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Report to Congressional Requesters

February 2004

DISTANCE EDUCATION

Improved Data on Program Costs and Guidelines on Quality Assessments Needed to Inform Federal Policy

GAO-04-279

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GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-04-279, a report to congressional requesters

Why GAO Did This Study

Distance education—that is, offering courses by Internet, video, or other forms outside the classroom—has changed considerably in recent years and is a growing force in postsecondary education. More than a decade ago, concerns about fraud and abuse by some correspondence schools led to federal restrictions on, among other things, the percentage of courses a school could provide by distance education and still qualify for federal student aid. Given the recent changes in distance education, GAO was asked to review the extent to which the restrictions affect schools' ability to offer federal student aid and the Department of Education's assessment of the continued appropriateness of the restrictions.

Additionally, GAO was asked to look at the extent to which accrediting agencies evaluate distance education programs, including their approach for assessing student outcomes.

What GAO Recommends

GAO recommends that Education provide data on the cost of waiving restrictions on distance education and develop guidelines with accrediting agencies and schools on assessing distance education quality.

In commenting on a draft of this report, Education generally agreed with our findings and the merits of our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-279.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cornelia M. Ashby at (202) 512-8403 or ashbyc@gao.gov.

What GAO Found

While federal restrictions on the size of distance education programs affect only a small number of schools' ability to offer federal student aid, the growing popularity of distance education could cause the number to increase in the future. GAO found that 14 schools were either now adversely affected by the restrictions or would be affected in the future; collectively, these schools serve nearly 225,000 students. Eight of these schools, however, will remain eligible to offer federal student aid because they have been granted waivers from the restrictions by Education. Education granted the waivers as part of a program aimed at assessing the continued appropriateness of the restrictions given the changing face of distance education. In considering the appropriateness of the restrictions, there are several policy options for amending the restrictions; however, amending the restrictions to improve access would likely increase the cost of the federal student aid programs. One way to further understand the effect of amending the restrictions would be to study data on the cost of granting the waivers to schools, but Education has yet to develop this information.

Evaluation of Options for Amending the Restriction on Distance Education

Policy options	Risk of fraud and abuse	Relative impact on the federal student aid programs
Continue to offer waivers to the restrictions with monitoring provided.	Low. Along with the waivers, Education has provided technical assistance that resulted in improved compliance with federal student aid program rules.	Medium. Increased cost to the federal student aid programs would be limited to those schools with waivers.
Offering exceptions to the restrictions to schools with low student loan default rates.	Low to medium. GAO's evaluation shows that of those schools eligible for the federal student aid programs and that have or may have problems with restrictions had low default rates.	Medium to high. Costs would likely increase since the only limiting factor would be excluding those schools with high default rates.
Eliminating the restrictions with no additional monitoring.	Medium to high. Without any oversight, this option offers the highest risk of increasing fraud and abuse, according to schools affected by the restrictions.	High. Costs could increase substantially since there would be no restrictions on schools that could participate.

Source: GAO analysis.

The seven accrediting agencies GAO reviewed varied in the extent to which they included distance education programs in their reviews of postsecondary institutions. All seven agencies had developed policies for reviewing these programs; however, there were differences in how and when they reviewed the programs. Agencies also differed in the extent to which they included an assessment of student outcomes in their reviews. GAO's work in examining how organizations successfully focus on outcomes shows that they do so by (1) setting measurable goals for program outcomes, (2) developing strategies for meeting these goals, and (3) disclosing the results of their efforts to the public. Measured against this approach, only one of the seven accrediting agencies we reviewed had policies that require schools to satisfy all three components. As the key federal link to the accreditation community, Education could play a pivotal role in encouraging an outcomes-based model.

