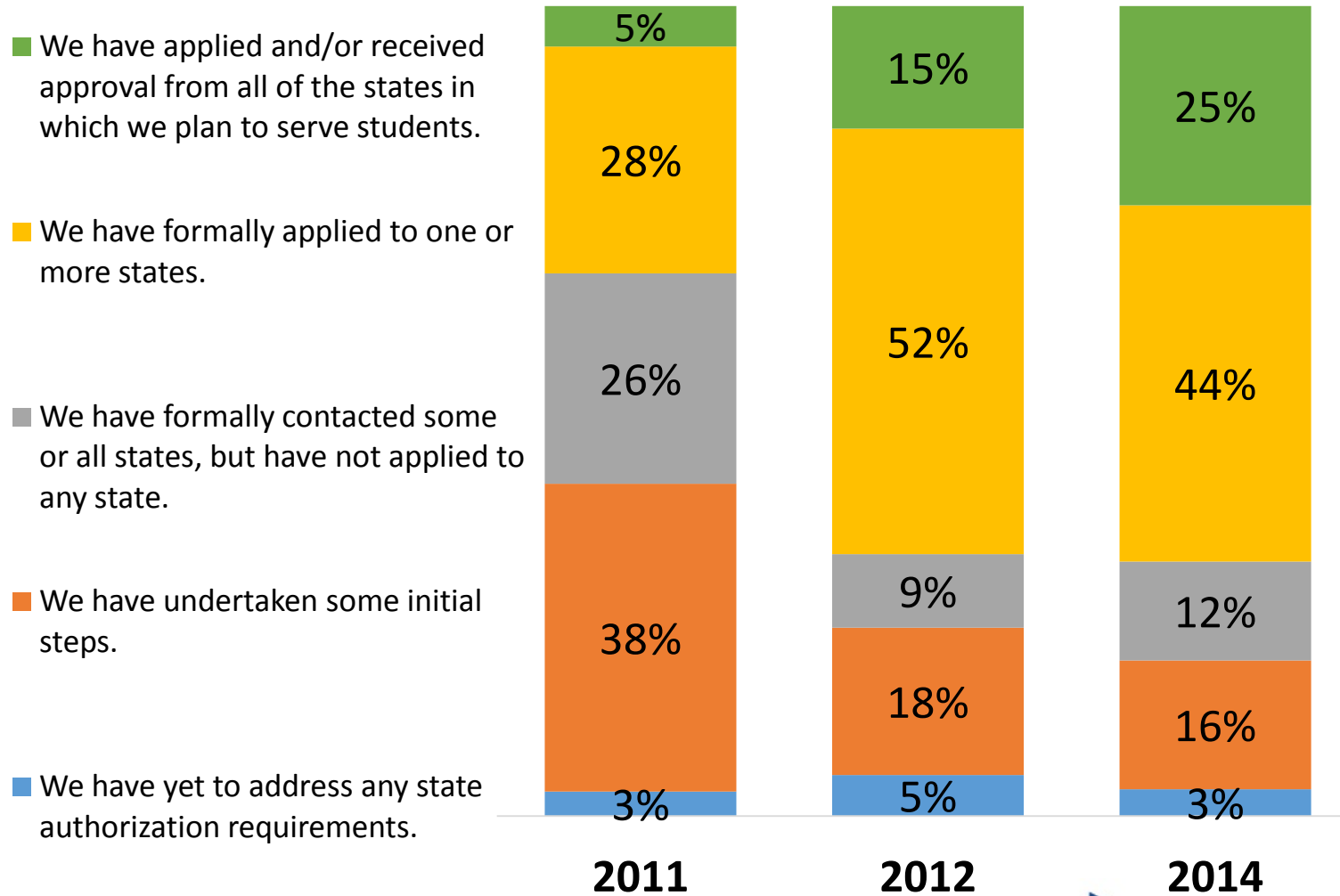
For those that operate outside their own state, a typical institution serves students in about 30 states in addition to their own state.

Smaller schools tend to operate in a fewer number of states than larger schools.

Public 4-year schools tend to operate in more states than private 4-year schools or community colleges.

Fifteen responding institutions (3%) plan to seek authorization in all states.

Progress in addressing the state authorization regulations



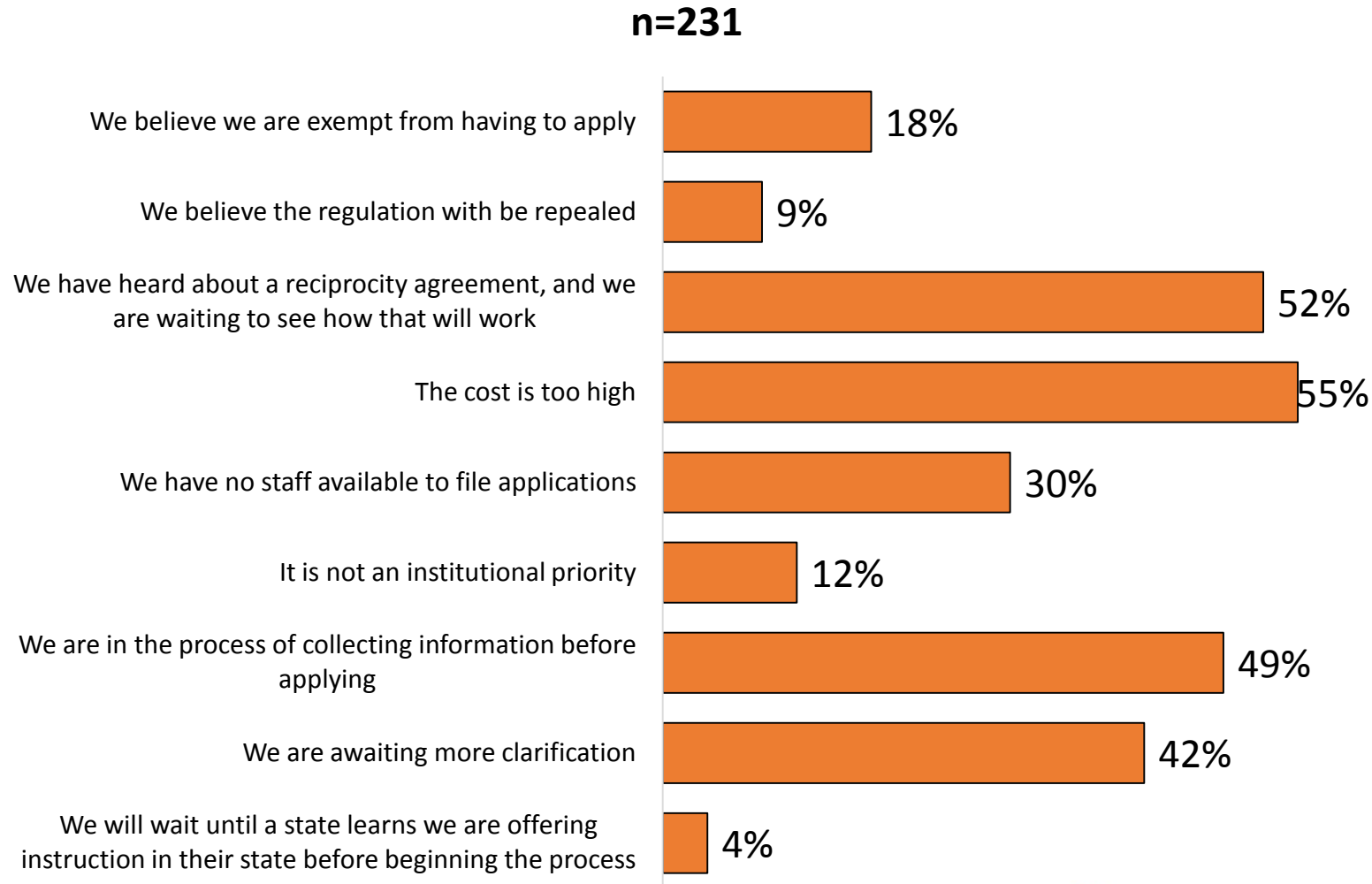
Institutions Have Been Making Steady Progress Since 2011

About one-quarter of colleges have applied and/or received approval from all states of interest, compared with just 5% in 2011 and 15% in 2012.

Another 44% have formally applied to at least one state. All but 3% have taken at least some steps towards state authorizations.

While 25% have all the needed approvals, just under one-third (31%) have not applied to any state.

