

The background of the slide is a blurred photograph of a person with long, wavy brown hair, seen from the side, reading a large, thick book. A laptop is open on a wooden desk to the right of the person. The overall tone is warm and academic.

Examining the OPM: Form, Function, and Policy Implications

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Definition of OPMs

A provision of a suite of services that involve the management of an *online program*, external to the institution

- Other distinctions:
 - Firms could be for-profit or nonprofit
 - Offerings could be credit or non-credit
 - Suites of services range from back-end support to interpersonal interactions with students to curriculum development and delivery
 - Agreements could be either tuition-share or fee-for-service

Student Enrollment Cycle

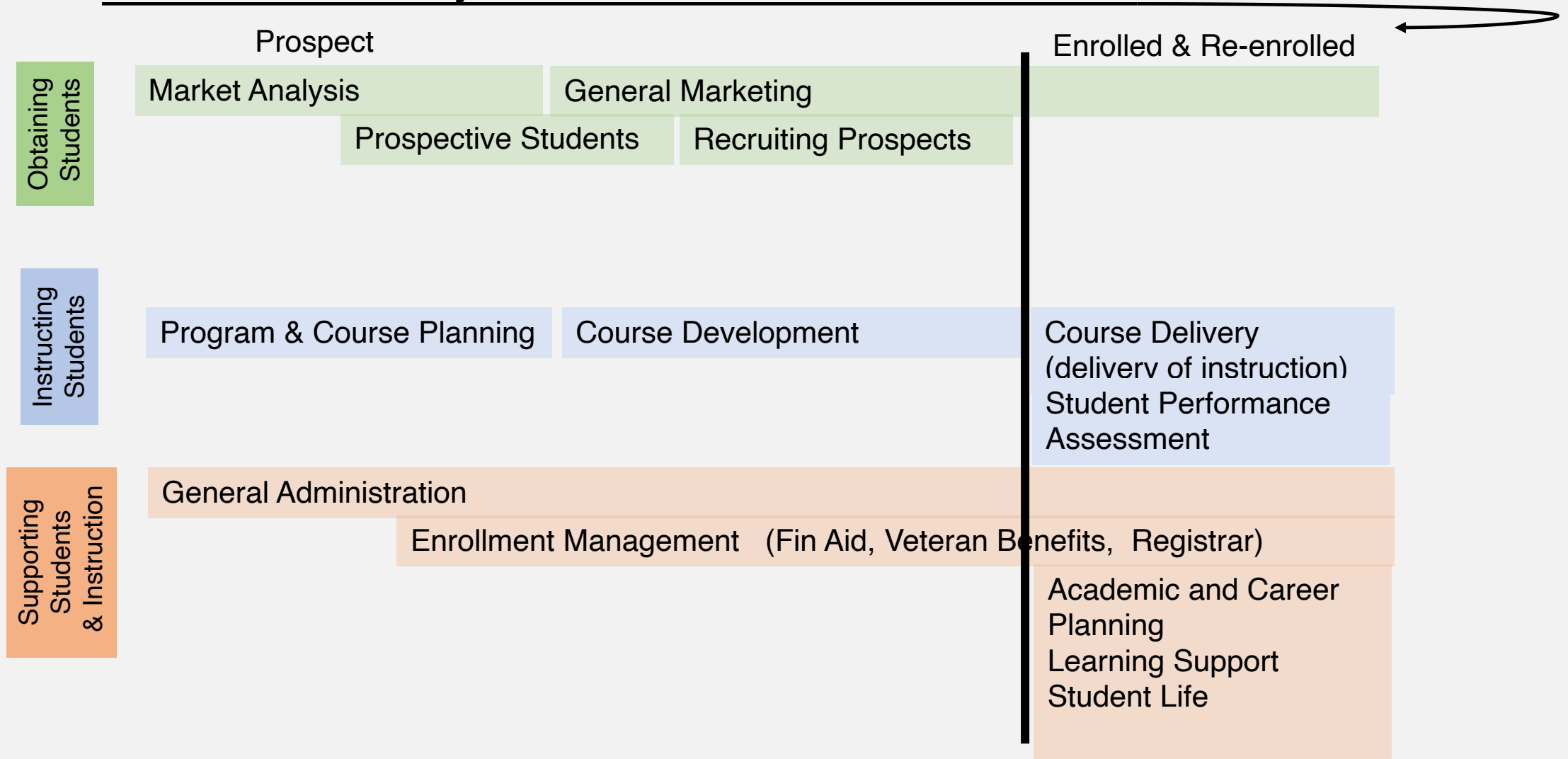


Figure 1: Online Education Production (Activities)

Colleges & Universities

Why do higher education institutions partner (or do not partner) with OPM firms?