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Accountability * Integrity * Reliability

United States General Accounting Office
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February 26, 2004

The Honorable Edward M. Kennedy
Ranking Minority Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable George Miller
Ranking Minority Member
Committee on Education and the Workforce
House of Representatives

The Honorable Rubén Hinojosa
The Honorable Major Owens
House of Representatives

As the largest provider of student financial aid to postsecondary students, the federal government has a substantial interest in the quality of courses and programs offered by postsecondary schools. In fiscal year 2003, students at more than 6,000 postsecondary schools received about $60 billion in loans and grants through federal student aid programs. Distance education—that is, taking courses by computer, by television, or by correspondence[1]—is an increasing part of the educational landscape in which students pursue a degree or certificate. During the 1999-2000 school year, for example, an estimated 1.5 million students, or about 1 of every

[1]34 CFR 600.2 states that a correspondence course is (1) a home study course provided by an institution under which the institution provides instructional materials, including examinations on the materials, to students who are not physically attending classes at the institution. When students complete a portion of the instructional materials, the students take the examinations that relate to that portion of the materials and return the examinations to the institution for grading; (2) a home study course that provides instruction in whole or in part through the use of video cassettes or video discs in an award year is a correspondence course unless the institution also delivers the instruction on the cassette or disc to students physically attending classes at the institution during the same award year, and (3) a course at an institution that may otherwise satisfy the definition of a "telecommunications course" is a correspondence course if the sum of telecommunications and other correspondence courses offered by that institution equals or exceeds 50 percent of the total courses offered at that institution. In addition, if a course is part correspondence and part residential training, the course is considered to be a correspondence course.

13 postsecondary students, took at least one telecommunications[2] distance education course.[3]

Recent changes in distance education call into question the continued relevance of federal policies designed to limit the extent to which schools can deliver distance education courses and still qualify to participate in the federal student aid programs. A school is not eligible to participate in the federal student aid programs if the school (1) offers more than half of its courses through correspondence, (2) has half or more of its students enrolled in correspondence courses, or (3) offers correspondence and telecommunication courses that amount to half or more of all courses. Collectively, these restrictions are known as the "50-percent rules."[4] More than a decade ago concerns about widespread fraud and abuse at some correspondence schools led the Congress to enact these limiting policies in order to protect the federal student aid programs. The rapid growth of distance education at mainstream schools, primarily through newer delivery modes such as Internet-based classes, have led to questions about whether these restrictions are still the most appropriate way to guard against fraud and abuse. In 1998, the Congress authorized the Department of Education (Education) to administer a Distance Education

[2]34 CFR 600.2 states that a telecommunications course is a course offered principally through the use of television, audio, or computer transmission, including open broadcast, closed circuit, cable, microwave, satellite, audio conferencing, computer conferencing, video cassettes, or discs. The term "telecommunications" does not include a course that is delivered using video cassettes or disc recordings unless the institution also delivers comparable instruction offered on the cassettes or discs to students physically attending classes at the institution during the same award year. If the course offered in the manner described above does not qualify as a telecommunications course, it is considered to be a correspondence course.

[3]The estimated number of students taking at least one telecommunications distance education course is derived from our analysis of the National Postsecondary Student Aid Study database. The database did not include information on correspondence students.

[4]The 50-percent rules involve three main statutory restrictions. First, under 20 U.S.C. 1002(a)(3)(A), a school that would otherwise be eligible for the federal student aid programs becomes ineligible if more than 50 percent of its courses are offered by correspondence. Second, under 20 U.S.C. 1002(a)(3)(B), an otherwise eligible school becomes ineligible if 50 percent or more of its students are enrolled in correspondence courses. Third, under 20 U.S.C. 1091(l)(1)(A), a student enrolled in a course of instruction that is offered in whole or in part through telecommunications and leads to a certificate for a program of 1 year or longer, or a recognized associate, baccalaureate, or graduate degree conferred by such institution, shall not be considered to be enrolled in correspondence courses unless the total amount of telecommunications and correspondence courses at such institution equals or exceeds 50 percent of the total number of courses at the institution.

Demonstration Program (Demonstration Program) to, among other things, evaluate these restrictions.[5]

A change in federal policy to reduce the restrictions might result in an increased reliance on the work of accrediting agencies[6] to ensure program quality and guard against fraud and abuse. These agencies already review schools' programs, including distance education, for quality assurance purposes. To be eligible for the federal student aid programs, a school must be periodically reviewed and accredited by an agency recognized by Education. In doing so, Education, is responsible for determining that agencies have certain standards and procedures in place for evaluating educational quality. While the accreditation process applies to both distance education and campus-based instruction, many accreditation practices focus on campus-based education, such as the adequacy of classroom facilities or instructional time spent with students. These measures can be more difficult to apply to distance education, when students are not on campus or may not interact with faculty in person. In this new environment, postsecondary education officials are increasingly recommending that student-learning outcomes—such as course completion rates or success in problem solving and written communication—be incorporated into assessments of distance education programs and campus-based programs.

