

Improving State Consumer Protections through State Authorization Capacity Building and Research

Dustin Weeden, Associate Vice President | SHEEO

Sean Baser, Senior Policy Analyst | SHEEO

Erik Ness, Professor and Director | Louise McBee Institute of Higher Education, University of Georgia

Mónica Maldonado, Ph.D. Student | Louise McBee Institute of Higher Education, University of Georgia

John Lane, Vice President for Academic Affairs and Equity Initiatives | SHEEO

Wednesday, August 6 | 2:00 p.m.

2024 SHEEO Policy Conference

Washington, DC



SHEEO

State Higher Education
Executive Officers Association



Louise McBee Institute
of Higher Education
UNIVERSITY OF GEORGIA

Agenda

- State Authorization Project
- Financial Viability Working Group
- Research and Recommendations
- Q & A

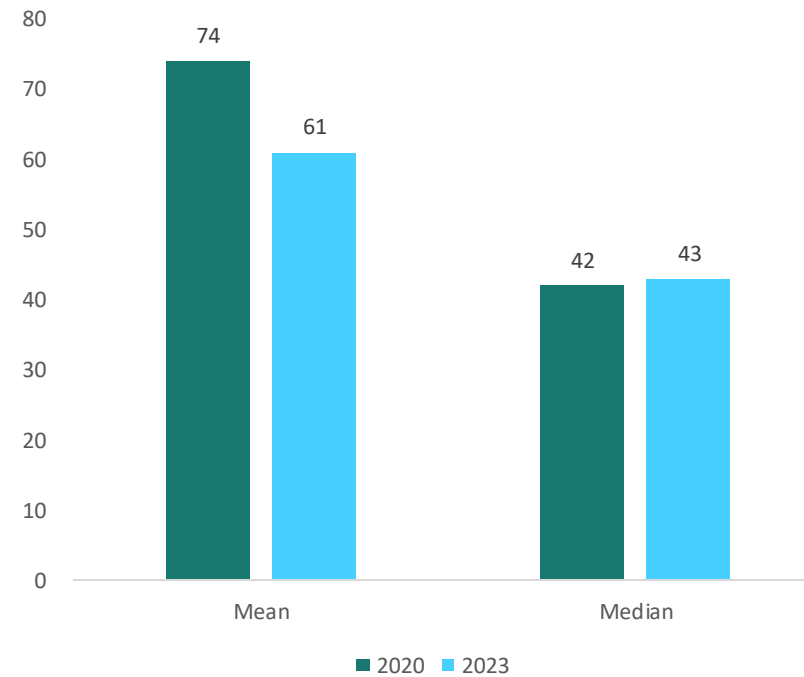
Challenges for State Authorizers

- Capacity
 - Budget
 - Staffing
- Technological challenges
 - Modernizing processes
- Enforcement
- Role within larger agency

Staffing Capacity Constraints

- 61% of states have 3 or fewer FTE staff dedicated to state authorization in 2023
- In 1991, SHEEO recommended employing one FTE for every 25 institutions
- Many staff have responsibilities beyond state authorization
- Not unusual to rely on retired staff or contractors

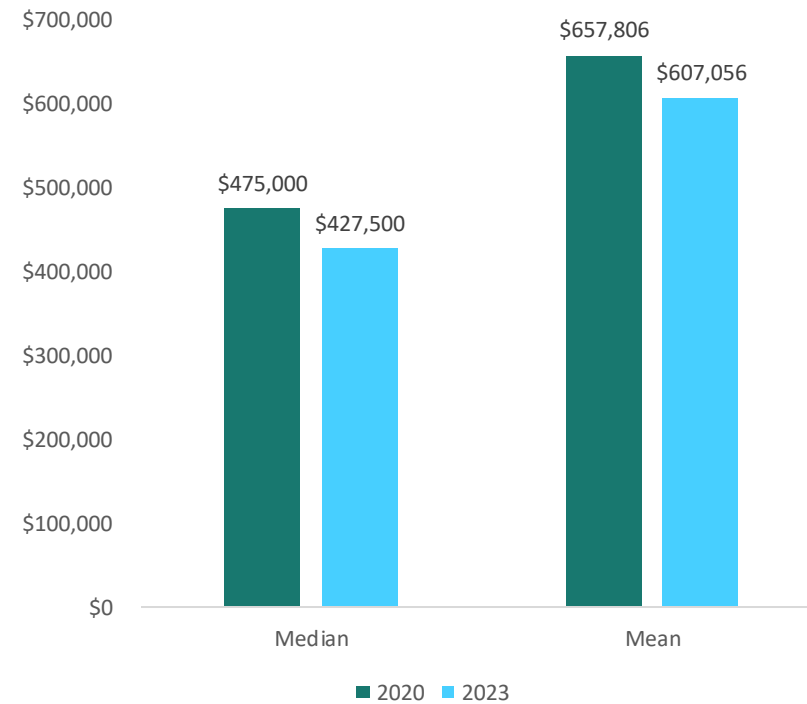
Institutions Authorized per FTE Staff



State Authorization Budgets

- Primarily dependent on fees paid by authorized institutions
- In 2023 median state authorization budget was \$2,113 per institution
- In 2023, average state authorization budget was \$2,336 per institution

State Authorization Budgets in 2020 and 2023



Findings

An actionable records retentions policy in combination with a student-centered teach-out plan is the best predictor of re-enrollment.