- Convenience
- Control
- What is the payment structure?
 - Fee-for-Service
 - Tuition-Share Agreements

Framing of Tuition-Share Agreements

- Covering much of the start-up costs associated with a new program in return for future payments
- Providing insurance by allowing the future payments to vary based upon the financial success of the program
- Decrease financial risk to institution



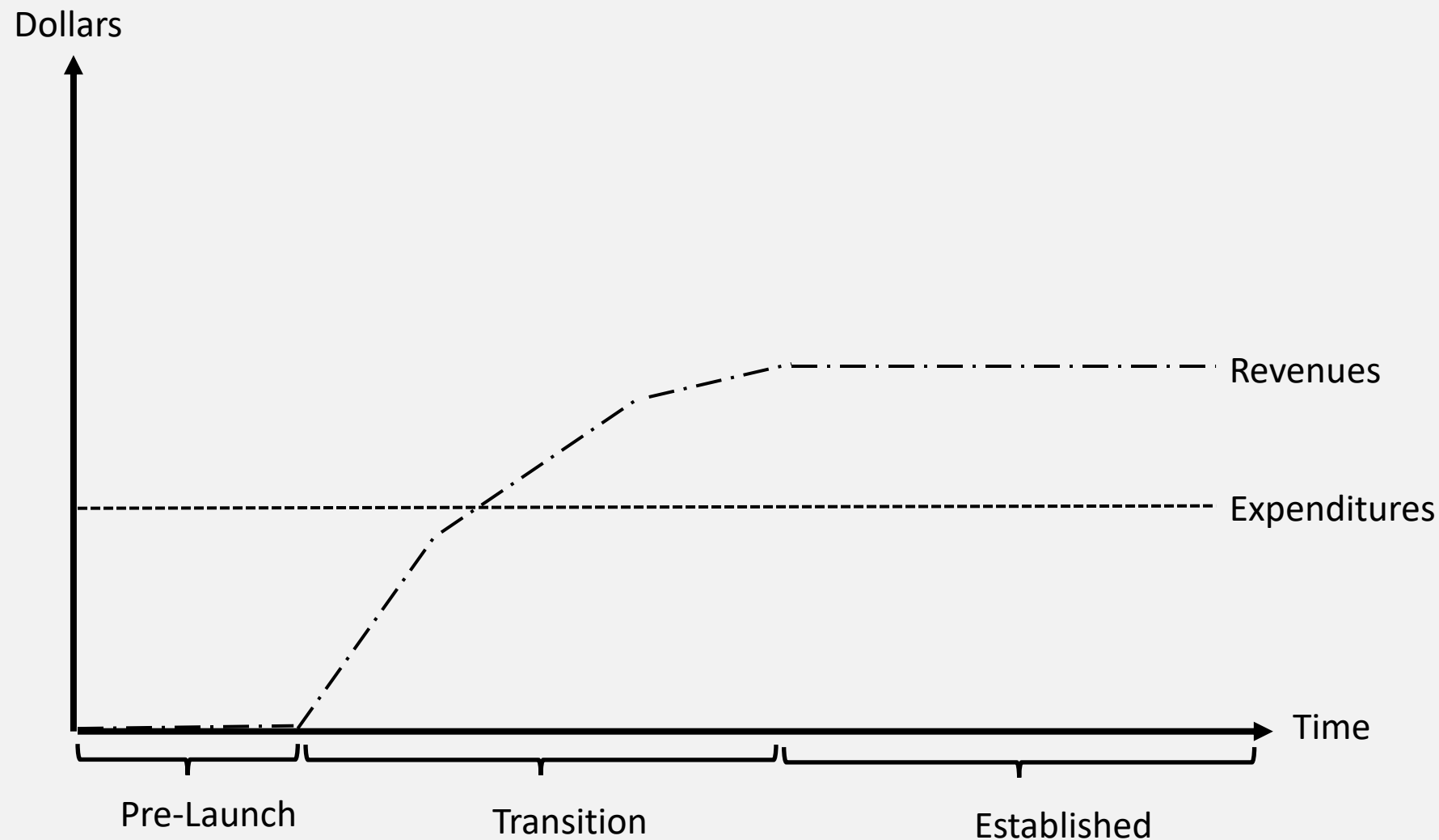


Figure 2: The Timing of Revenues and Expenditures for a New Online Program (and the Resulting Desire for Loans)