In this context, and in light of the upcoming reauthorization of the Higher Education Act of 1965, as amended (Higher Education Act), you asked us to review various issues with respect to distance education. For this report, we reviewed both quality control approaches for distance education—federal restrictions on the size of distance education programs and accreditation reviews of distance education courses. Separately from this effort, we reported to you on issues related to the demographic characteristics of distance education students and the use of distance

[5]In authorizing the Demonstration Program, the Congress also called on Education to report annually on federal laws and regulations that could impact access to distance education.

[6]Education defines an accrediting agency as a legal entity, or that part of a legal entity, that conducts accrediting activities through voluntary, nonfederal peer review and makes decisions concerning the accreditation or preaccreditation status of institutions, programs, or both.

education by Minority Serving Institutions.[7] For this report, as agreed with your offices, we focused our work on the following four questions:

- To what extent do current federal restrictions on distance education affect schools' ability to offer federal student aid to their students?
- What has Education's Demonstration Program revealed with respect to the continued appropriateness of these restrictions?
- To what extent do accreditation agencies include distance education in their reviews of schools or programs?
- As they evaluate distance education and campus-based programs, to what extent do accreditation agencies assess student-learning outcomes?

To address the two questions about current statutory and regulatory restrictions on federal aid, we obtained information from Education and other experts on how many of the over 6,000 postsecondary institutions had been affected by these provisions or might be affected in the future—that is, schools that might reach the limitations on the size of their distance education programs if their growth in this area continues. We interviewed officials at each of the institutions whose eligibility for the student aid programs had been affected or could be affected by the restrictions to determine the extent to which their ability to offer federal student aid to their students had been impacted.[8] We also interviewed officials at Education who are responsible for assessing distance education issues and reviewed monitoring reports on participating institutions involved in the Demonstration Program and annual reports to the Congress.[9] To address questions related to the work of accrediting

[7]See U.S. General Accounting Office, *Distance Education: Growth in Distance Education Programs and Implications for Federal Education Policy*, GAO-02-1125T (Washington, D.C.: Sept. 26, 2002); *Distance Education: More Data Could Improve Education's Ability to Track Technology at Minority Serving Institutions*, GAO-03-900 (Washington, D.C.: Sept. 12, 2003); and *Distance Education: Challenges for Minority Serving Institutions and Implications for Federal Education Policy*, GAO-04-78T (Washington D.C.: Oct. 6, 2003).

[8]We excluded correspondence schools from our review because telecommunications distance education has been the main force behind the recent growth in distance education programs.

[9]See U.S. Department of Education, *Report to Congress on the Distance Education Demonstration Program*, (Washington, D.C.: January 2001) and *Distance Education Demonstration Program - Second Report to Congress*, Department of Education (Washington, D.C.: July 2003).

agencies, we focused on the policies of seven accrediting agencies that collectively are responsible for more than two-thirds of all distance education programs.[10] We evaluated the extent that the agencies assess student learning outcomes using criteria that we had developed in a variety of past work addressing performance and accountability issues.[11] We conducted our work between October 2002 and February 2004 in accordance with generally accepted government auditing standards. See appendix I for further explanation of our approach and methodology.

Results in Brief

While federal restrictions on the size of distance education programs affect only a small number of schools' ability to offer federal student aid, the growing popularity of distance education could cause the number to increase in the future. We found that 14 schools were either now adversely affected by the restrictions or would be affected in the future; collectively, these schools serve nearly 225,000 students. Eight of the 14 schools are currently exempt from restrictions on the size of their distance education programs because they are participating in the Demonstration Program. Three of the remaining 5 schools in the Demonstration Program are negotiating with Education to obtain a waiver. One school that is not in the Demonstration Program anticipates becoming ineligible because of the restrictions in the future.