Reasons for not applying for state authorization



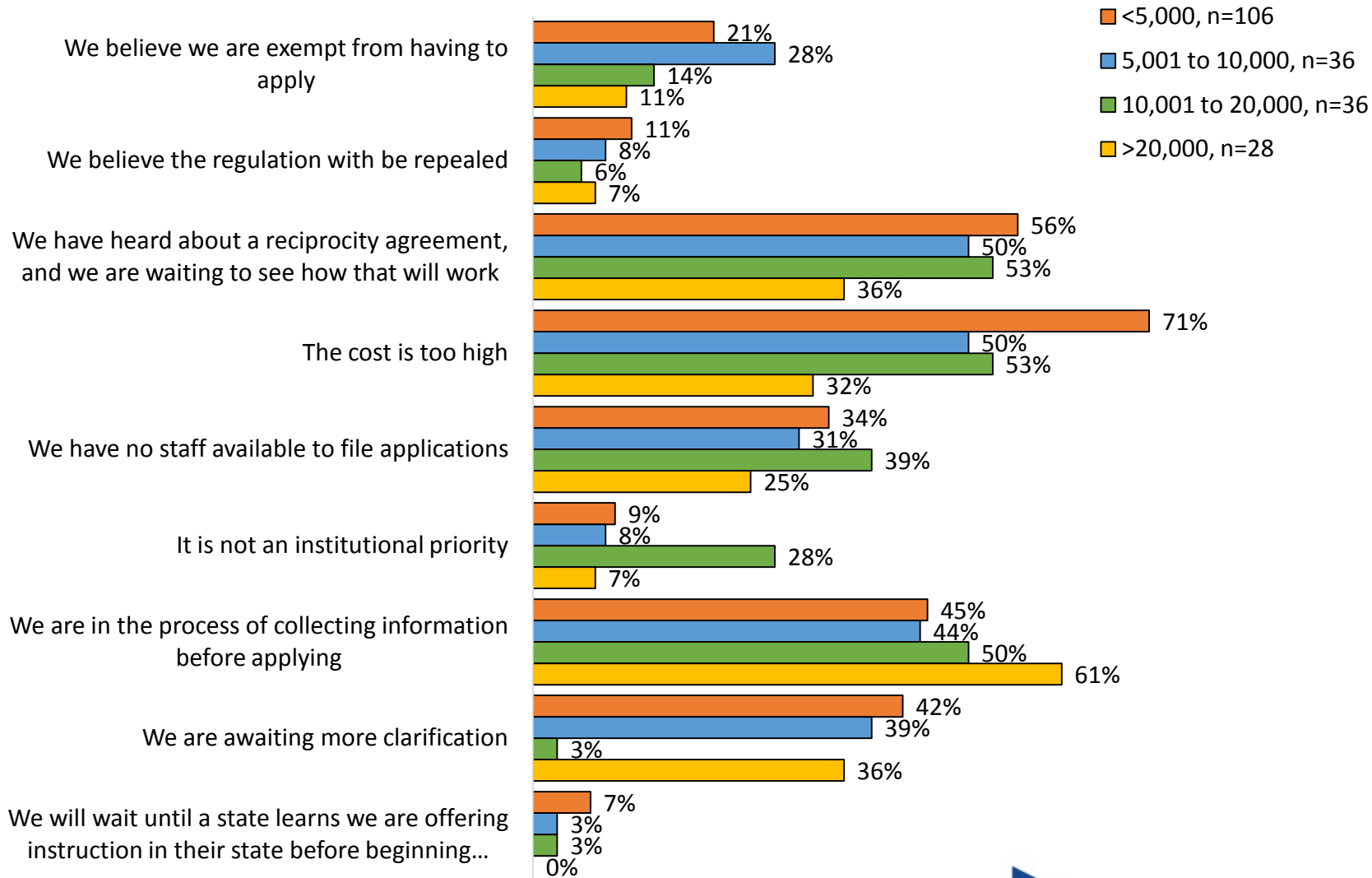
For Those That Have Not Applied to Any State, Many Reasons Were Given

For those that responded, the majority have not applied for state authorization because the cost is too high or they believe that there is a reciprocity agreement.

Other common reasons include still being in the process of collecting information and awaiting clarification.

Very few are just waiting for states to notice that they are operating there.

Reasons for not applying for state authorization



Smaller schools are more likely to feel that they are exempt from having to comply, that the cost is too high, or are waiting for a reciprocity agreement.

Institutions with more than 20,000 enrollments have not applied yet most likely because they are still in the process of collecting information.

Cost of Compliance



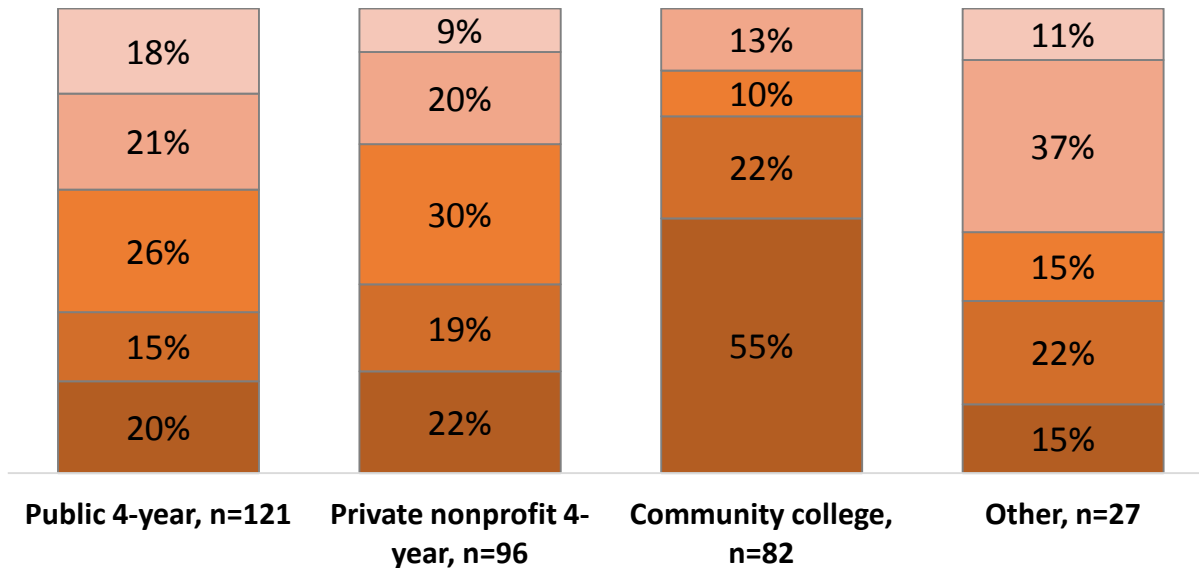
Estimated compliance costs for 2012-13, excluding staffing costs

Overall, about one in five colleges expect zero costs of compliance

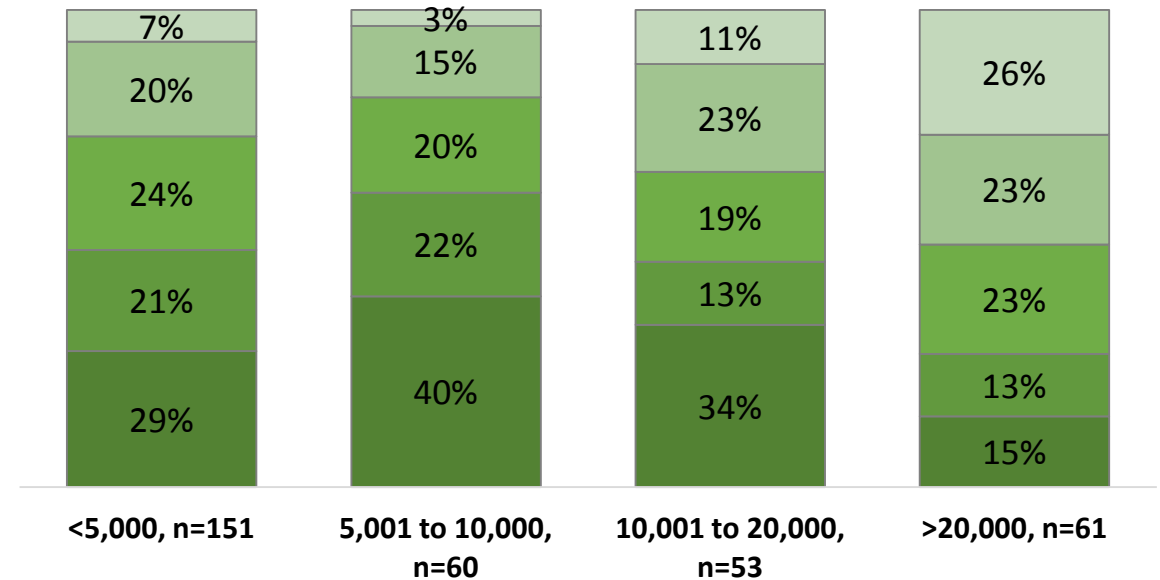
Community colleges are more likely than other institutions to incur no compliance costs.

The largest institutions are expected to have higher compliance costs than mid-size or small colleges.