Institution's Net Revenue from
the Online Program

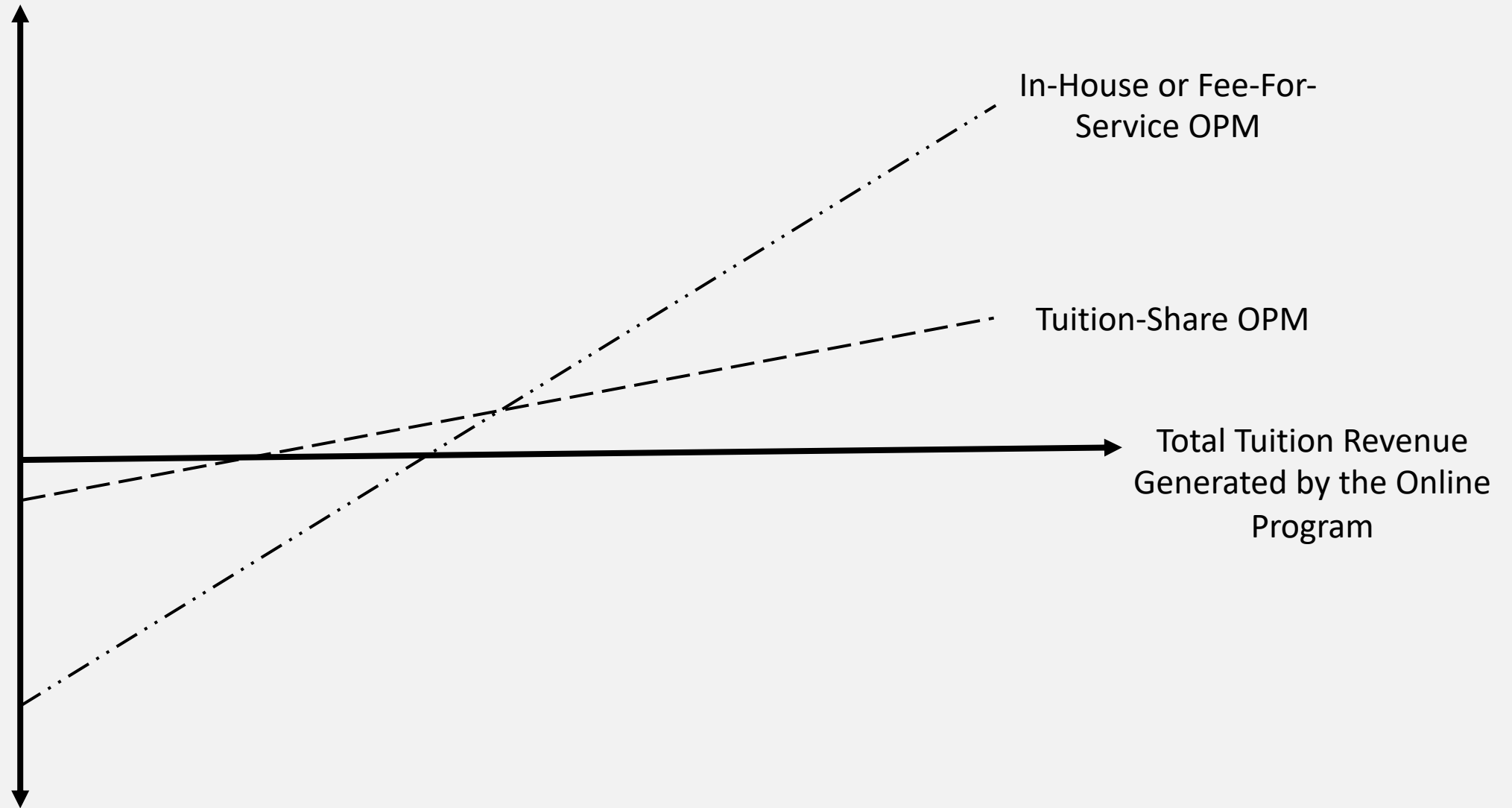
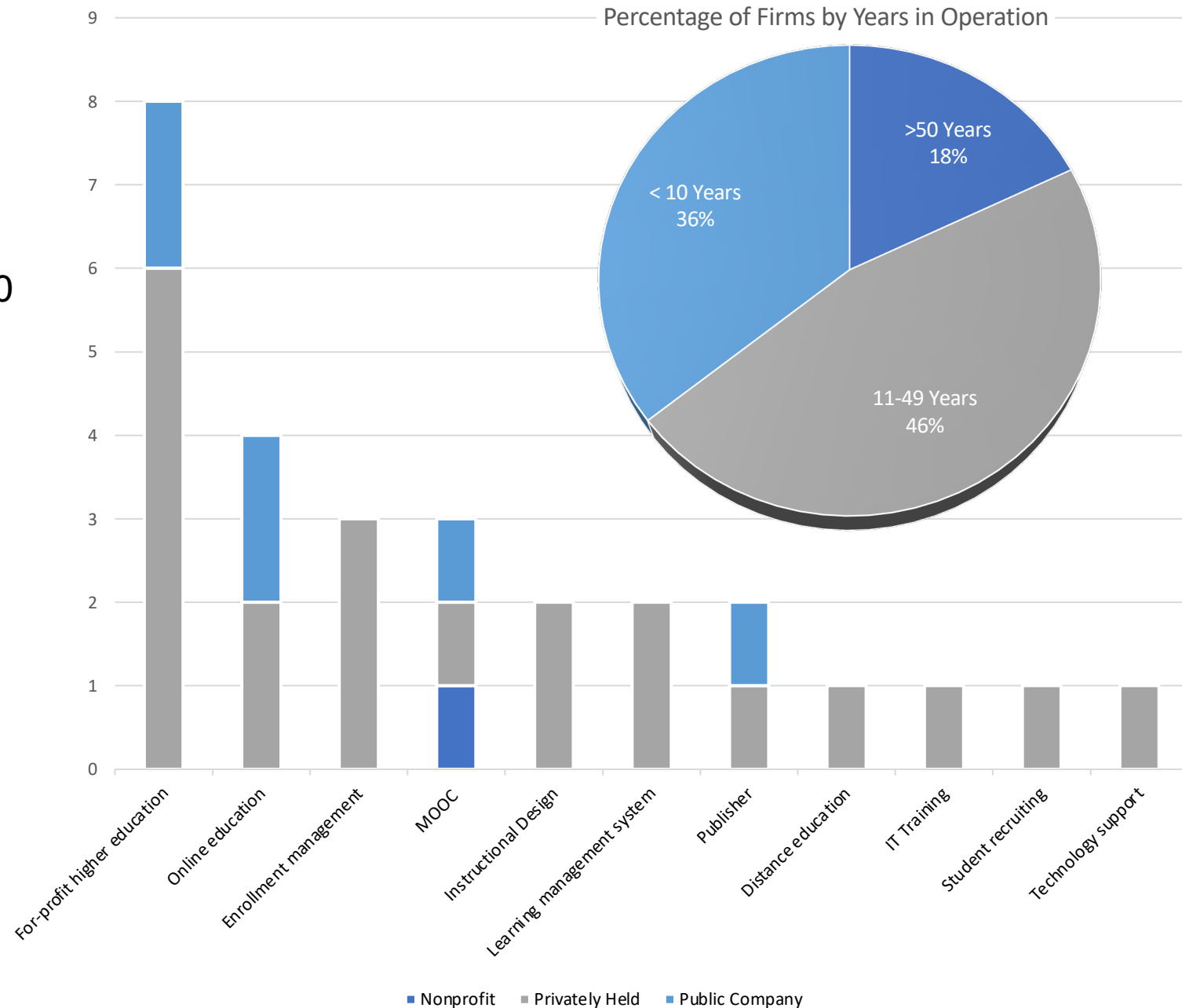