-and-

Re-enrollment within four months is best.

FINANCIAL VIABILITY GROUP

SHEEO Financial Viability Working Group

- 11-member group
- Working group charged with identifying a limited number of financial monitoring measures state regulators can use to assess the financial health of postsecondary education institutions
- Members included
 - State regulators
 - State financial officers
 - Accreditors
 - Academic researchers
 - SHEEOs
 - Supported by Deloitte

Goals for the Metrics

- Limited number
- Straight forward
- Create a long runway for closure
- Multiple data sources

Quantitative Measures

- Initial or Pre-screening Measures (3–5-year trend analysis)
 - Enrollment trends
 - Operating margin
 - Debt ratio
- Follow-up Assessment
 - Cash flow analysis

Qualitative Measures

- Heighten Cash Monitoring Status
- Pending investigations or lawsuits
- 90/10 rule reliance on federal support (for-profit institutions)
- Late submission of audited financial statements
- High turnover among leadership and senior staff (e.g., CFOs)

Enrollment Trends

- Enrollment a key indicator for revenue and market share

Time Interval Before Closure	Enrollment Change at Closed Institutions	Enrollment Change at Open Institutions
2-1 Years	-13.9%	0.7%
3-2 Year	-8.0%	0.7%
4-3 Years	-7.5%	-0.2%
5-4 Years	-3.4%	0.3%
5-1 Years	-29.9%	4.5%

Operating Margin

Operating Margin Ratio = (annual revenues – annual expenses) / annual revenues

- Three-year moving average
 - Stable: 2% or higher
 - Struggling 1: 0-2%
 - Struggling 2: negative ratio
 - In crisis: consistently negative year over year

Debt Ratio

- Debt Burden Ratio = Annual Debt Service / Total Operating Expenditures
- Threshold = 7% and above
- A higher debt burden ratio indicates a larger portion of the institution's operating budget is dedicated to servicing debt.
- Raises concerns about financial sustainability, especially if an institution faces declining enrollment or revenue streams.

Cash Flow

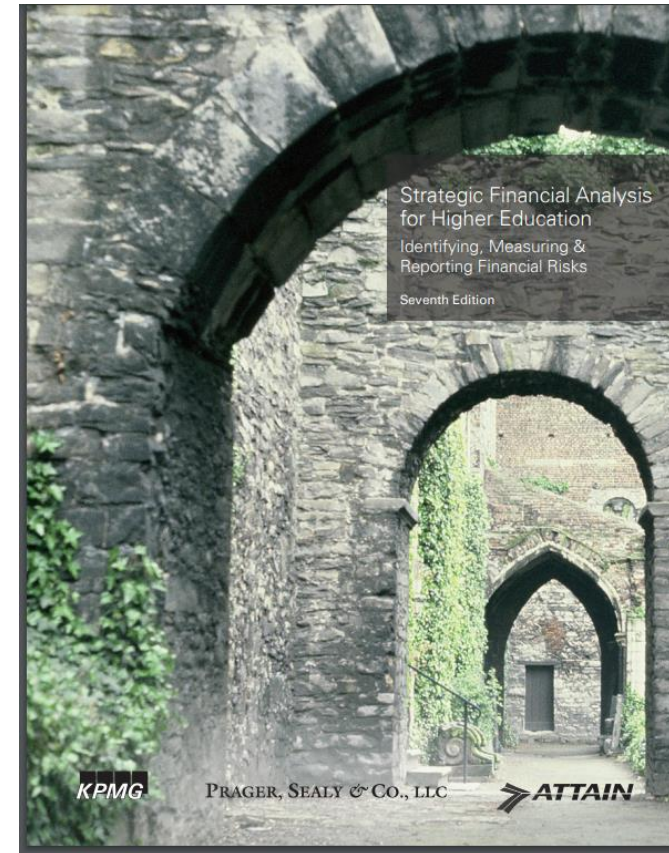
- Cash in King!
- Follow-up analysis conducted more frequently
 - Quarterly or monthly

Intervention Steps

- Meet with institutional leaders to discuss financial viability concerns and institutional plans for improvement.
 - Ask if institution is at risk of closing within a certain time period (e.g., before the end of spring term).
- Begin collecting and analyzing cash flow information.
- Coordinate with other triad members.
 - Triangulate financial monitoring and quality assurance information
- Tighten the screws

Alternative Measures

- Composite Financial index
 - Primary reserve ratio
 - Viability ratio
 - Net operating revenues ratio
 - Return on net assets ratio
- Profit/Loss



EMPIRICAL RESEARCH RENEWAL INVENTORY & QUALITATIVE RESEARCH



Louise McBee Institute
of Higher Education
UNIVERSITY OF GEORGIA

HOW WE GOT HERE?