By Type of Institution



By Enrollment Size



■ \$0
 ■ \$1-1,000
 ■ \$1,001-10,000
 ■ \$10,001-50,000
 ■ \$50,001+

■ \$0
 ■ \$1-1,000
 ■ \$1,001-10,000
 ■ \$10,001-50,000
 ■ \$50,001+



Estimated compliance costs (excluding staffing costs) for 2012-13 for those with non-zero costs

	N=	Minimum	Mean	Median	Maximum
Public 4-year	97	\$25	\$41,976	\$10,000	\$400,000
Private nonprofit 4-year	75	\$200	\$22,499	\$10,000	\$150,000
Community college	37	\$10	\$8,527	\$1,200	\$50,000
Other	23	\$200	\$34,939	\$15,000	\$250,000
<5,000	108	\$10	\$18,815	\$7,750	\$137,000
5,001 to 10,000	36	\$50	\$14,806	\$5,000	\$150,000
10,001 to 20,000	35	\$98	\$33,725	\$12,000	\$300,000
>20,000	52	\$25	\$60,160	\$15,000	\$400,000
<i>Overall</i>	<i>244</i>	<i>\$10</i>	<i>\$28,833</i>	<i>\$7,750</i>	<i>\$400,000</i>

Overall, out of those who incurred at least some compliance costs, the median was \$7,750 and the mean was \$28,833.

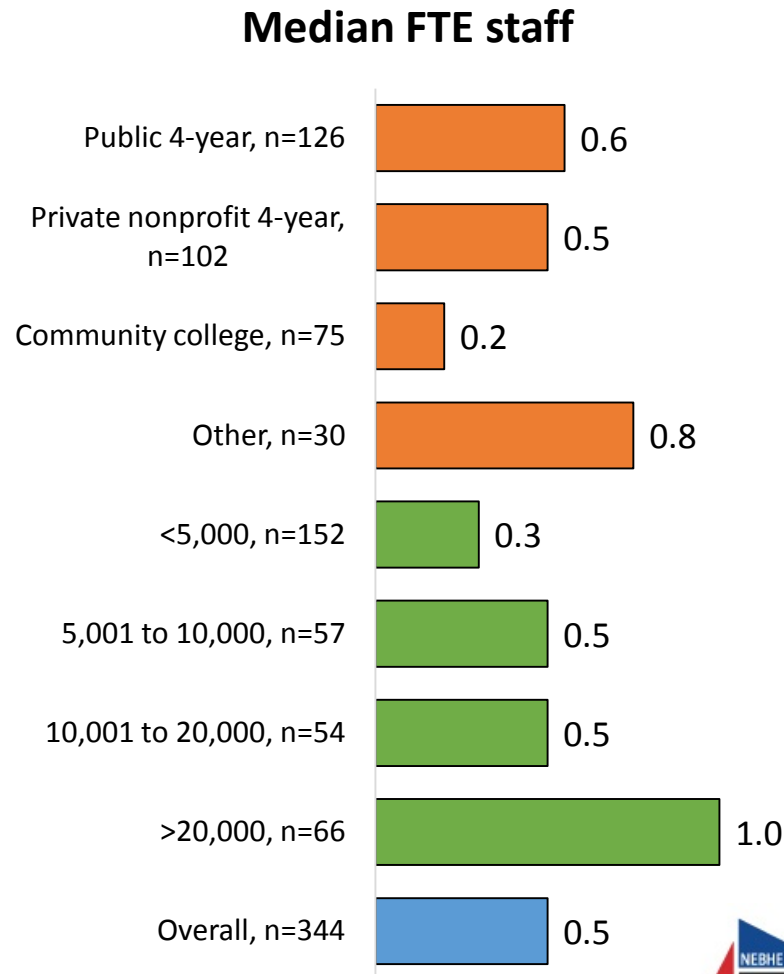
The minimum cost incurred was \$10 (a small community college) and the maximum was \$400,000 (a very large, public, 4-year institution).

Community colleges typically incur lower compliance costs than other types of schools.

Larger schools can expect to pay more for authorization compliance than smaller institutions.

The large discrepancies in the mean and median values suggest that while most schools incur costs under \$10,000, there are some with costs so high that they pull the mean (average) upwards.

Estimated 2012-13 staffing for researching, seeking, and securing state authorizations



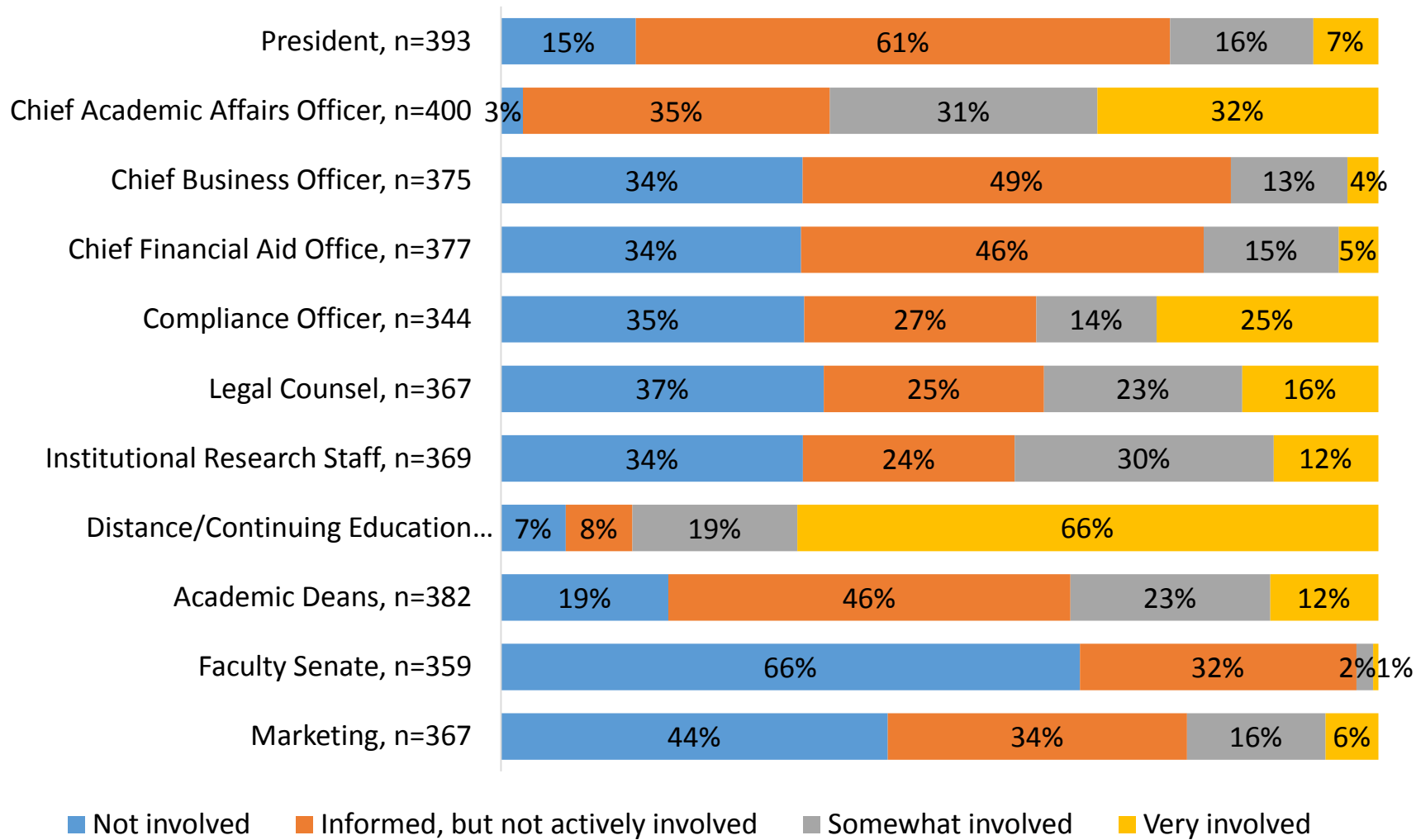
Average of About Half an FTE Dedicated to Compliance

The personnel commitments are similar to those from the 2011-12 academic year.

Overall, a typical institution dedicated about 0.5 FTE staff (usually about 1,040 annual hours) to state authorization compliance issues.

Generally, the larger the institution, the more personnel commitments: For the largest schools, about one FTE staff works on authorization.

Personnel involvement in decision-making regarding state authorization compliance



Many Personnel Involved in Authorization Decisions

Distance/Continuing Education Directors are the most involved individuals when it comes to making decisions concerning state authorizations, followed by the Chief Academic Affairs Officer. The Faculty Senate is very rarely involved or informed.