According to Education, the Demonstration Program revealed no evidence that waiving the current restrictions results in negative consequences, and in its most recent report on the program, Education said that there is a need to amend the laws and regulations governing federal student financial aid to expand distance education opportunities. However, deciding whether to eliminate or modify these restrictions involves consideration of several factors, including the extent to which any changes would improve access to postsecondary schools, the impact that changes would have on Education's ability to prevent institutions from conducting

[10]The seven agencies are (1) Middle States Association of Colleges and Schools, (2) Western Association of Schools and Colleges – Accrediting Commission for Community and Junior Colleges, (3) New England Association of Schools and Colleges, (4) North Central Association of Colleges and Schools, (5) Northwest Association of Schools and Colleges, (6) Southern Association of Colleges and Schools, and (7) the Accrediting Council for Independent Colleges and Schools.

[11]See U.S. General Accounting Office, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996).

fraudulent or abusive practices, and the cost of implementation. Our analysis of these factors indicates that eliminating the restrictions without ensuring some form of management accountability would likely incur a higher risk for fraud and abuse than currently exists. Other options that involve some form of accountability include continuing to allow waivers (and monitoring schools that receive the waivers) or using other thresholds, such as student loan default rates, to decide which schools could be exempted from the restrictions. Education recognizes that there could be a cost to the federal student aid programs of eliminating or modifying the restrictions. Information from the Demonstration Program on potential budgetary impacts could inform policymakers; however, Education has yet to describe such information in its reports.

Accrediting agencies we reviewed varied in the extent to which their reviews include distance education. All seven agencies had developed standards, policies, and guidelines for reviewing distance education programs; however, there were differences in the extent to which their approaches ensured that distance education was included in assessing the quality of a school's educational program. The Higher Education Act gives agencies considerable flexibility in developing these standards, policies, and guidelines, and the agencies differed considerably in when and how they included reviews of distance education. For example, one agency includes distance education programs in its review when 25 percent or more of a program's courses are offered by distance education; three other agencies do not review distance education programs until the percentage of courses rises to 50 percent; and the remaining three agencies apply various other thresholds in considering when to review distance education programs.

The accrediting agencies we reviewed also differed in the extent to which they included an assessment of student learning outcomes—for either classroom-based or distance learning—in their accreditation reviews. Several agencies have recently placed greater emphasis on holding institutions accountable for student learning outcomes—a strategy recommended by such organizations as the Council for Higher Education Accreditation, a national organization representing accrediting agencies, and by other postsecondary education officials. Our work in examining how organizations of various types successfully focus on outcomes shows that they do so by (1) setting measurable goals for program outcomes, (2) developing strategies for meeting these goals, and (3) disclosing the results of their efforts to the public. Measured against this approach, only one of the seven accrediting agencies we reviewed has policies and procedures that require schools to satisfy all three components. At

present, there is no federal requirement that accrediting agencies require institutions to use such an approach, and while Education has expressed interest in holding postsecondary institutions accountable for student learning outcomes, it does not have the statutory authority to impose such requirements via the accrediting agencies. However, as the central federal link to the accreditation community, Education could take a more proactive role in promoting accountability.

In this report, we are making recommendations to the Secretary of Education to include empirical data in future Demonstration Program reports on the cost to the federal student aid programs of waiving the 50-percent rules. With respect to accreditation, we are recommending that the Secretary of Education (1) develop, with the help of accrediting agencies and schools, guidelines or a mutual understanding for more consistent and thorough assessment and public disclosure of campus-based and distance education outcomes, including components of a system for holding institutions accountable for such outcomes and (2) if necessary, request authority from the Congress to require that accrediting agencies use these guidelines in their accreditation efforts.

In commenting on a draft of this report, Education generally agreed with our findings and the merits of our recommendations. For instance, Education said that it will consider the potential cost of the federal student aid programs of eliminating the 50-percent rules; however, due to the timing of the process of reauthorizing the Higher Education Act, Education believes it is unlikely these estimates will become part of a future report to Congress on the Demonstration Program.