Project Support



REVIEW OF EXISTING LITERATURE

Existing Literature

- The development of peer-reviewed literature has been slow, focusing on specific aspects of authorization (Lane et al., 2013; Weeden et al., 2021; James, 2011; Schade, 2014).
- Grey literature has significantly contributed to the field (**Burns et al., 2023**; Contreras, 2020; Dell, 2021; Harnisch et al., 2016; **Jung et al., 1977**; Millard, 1979; **Ness et al., 2021**; **Tandberg et al., 2019**).

Research Gaps

- Limited comprehensive overviews of state policies and governance, particularly regarding reauthorization, annual reporting, and their mechanisms relative to capacity, resources, initial authorization processes, and NC-SARA.

RESEARCH QUESTIONS

Metrics & Data Collection

- What metrics and student outcomes data are collected for reauthorization and annual reporting?
- How do these collected metrics vary by agency type, institutional type, credential offered, and control?

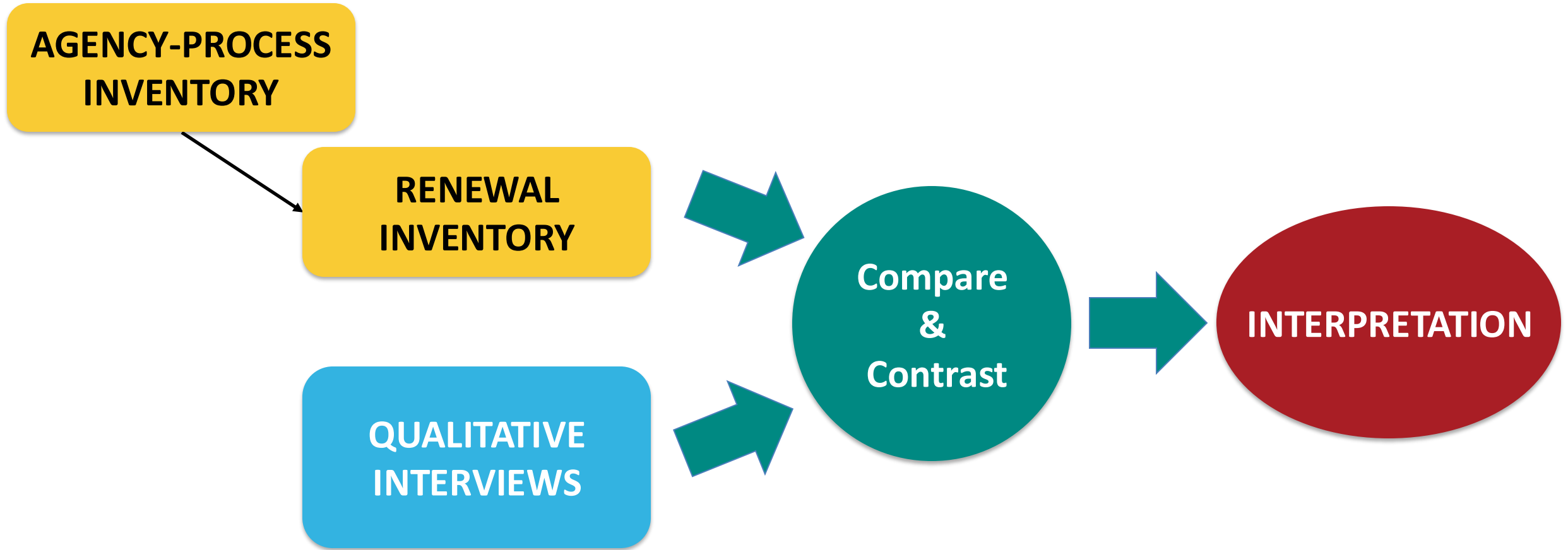
Process Stringency & Enforcement

- How does the stringency of the renewal process compare to the initial authorization process?
- Which renewal processes are most effective at determining if education providers fulfill their missions and at identifying and sanctioning bad actors?

Resources & Capacity

- What staff time and financial resources are required to complete a renewal review?
- How do these resource requirements vary by type of credential offered, institutional type, control, and modality?