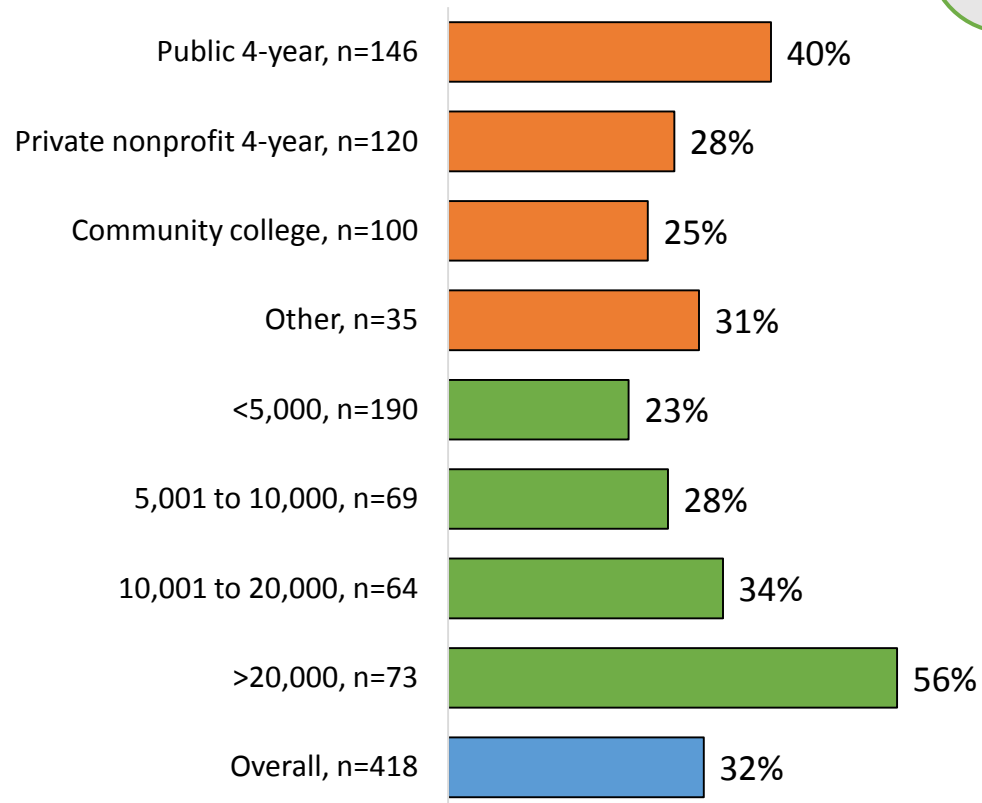
The costs of including these personnel was not estimated.

Authorization in Specific States



Colleges Planning to Seek Authorization from All States

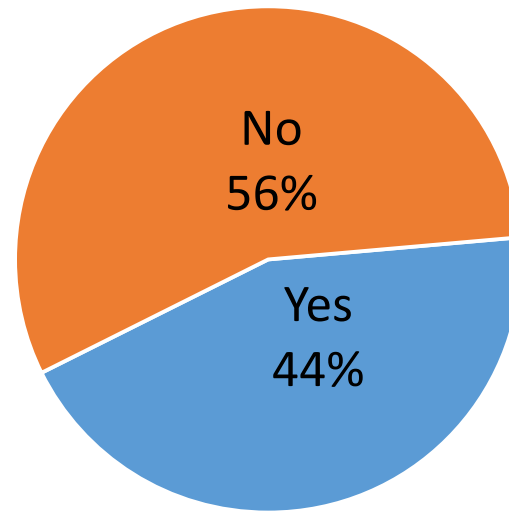
Percentage that has or will be seeking authorization from all 59 states, territories, and protectorates



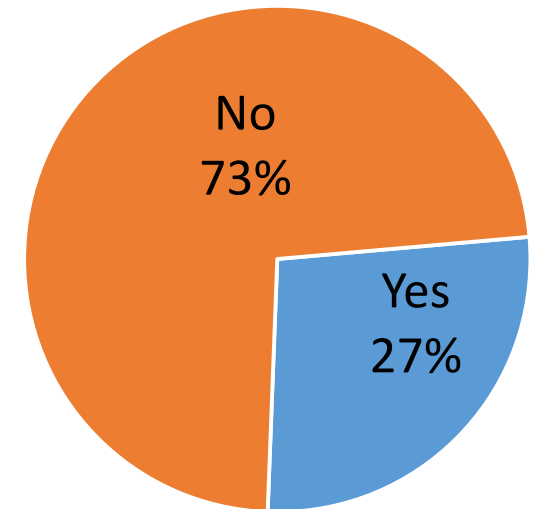
About One-third Plan to Seek Authorization Everywhere
About 32% of institutions have or will seek authorizations from all states, territories, and protectorates, a slight increase from 2012 but still a smaller proportion than 2011.

Larger colleges and public 4-year institutions are the most likely to seek authorization from all states.

2011 (n=211)



2012 (n=179)



Number of states to which you have or will be applying for authorization

	N=	Minimum	Mean	Median	Maximum
Public 4-year	74	0	35	41	53
Private nonprofit 4-year	77	0	24	20	58
Community college	64	0	17	13	45
Other	22	0	24	24	46
<5,000	128	0	22	19	48
5,001 to 10,000	45	0	26	25	49
10,001 to 20,000	38	0	29	40	51
>20,000	25	0	37	41	53
<i>Overall</i>	<i>247</i>	<i>0</i>	<i>25</i>	<i>25</i>	<i>58</i>

Colleges Plan to Seek Authorization in an Average of Half of the States

In general, colleges plan to seek authorization in more states than those in which they have authorization – a typical institution may seek authorization from about 80-90% of the states in which they operate.

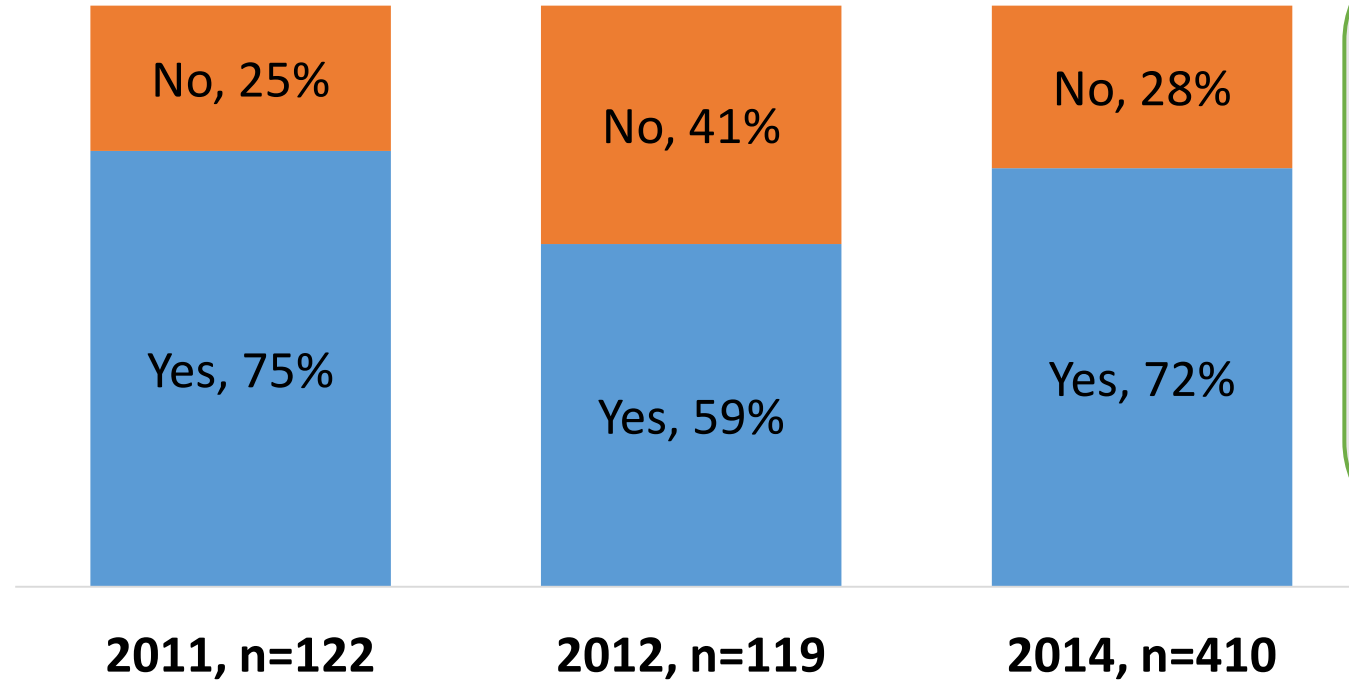
A typical institution will seek authorization in about 25 states.

Smaller schools have or expect to apply for authorization in a fewer number of states than larger schools.

Public 4-year schools are expected to seek authorization from the greatest number of states.

States in which you are not seeking authorization

Are there states from which you will not seek authorization or can no longer accept students?