Figure 3: The Financial Risk Profile for New Online Programs

OPM Firms

- Phil Hill from *Phil on EdTech*
 - Years of operation range from 2 to 200 years
 - 22 headquartered in the U.S.
 - Only one is considered nonprofit*
 - Employee size ranges from 51-200 to 10,000+
 - More firms started as for-profit education providers
- Market consolidation (e.g. 2U and edX)
- Different service focus
 - Academic
 - Non-academic



Nonprofit Conversions through OPM Partnerships

- Strategy 1: Split university into a non-profit university and for-profit OPM company.
 - Shape the governance of the nonprofit university and the for-profit OPM to ensure continuation of contract with the OPM of the parent company.
 - A true mission-focused nonprofit would switch OPM providers based on competition
 - Regulatory agencies will treat the university as a nonprofit because the governance of the two organizations is sufficiently separated.
- Strategy 2: Enter the nonprofit university and the for-profit OPM of the parent company into a long-term contract prior to the conversion
 - Identify a second university to join the transaction via a “Branding and Partial Governance” (B&PG) partnership with the newly formed nonprofit university.
 - The second university receives a share of the revenue generated by the new nonprofit institution.
 - The “Branding and Partial Governance” partnership can also facilitate connections and revenue flows between existing non-profit institutions.