RESEARCH DESIGN: MIXED METHODS (CONVERGENT PARALLEL DESIGN)



RESEARCH DESIGN: BASIC QUALITATIVE RESEARCH (INTERVIEWS)

State Selection

- Based on organizational, accountability, and socio-political contexts

Participant Selection

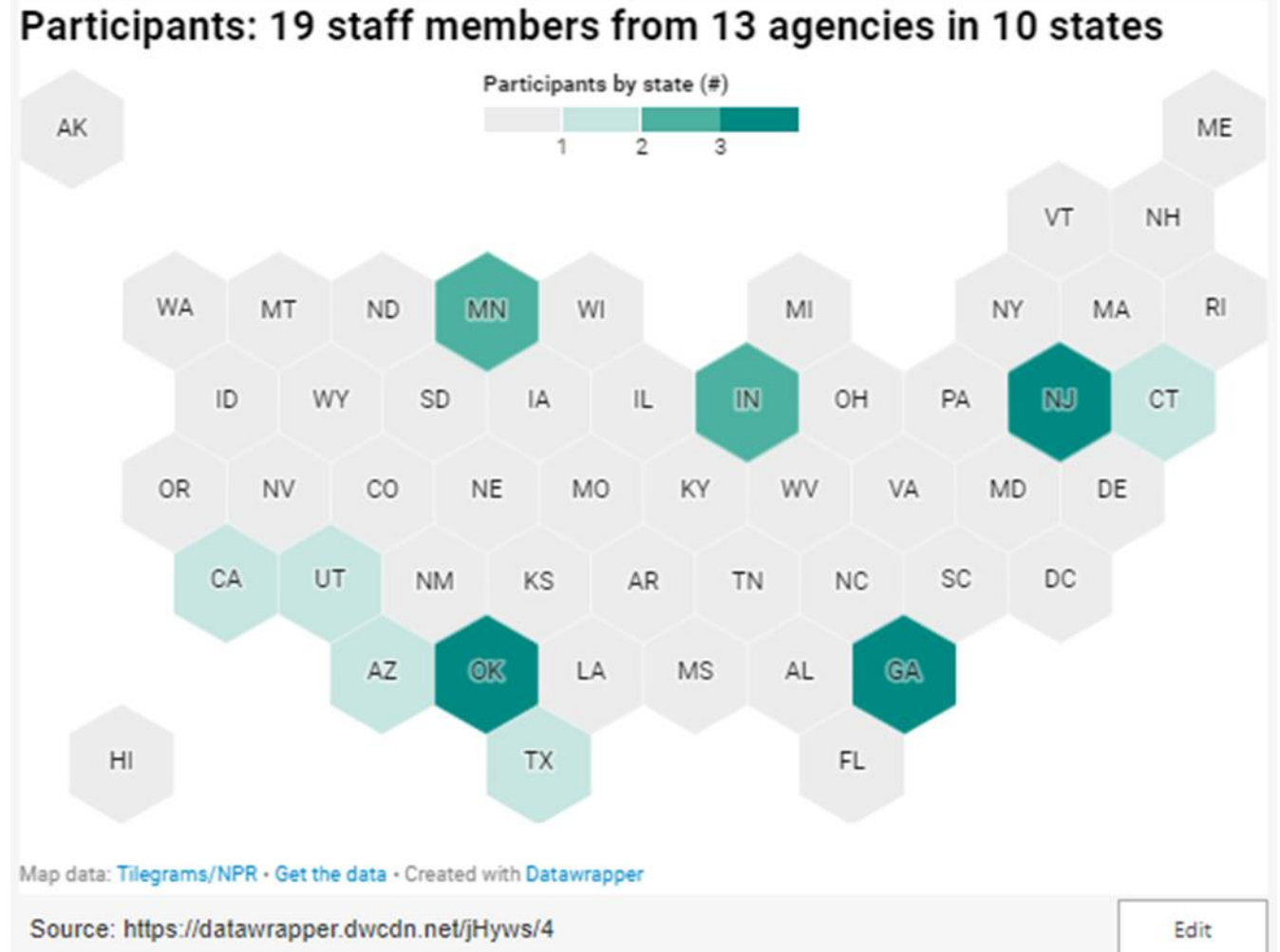
- Purposive & Referral Sampling:
 - Participants who lead authorizing units or manage the renewal process with institutions