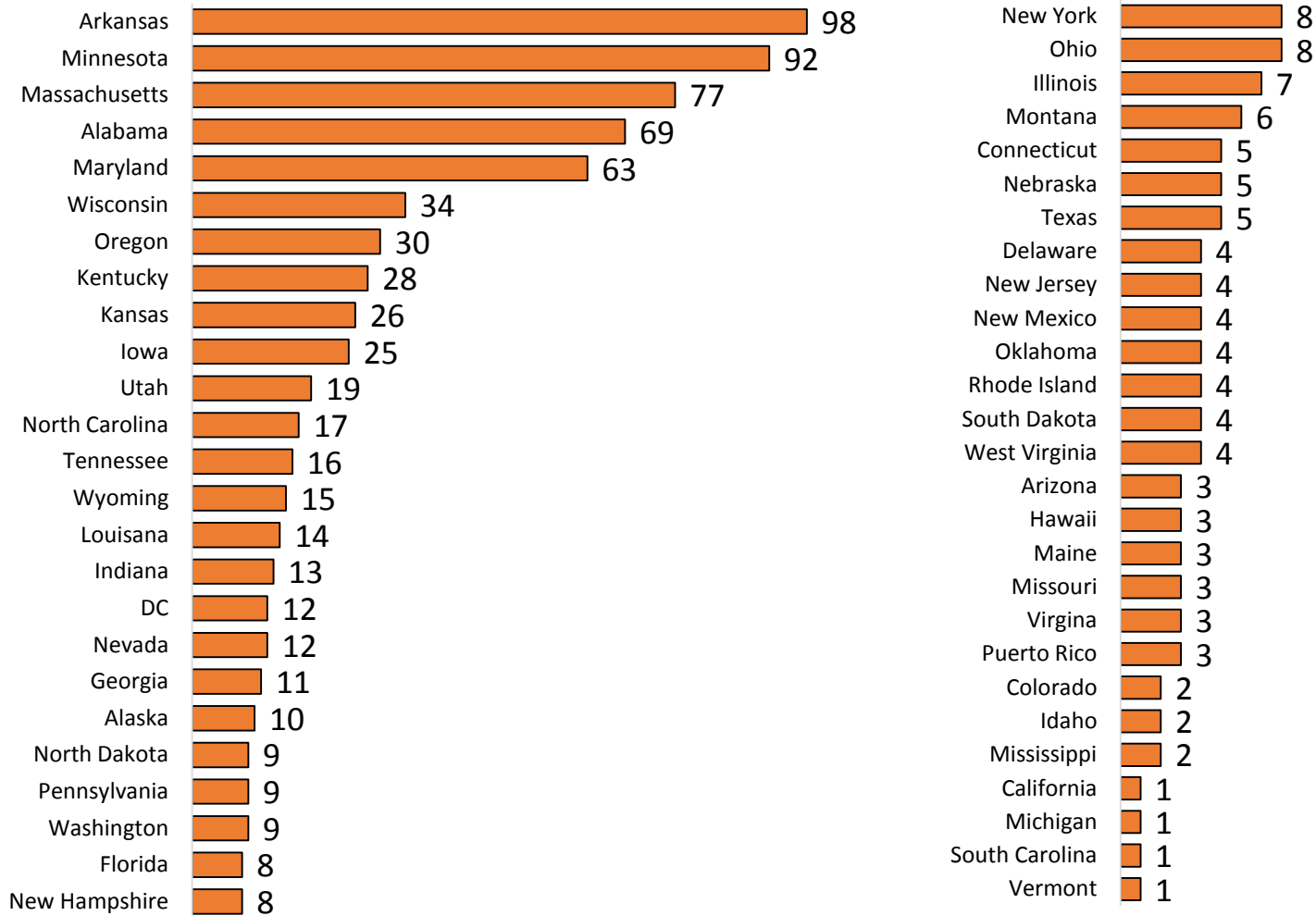


Almost Three-quarters of Respondents No Longer Enroll Students in Some States

Due to requirements and/or cost, about three-quarters of respondents (72%) report that their institutions will not seek authorization or can no longer accept students from certain states.

States for which schools will no longer accept students

Number of total mentions



Many Colleges Avoid Five States: AR, MN, MA, AL, & MD

A total of 193 respondents provided the names of one or more states in which they will not serve students.

The states from which the greatest number of institutions will not accept students are Arkansas, Minnesota, Massachusetts, Alabama, and Maryland, all named by at least one-third of respondents.

Student Impact



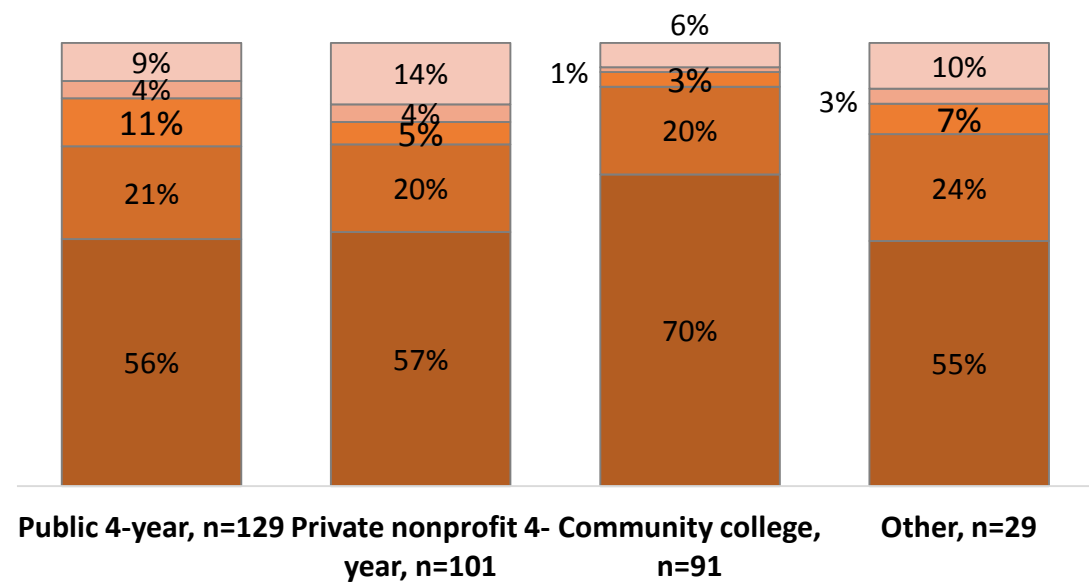
Estimates of turned-away students in 2012-13

Overall, about 60% of schools did not have to turn away students in the 2012-13 academic year

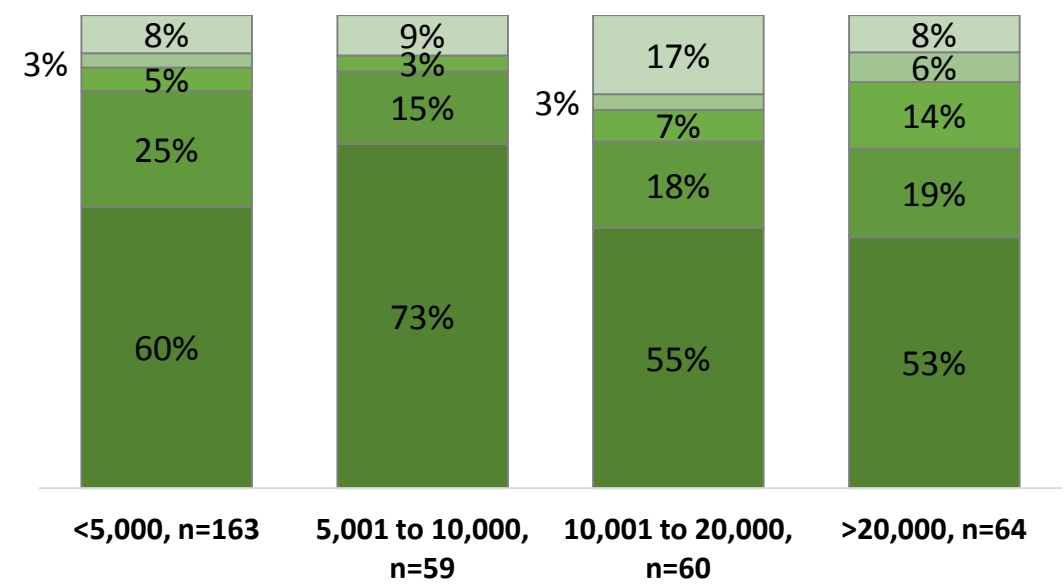
Community colleges are less likely to have turned down students.

Larger colleges are less likely to have turned down students than smaller schools.