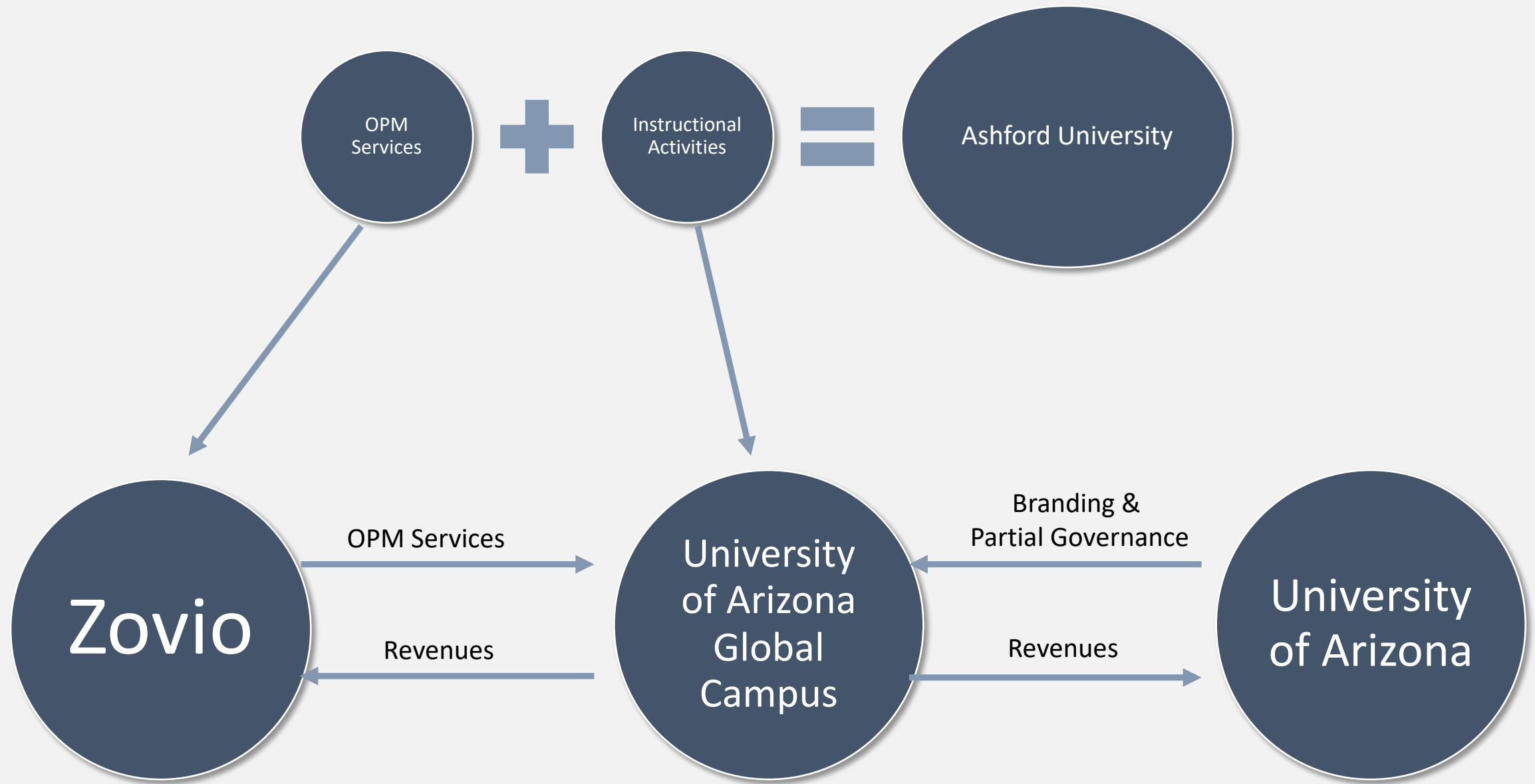


Figure 4: the Nonprofit Conversion University of Arizona Global Campus

Policy Perspectives

- Reasons to Regulate

- Online education challenge the campus-based models of traditional higher education
- The role of profit-generation in partnering with OPMs is often considered problematic because it blurs the regulatory distinction between nonprofit and for-profit higher education
- OPM partnerships involve the outsourcing of teaching and instruction (or “core activities”)
- Universities are presumed to be in control of their entire academic portfolio.
- The triad serves as regulator and quality control and new funding arrangements cause the triad to figure out policies for new and unknown activities.
- No tracking or database exists

The policy implications for OPM are complex and intersect traditional business practices and education at all levels.

Possible Regulatory Modifications

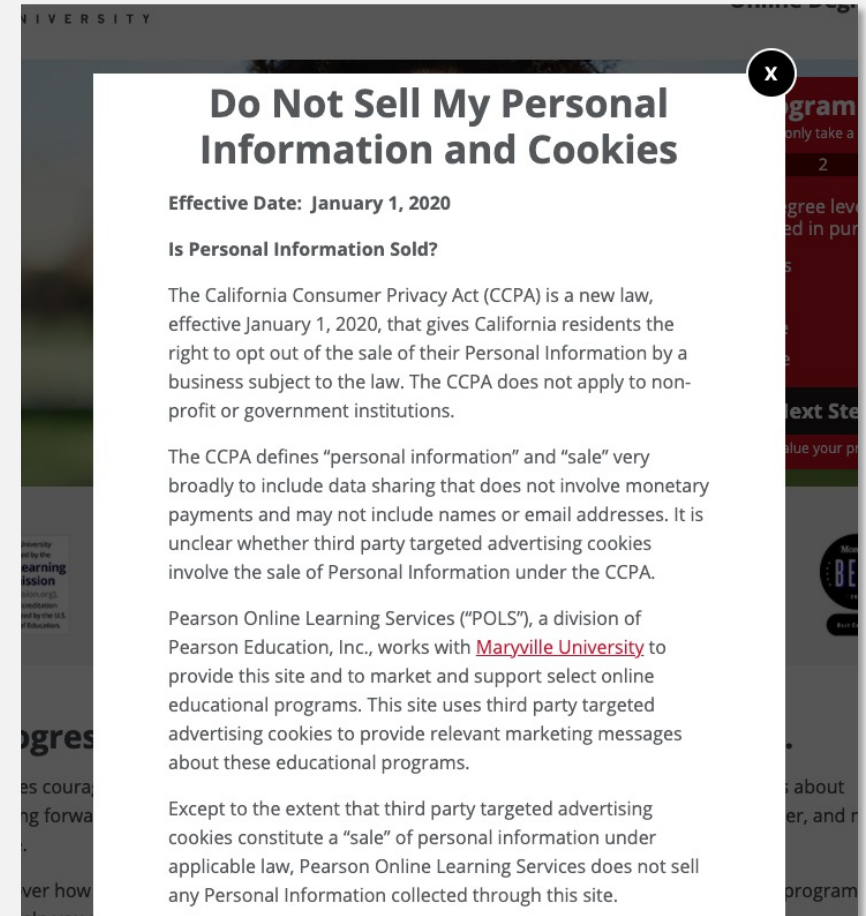
- Incentive compensation
- Program outsourcing
- Written arrangements
- Substantive change
- Consumer protection
- Potential new policy?

State & OPM Oversight

- Contractual limitations
- Triad's differentiated interests
- Is oversight about the OPM contracts/agreements or is it the OPM firms themselves?
 - Is there something that just shouldn't be outsourced?
 - Multiversity – how do contemporary institutions fit into the regulatory landscape?

Current State Activities

- California
 - California Consumer Privacy Act of 2018
- New Jersey
 - S3708: IHEs must “...disclose certain online program information.”
 - S3709: OPM employees required “..to self-identify as third party to prospective students”
 - S3710: IHEs must “...submit certain documentation on online program management companies to Secretary of Higher Education.”
- Attorneys General Letter to NC-SARA
 - Demands to strengthen consumer protection
 - Extension of policies to OPMs or other third-parties associated with member institutions



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Questions?

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