Data Collection

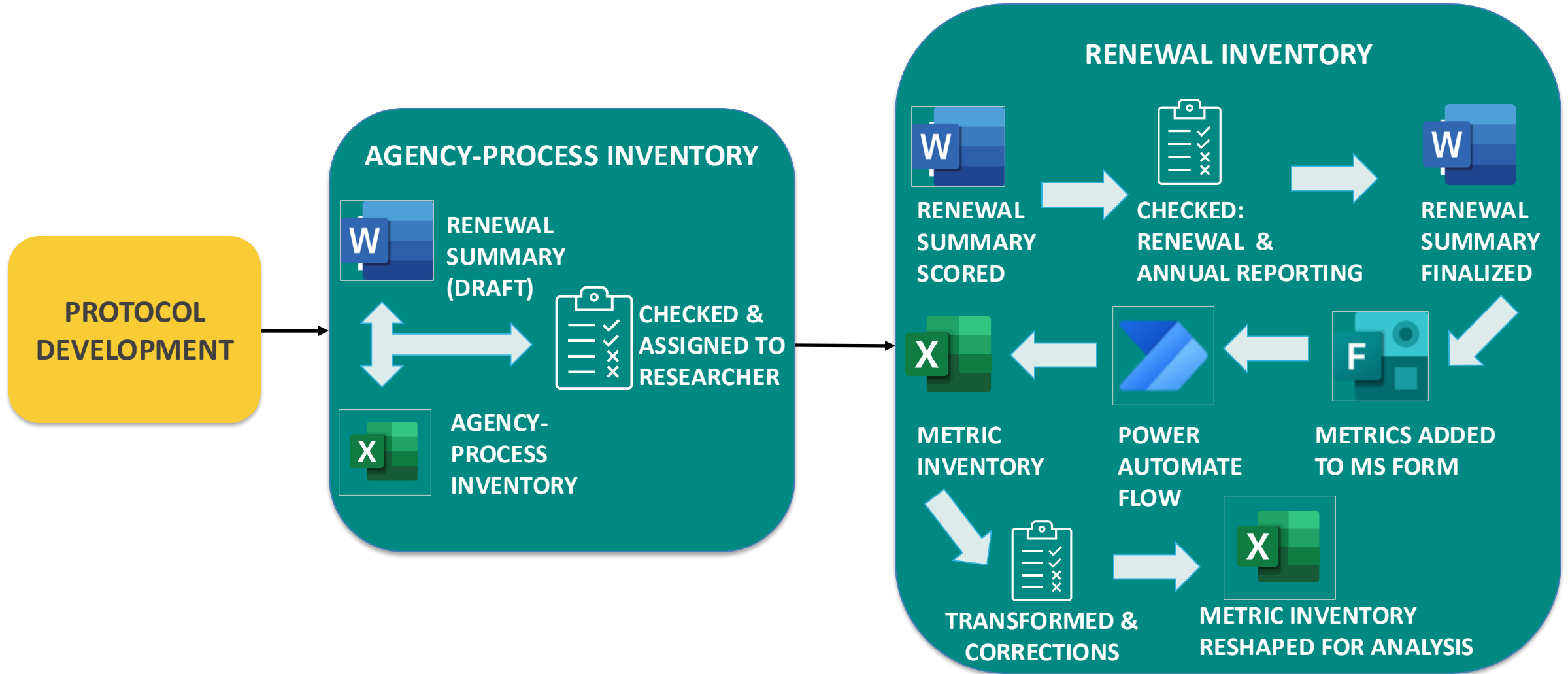
- Semi-structured interviews
- 45–60-minute Zoom recordings
- Focus: Reauthorization and capacity