By Type of Institution



By Enrollment Size



0 1 to 10 11 to 25 26 to 50 51 or more

0 1 to 10 11 to 25 26 to 50 51 or more



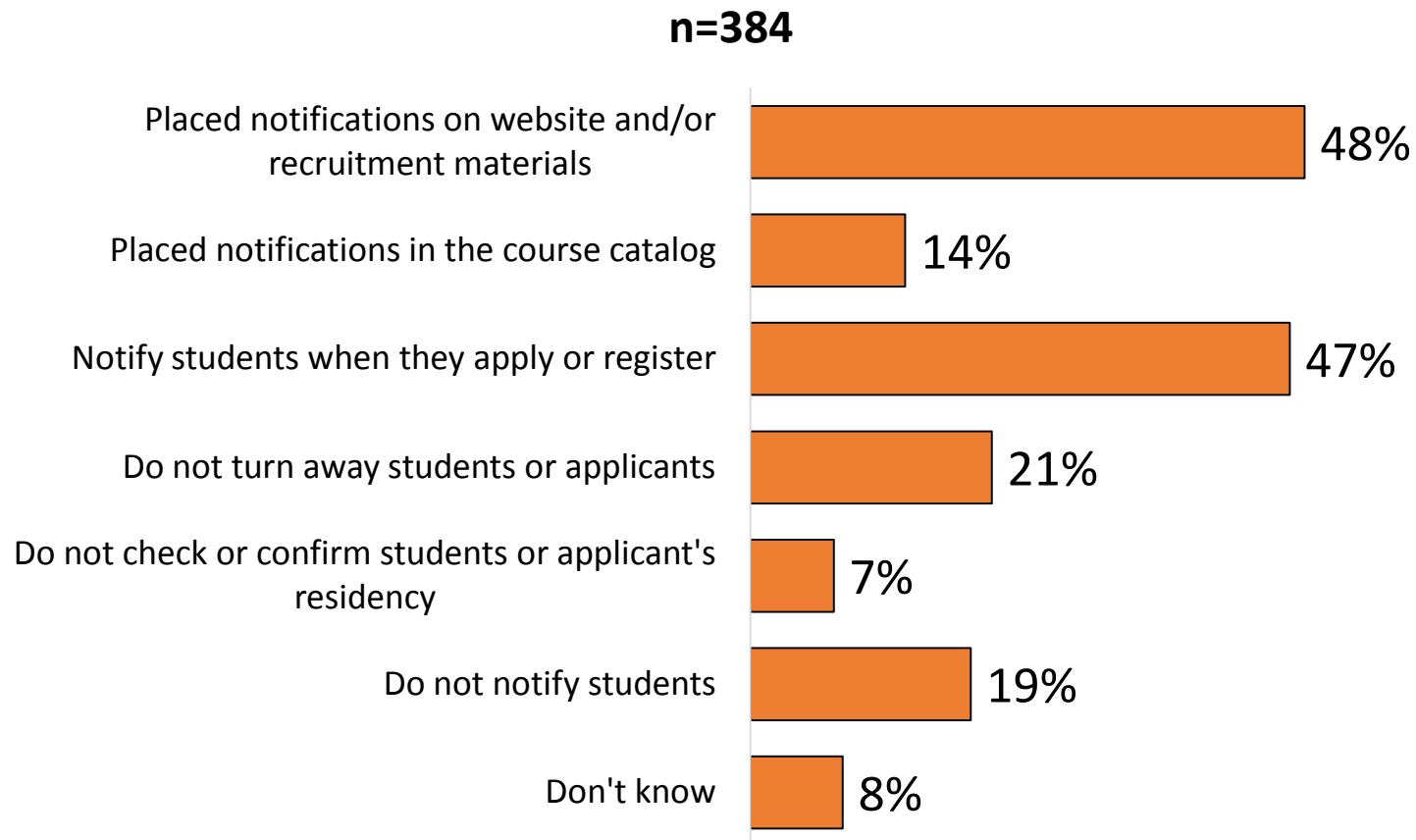
Estimated number of turned-away students in 2012-13 for those who had to turn down at least one student

	N=	Minimum	Mean	Median	Maximum
Public 4-year	50	1	21	10	125
Private nonprofit 4-year	34	1	69	7	1600
Community college	23	1	13	6	75
Other	12	4	33	10	200
<5,000	57	1	16	1	100
5,001 to 10,000	12	2	18	2	150
10,001 to 20,000	22	1	100	1	1600
>20,000	27	1	28	1	200
<i>Overall</i>	<i>120</i>	<i>1</i>	<i>34</i>	<i>10</i>	<i>1600</i>

About One-quarter of Colleges Have Knowingly Turned Away Students

Overall, out of those who have had to turn away at least one student, the median was 10 students and the mean was 34 students. There is a lot of variability in the number of students turned away across groups, with no distinguishable patterns.

Student notification of non-authorization



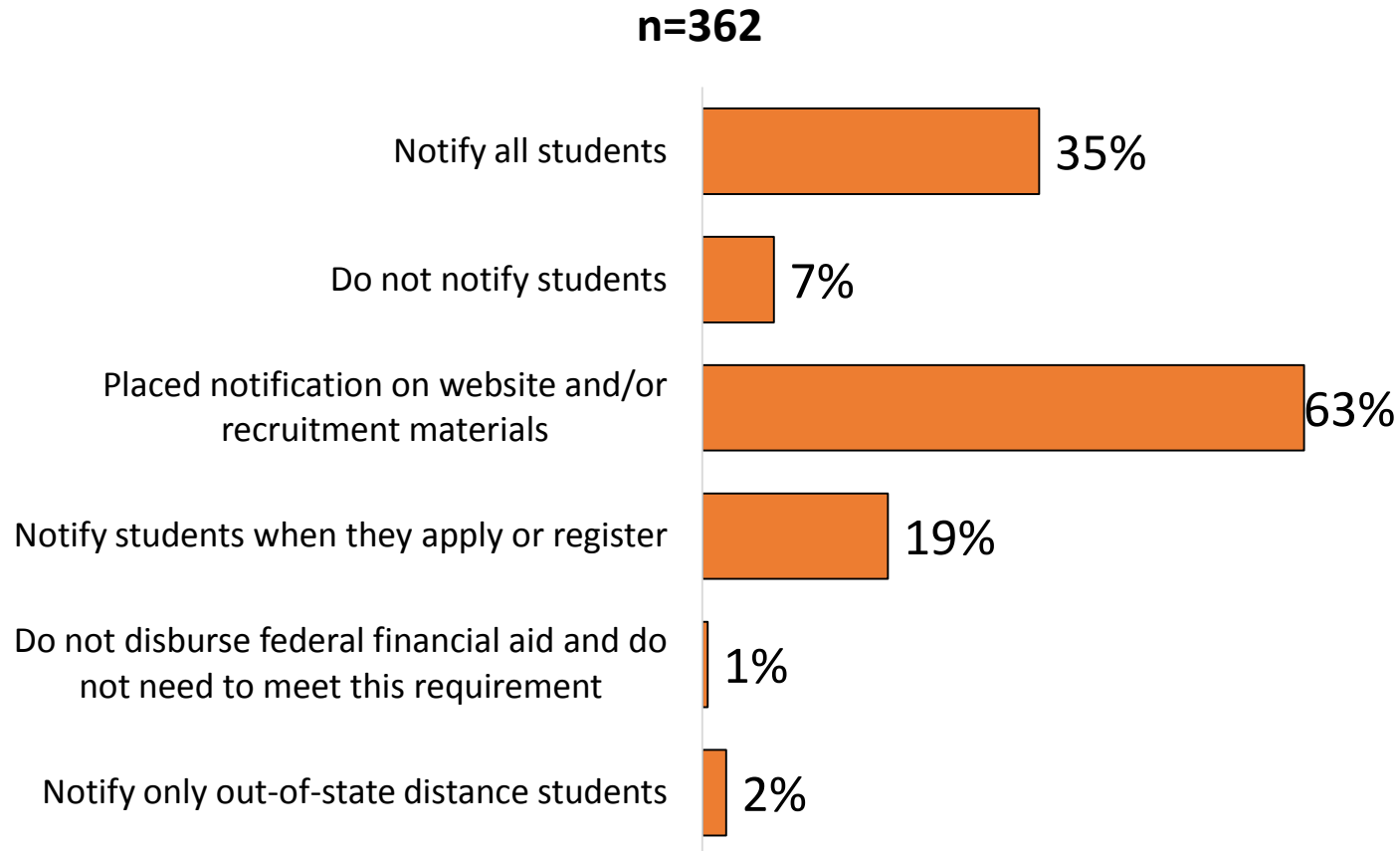
Variety of Methods Used to Notify Students of College's Authorization Status in Student's State

About half of responding institutions place notifications concerning state authorization issues on their websites and/or recruitment materials.

About half of schools turn away students from non-authorized states when they apply or register.

At least 20% of schools do not turn away applicants and/or do not notify students of authorization issues.

Student notification of complaint process



Colleges Spotty in Notifying Students of Complaint Processes

About 7% of schools do not notify students about the third-party complaint process, and just 35% notify all students.