*Preliminary Analysis

- First round of transcription/coding
- Thematic analysis

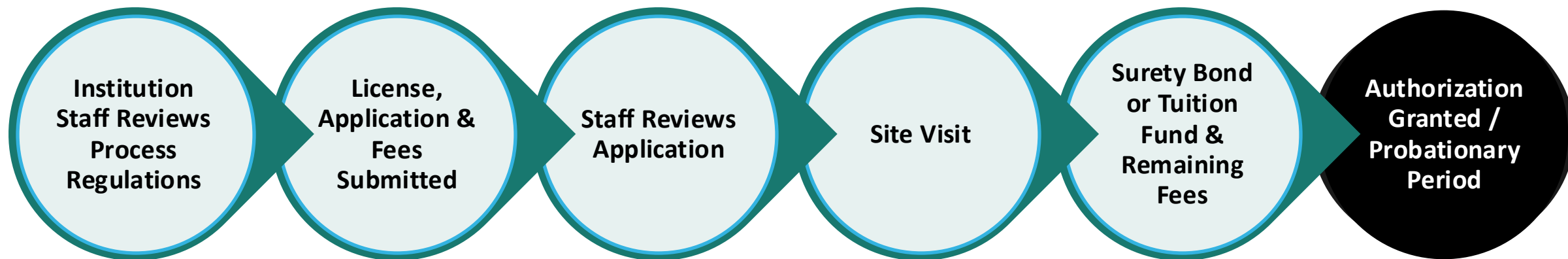


RESEARCH DESIGN: SYSTEMATIC INVENTORY

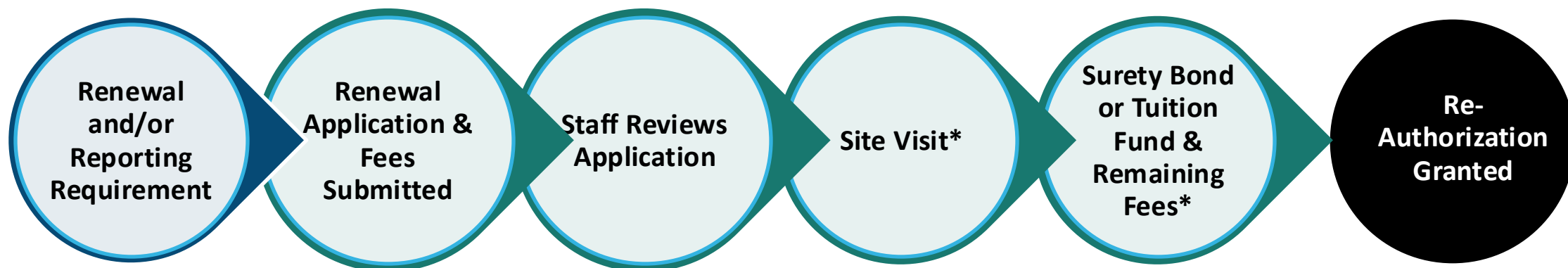


GENERALIZED CONCEPTUALIZATION INTO AUTHORIZATION AND RENEWAL PROCESSES

Initial Authorization Process



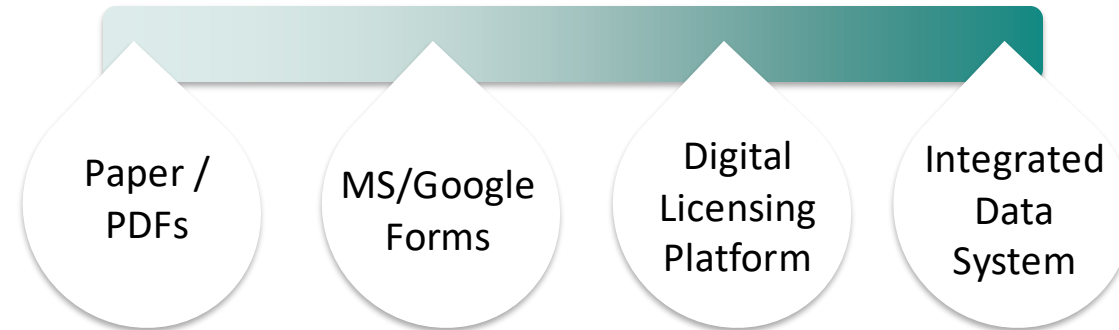
Renewal Process



CHARACTERISTICS OF RENEWAL & REPORTING PROCESSES

- Infrastructure for collections
- Guidance & Technical support
- Frequency
 - Most common: Annual
 - Other structures: 2-5 years / Variable / accreditation cycle
- Other Insights
 - Renewal vs Reporting
 - Focus on non-degree/accredited/for-profit
 - Recent legislative and regulatory changes

INFRASTRUCTURE FOR COLLECTIONS



GUIDANCE & TECHNICAL SUPPORT



INVENTORY SPOTLIGHT

Arizona State Board for Private Postsecondary Education

- High stringency agency
- Process differences
- Metrics of note
 - Student outcomes
 - School closure plans
 - Site visits

Metric	Accredited Institutions		Nonaccredited Institutions	
	Reauthorization	Annual Reporting	Reauthorization	Annual Reporting
	Reauthorization Score: 35 / 42		Reauthorization Score: 29 / 42	
Governance & Academic				
Institutional Accreditation Information	✓	✓	✗	✗
Program/Specialized Accreditation Information	✓	✓	✗	✗
Course Catalog	✓	✓	✓	✓
Enrollment Agreement	✗	✗	✓	✓
Student Handbook	✓	✓	✗	✗
Tuition and Fee Schedule	✓	✓	✓	✓
Consumer Protection				
Student Grievance/Complaint Policy	✓	✓	✓	✓
Student Record Procedures	✓	✓	✓	✓
School Closure Plans	!	!	!	!
Tuition Refund Policy	✓	✓	✓	✓
Tuition Recovery Fund (or Student Protection Fund)	✓	✓	✓	✓
Surety Bond	✓	✓	✓	✓
Audited Financial Statements	✓	✓	✓	✓
Site Visit	✓	✓	✓	✓
Student Outcomes				
Retention Rates	✓	✓	✓	✓
Graduation Rate	✓	✓	✓	✓
Job Placement Rate	✓	✓	✓	✓
Cohort Default Rates	✓	✓	✗	✗
Wage Data	!	!	!	!
Debt-to-Income Ratio	✗	✗	✗	✗
State licensing/professional certification examination passage rate	!	!	!	!

Preliminary Takeaways

- Data Infrastructure and Data Use
- The Myth of the Singular Triad: Multiple Complex Relationships
- The Relationship between Enforcement and Capacity
- New use of Surety Bonds

Data Infrastructure and Data Use

- Significant variations in how state agencies collect and use data
- Lack of expertise and capacity to thoroughly evaluate specific aspects of applications

“I just look at the documents that they provide and **use my best judgment.** [...] **We just don't have the funding** [...] I do go through all that. But **that really isn't my background.**”

Authorizer for private career schools

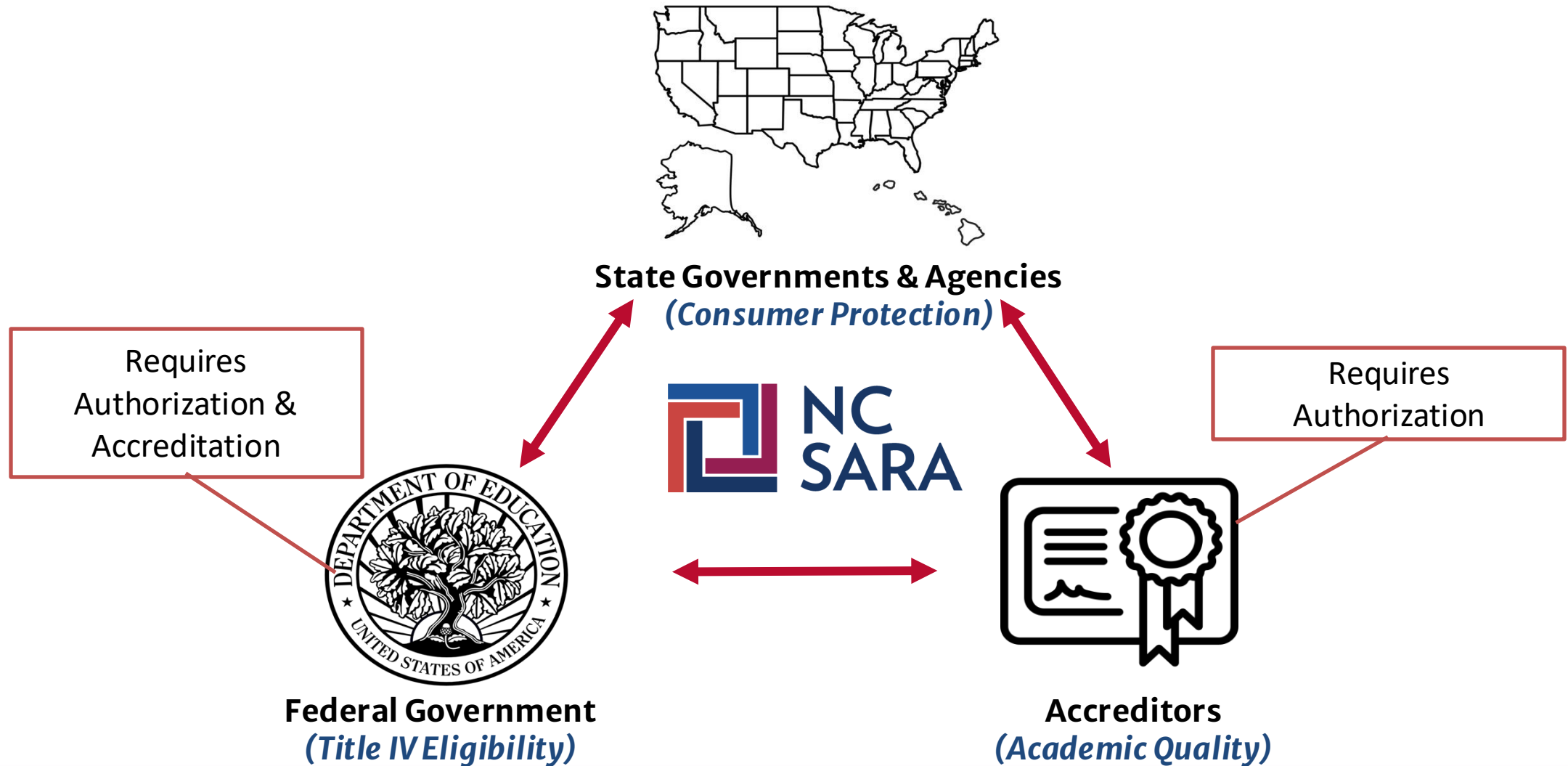
Data Infrastructure and Data Use

- Strong data infrastructure and data-informed culture facilitates the administrative workflow and reduces the burden on limited staff and resources

“Where in some cases it might take some people months to prepare a **FOIA Request**, I could probably get it done **in a week** or less **because everything is right there**”

*Director of a Private Career School
Authorizing Agency*

The Myth of the Singular Triad: Multiple Complex Relationships



“ I was **very aggravated with the way that the Triad worked**. When the Art Institute closed, this left about 400 students in the lurch here. We had a meeting with the Education Department, with SACS, and then with the states. So, it was us, Texas, Virginia, and Florida all on that call. And SACS said, “Well, we required a teach-out plan last year,” but **none of that was communicated with us. We didn't know** that they had required a teach-out plan back in 2022.