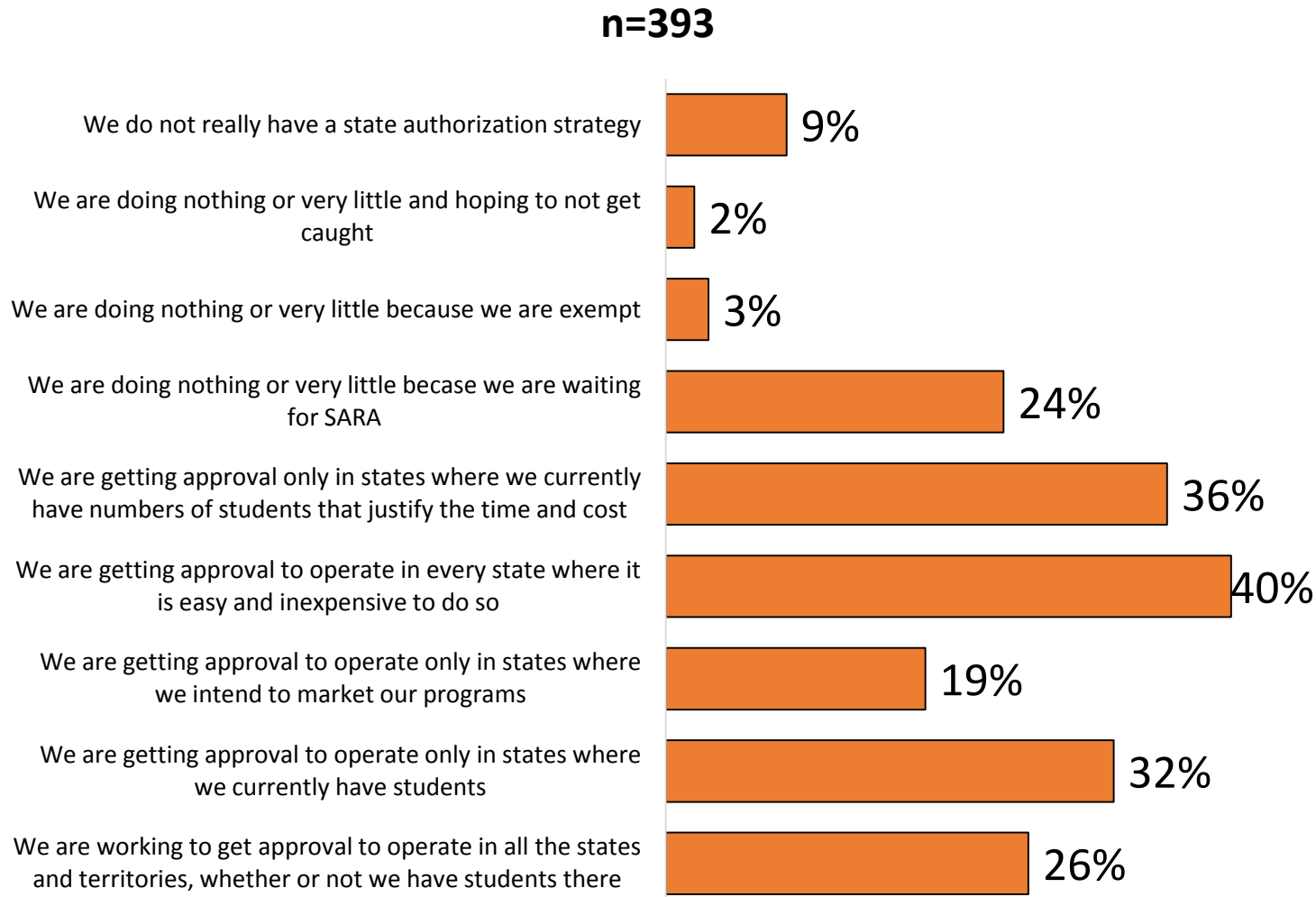
Most schools place notifications on their websites and/or recruitment materials about complaint processes.

One-fifth of schools notify students when they apply or register.

Authorization Strategy



Strategy for addressing state authorization for distance education



In Seeking Authorization.. One-quarter Seeking All States, One-quarter are Waiting

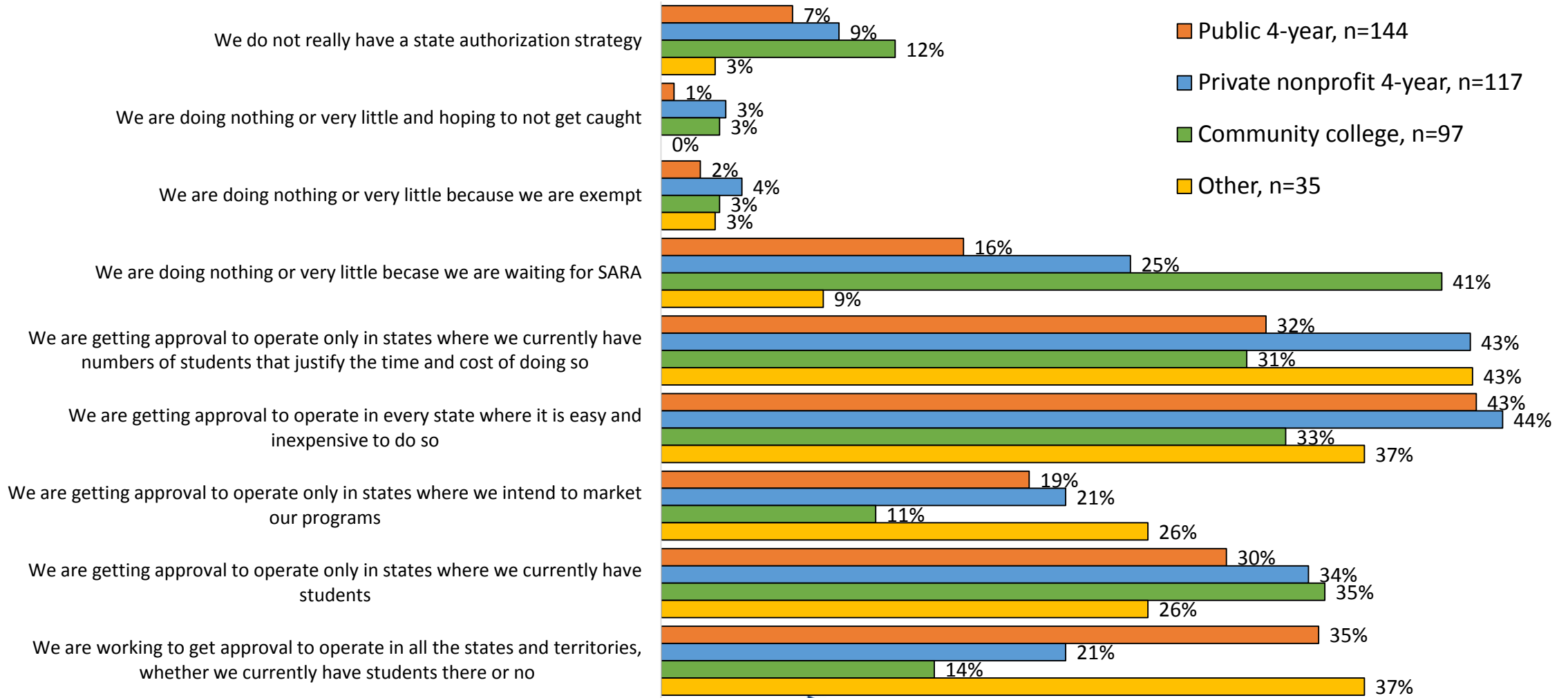
About 91% of institutions have some state authorization strategy.

The most common strategies are to obtain approval from states where it is easy and inexpensive to do, there are enough students to justify the costs, or where they already have students enrolled.

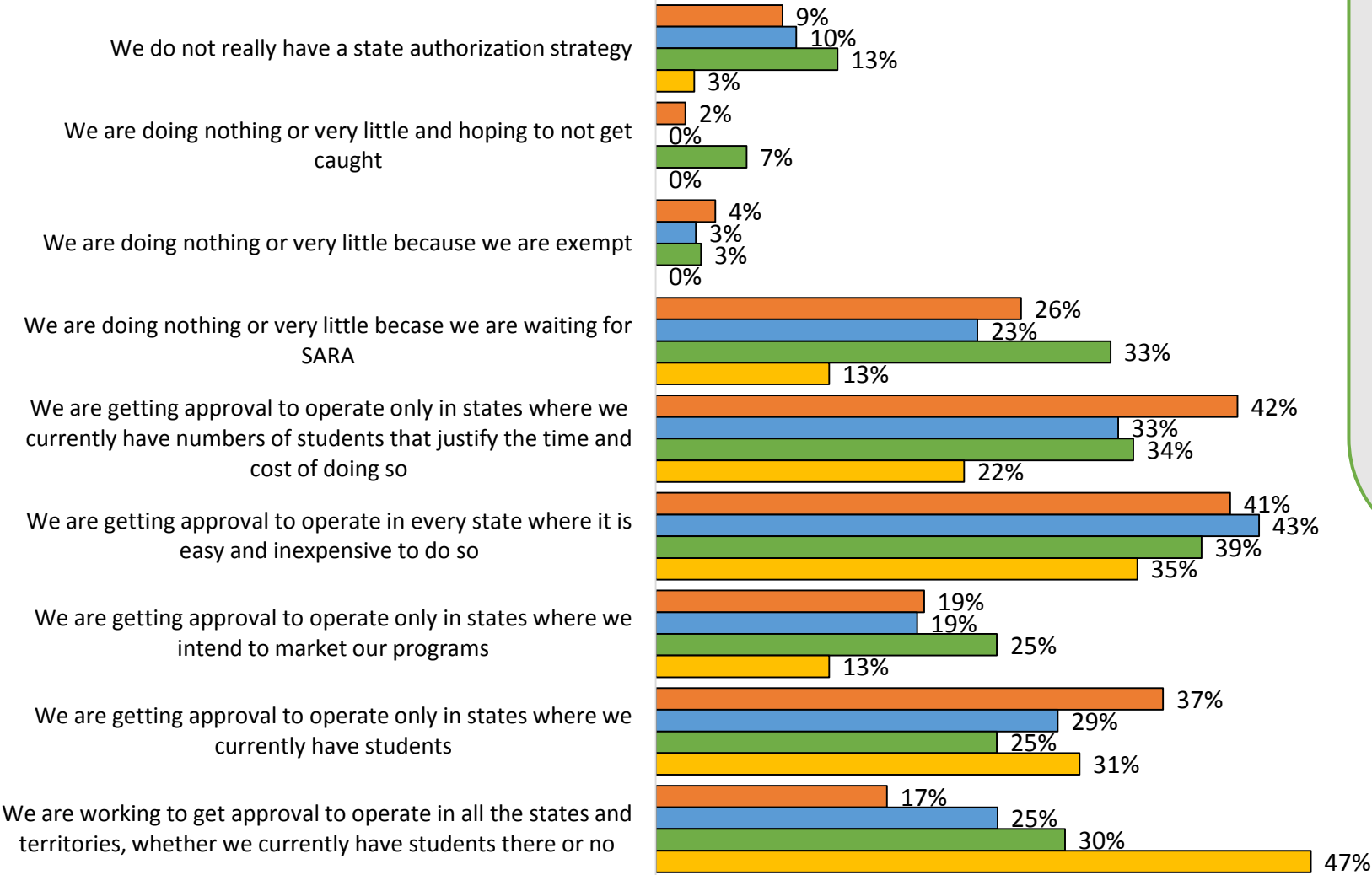
One-quarter are doing nothing or very little because they are waiting for a reciprocity agreement, SARA.