If they had, we would have probably tried to escalate our efforts with them, but in any case, when we asked for some information, they said, “Well, **we really can't give that to you**. We have to give that to [ED] and then they can give that to you if they want,” and my head almost exploded. Because, I said, you know, we're the Triad. **We're supposed to be working together here**. We're not working at opposite ends. **If you see something, say something**. And if you have something that can benefit us, let us know, because in the end [...]we have to deal with the fallout.

Director of State Authorizing Agency

”

The Myth of the Singular Triad: Multiple Complex Relationships

- Strategies employed by some state authorizers to leverage other members of the Triad for improved oversight:
 - Identify the right points of contact
 - Network through convenings and conferences
 - Develop closer relationships with accreditors and licensing boards

“I think it's important to have the relationships with [other members of the Triad]. You **find your key couple of people in the Department of Ed and they'll help you**. And that has been helpful to me, and then the other part of the is the accreditation”

“It's important to be seen, be heard. Ask questions. **I attend NASASPS**, and obviously invite them all to attend our conferences. **I go to every HLC Regulatory conference**. I go to [ACCREDITOR]. **I mean really everything that you can go to be seen.**”

“And I think it's important to have that connection so that if there is an issue. I currently have a school [with a] fairly serious problem and the accreditor and I have been working back and forth. **Every couple of weeks we have a conversation about what our next steps could be or should be.**”

Director of a Private Career School Authorizing Agency

The Relationship Between Enforcement and Capacity

- Efforts to enforce compliance and ongoing oversight are limited by politics, staffing, and statutory capacity
- Glaring issues may go unaddressed without the right resources, leaving students unprotected

Staffing: "And then there's our internal capacity to actually address a legitimate issue that could be a borrower's defense to repayment claim [...] **We can't even get the workload to address those bare minimum issues.**"

Manager at an Authorizing Agency

Statutes: "We do not have the right to require some kind of treatment of the transcripts for closed schools. **We begged for a stronger statute.** Many schools, including the ones that closed, did take care of their students. **But we can't make them.**"

State authorizer for Private Career Schools

The Relationship Between Enforcement and Capacity

- Additional funding allows for increased staff support to investigate complaints, conduct regular institutional monitoring, and enforce compliance
- Closer ties to state legislature through legislative liaisons or drafting legislation helps to empower authorizers with the ability and resources to enforce authorization requirements

New use of surety bonds

- Historically, surety bonds used to guarantee financial protection in the event of a college closure
- Varying requirements for surety bonds and/or student protection funds
- Risk-based approach to authorization and renewal through increasing bond requirements for institutions that raise concerns

"We found out that, you know, there's some potential risk here, so we've got much more involved there. **We placed a pretty hefty bond on both campuses.** I think one of them is over \$2 million **to try to provide protections in that event that the campus closes.**"

"It doesn't always make sense to have a bond on all these schools. But what we would like to have is the ability to put a bond on a school. If we see they have some financial trouble or some issues we heard from the accreditor that this could be a big impact, **then we need to have some further protection here. So, I put that \$2 million bond** on that school, and we've done it with several others"

Director of State Authorizing Agency

Early Recommendations for Renewal Processes & Managing Capacity Constraints

- Share state resources when possible
- Technology investments to build and integrate data systems strengthen application processes and data monitoring
- Flexibility with site visits
- Additional staff supports when needed
 - Part-time staff, contractors, and consultants help to mitigate costs

THANK YOU!



Dustin Weeden

Associate Vice President, SHEEO



Sean Baser

Senior Policy Analyst, SHEEO



Erik Ness

Director & Professor, University of Georgia - MIHE



Mónica Maldonado

Ph.D. Student, University of Georgia - MIHE



John Lane

VP for Academic Affairs & Equity Initiatives, SHEEO



SHEEO



**Louise McBee Institute
of Higher Education**
UNIVERSITY OF GEORGIA

Preliminary Takeaway: Network building among regulators

- State authorization can feel isolating, burdensome and difficult
- Networking through official and unofficial means facilitates:
 - Collaboration on shared oversight
 - Allows for best practice sharing (technology, points of contact)
 - Builds a sense of community and support

The need: "I think sometimes **people on the outside think that it's just all bureaucracy, and nobody cares**, and you know they're just getting through their day. It really is people who care."

The benefit: "We all have a common interest of finding best practices and ways of handling things. Every state seems to be different, but a lot of times I think the private institutions...we have less resources because the focus is on publics. And so, **having colleagues that you can call up and say, "You know, like, How are you handling this? Or what do you know about this school that's also in your state?" has been very helpful.**"

Director of Private Postsecondary Authorizer

COLLEGE CLOSURES TOOLKIT