Authorization strategy by type of institution

Community Colleges are the Least Likely to have a Strategy, and are the Most Likely to Wait for SARA



Authorization strategy by enrollment size



Strategies Differ by Size of Institution

The largest schools are the most likely to seek authorization from all states, territories, and protectorates, while the smallest schools are more likely to seek approval in states where they currently have students and there are enough students from those states to justify the cost.

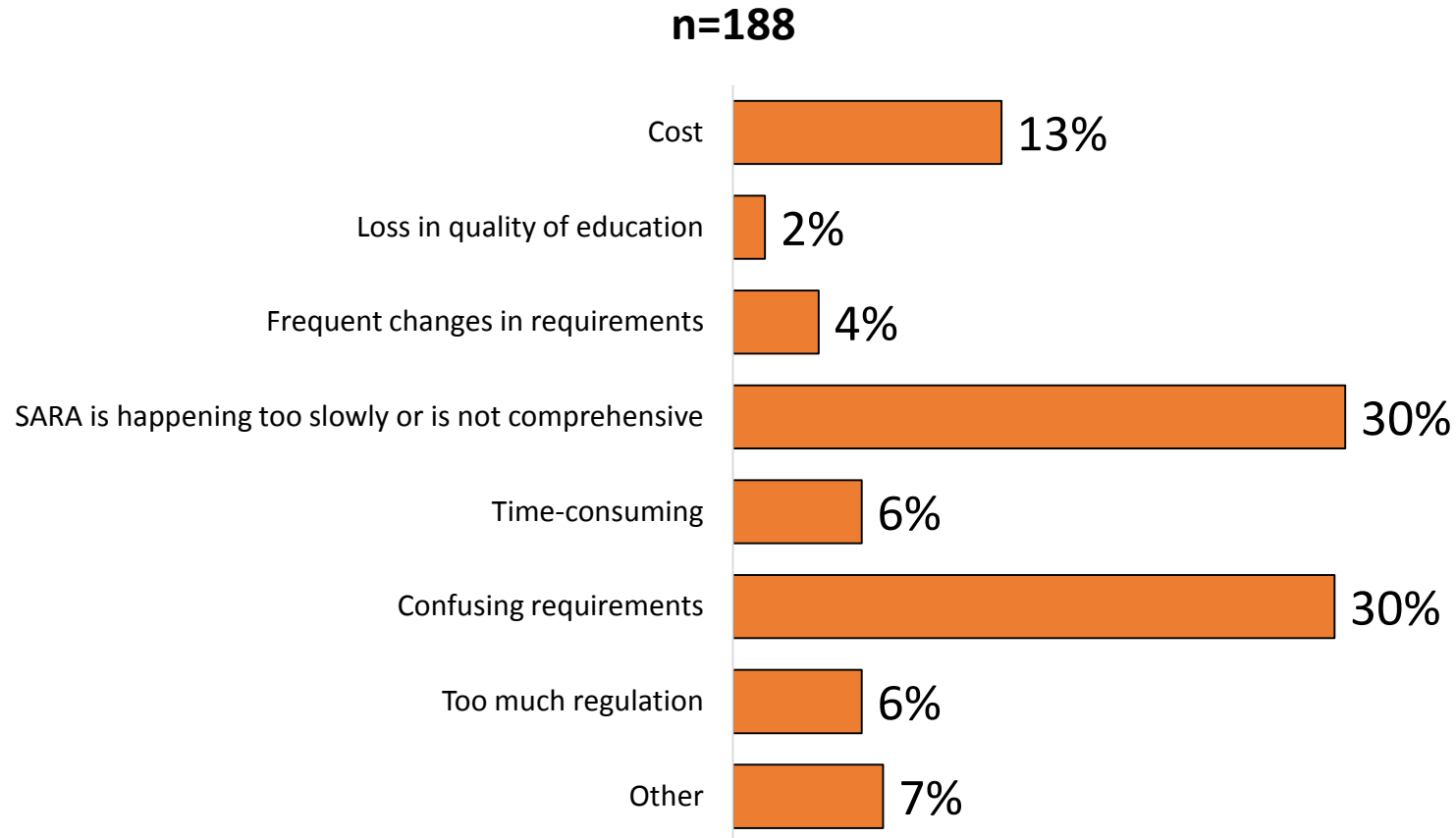
- <5,000, n=186
- 5,001 to 10,000, n=69
- 10,001 to 20,000, n=61
- >20,000, n=72



Additional Comments



Summary of topics covered by comments



Most comments concerned the costs associated with authorization, issues with SARA, or the confusing requirements set by states.

Sample comments

"It appears the Dept. of Ed.'s promotion of state authorization for distance education is designed to suppress the growth of distance ed."

"Cost is prohibitive for many non-profits and the rules seem to have very little uniformity."

"An overall concern is that there are too many questions about how SARA will work...than answers. If our state joins, we will be charged a fee for them to implement SARA, but if most other states do not join SARA, we will still be paying those other states for authorization. There is the potential that it will be more expensive than it is currently."

"This seems so anti-free market. What other industry has these kinds of regulations that limits the free choice of consumers to pick the service they wish to purchase?"

"Is there a site with all programs and processes for authorization listed?"

"I have some students who are athletes but list their home address in another state which may or may not permit students to take classes in another state."

"If a school passes national accreditation it should be exempt from state authorization."

"This is a situation where the Department of Education is placing a burden on small schools like ours and keeping students from receiving an education provided by our low cost institution."

"In some states the regulations are in a period of revision and getting answers to questions is difficult at best."

"I applaud the effort to create SARA, but because each state still has to join, this will still mean for some time that we will have to have two levels of authorization."

"As an institution that faces budget constraints, the added cost and burden will distract from addressing our education mission."

Sample comments

“(There is a) lack of clarity regarding standards for students on clinical rotations in other states.”

“The expense is prohibitive to do business in some states, thus curtailing our ability to expand our programs.”

“Many state regulations for online courses are also applied to internships, and this is our primary concern; we offer very, very few fully online classes, but have interns in almost every state.”

“Our college doesn't market outside of (our state), but on occasion has a student who has moved out of state and wants to finish their degree or one who has moved to (our state) but hasn't yet established residency for a year. This can pose a problem due to out-of-state requirements.”

“We appreciate all efforts (regarding SARA) and hope that a reciprocity agreement is well on its way.”

“There are concerns about recruiting and marketing limitations that are not addressed by SARA.”

“Our approach up to this point has been that other states do not have jurisdiction over us, so, other than just two neighboring states, we have ignored the regulations and taken the stance that we'll respond either with compliance or a legal argument if any other states questions us.”

“Most state authorization processes are very time consuming and different with each state, some having more than one approval board. It appears SARA would alleviate a lot of confusion and consumption of time.”

“The amount of record keeping necessary to stay on top of state regulations, student admission, faculty hiring from other states, etc. is overwhelming! “

“(We're) looking forward to SARA!”

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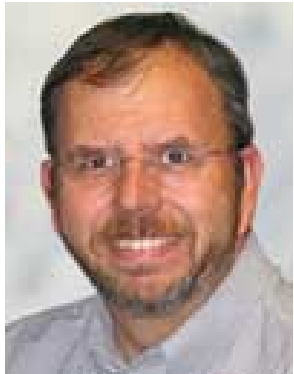
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