Background

Distance education is a growing force in postsecondary education, and its rise has implications for the federal student aid programs. Studies by Education indicate that enrollments in distance education quadrupled between 1995 and 2001. By the 2000-2001 school year, nearly 90 percent of public 4-year institutions were offering distance education courses, according to Education's figures. Entire degree programs are now available through distance education, so that a student can complete a degree without ever setting foot on campus. Students who rely extensively on distance education, like their counterparts in traditional campus-based settings, often receive federal aid under Title IV of the Higher Education Act, as amended, to cover the costs of their education, though their reliance on federal aid is somewhat less than students who are not involved in any distance education. We previously reported that 31 percent of students who took their entire program through distance education

received federal aid, compared with 39 percent of students who did not take any distance education courses.[12]

There is growing recognition among postsecondary officials that changes brought about by the growing use of distance education need to be reflected in the process for monitoring the quality of schools' educational programs. Although newer forms of distance education—such as videoconferencing or Internet courses—may incorporate more elements of traditional classroom education than older approaches like correspondence courses, they can still differ from a traditional educational experience in many ways. Table 1 shows some of the potential differences.

Table 1: Examples of Potential Differences in Electronically Transmitted Distance Education and Traditional Classroom Instruction

Electronically transmitted distance education setting	Traditional classroom setting
Courses may involve electronic content only (e.g., course modules on a compact disk or a school's Web server).	Courses generally involve lectures or discussions with actual instructors.
When the instruction involves presentations by instructors, students often may have only indirect contact with them (e.g., over a video network or through e-mail).	Students generally have face-to-face contact with instructors.
School may have no campus, may be hundreds of miles away, and research, tutoring, or counseling resources may be offered online rather than in-person.	School has research facilities, tutoring, and other resources directly available on a campus.
Provider of the distance education coursework may be other than the school in which the student is enrolled.	School in which the student is enrolled generally has direct responsibility for course content.

Source: GAO analysis of reports and issue papers on distance education.

The Higher Education Act focuses on accreditation—a task undertaken by outside agencies—as the main tool for ensuring quality in postsecondary programs. Under the act, accreditation for purposes of meeting federal requirements can only be done by agencies that are specifically "recognized" by Education. In all, Education recognizes 62 accrediting

[12]See GAO-02-1125T. Our analysis also showed that distance education students tended to have higher income levels, a fact that may help explain why fewer of them rely on federal assistance.

agencies.[13] Some, such as Middle States Association of Colleges and Schools – Commission on Higher Education and the Western Association of Schools and Colleges – Accrediting Commission for Community and Junior Colleges, accredit entire institutions that fall under their geographic or other purview. Others, such as the American Bar Association—Council of the Section of Legal Education and Admissions to the Bar, accredit specific programs or departments. Collectively, accrediting agencies cover public and private 2-year and 4-year colleges and universities as well as for-profit vocational schools and nondegree training programs. Thirty-nine agencies are recognized for the purpose of accrediting schools or programs for participation in the federal student aid programs. Education is required to recognize or re-recognize these agencies every 5 years.

In order to be recognized by Education as a reliable authority with regard to educational quality, accrediting agencies must, in addition to meeting certain basic criteria, establish standards that address 10 broad areas of institutional quality, including student support services, facilities and equipment, and success with respect to student achievement.[14] While the statute provides that these standards must be consistently applied to an institution's courses and programs of study, including distance education courses and programs,[15] it also gives accrediting agencies flexibility in deciding what to require under each of the 10 areas, including flexibility in whether and how to include distance education within the accreditation review. The current accreditation process is being carried out against a public backdrop of concern about holding schools accountable for student learning outcomes. For example, concerns have been expressed about such issues as the following:

- Program completion—the percentage of full-time students who graduate with a 4-year postsecondary degree within 6 years of initial enrollment was about 52 percent in 2000.[16]

[13]In general, there are two main types of accrediting agencies—regional and national. Regional accrediting agencies review institutions in a region of the United States that includes at least three states that are reasonably close to one another. National accrediting agencies review programs or specialized institutions, such as acupuncture schools or private business schools, on a national basis.

[14]20 U.S.C. 1099b(a)(5).

[15]20 U.S.C. 1099b(a)(4).

[16]See U.S. Department of Education, *Fiscal Year 2004 Annual Plan* (Washington, D.C.: March 2003).

- Unprepared workforce—business leaders and educators have pointed to a skills gap between many students' problem solving, communications, and analytical thinking ability and what the workplace requires.[17]

To address concerns such as these, there is increased interest in using outcomes more extensively as a means of ensuring quality in distance education and campus-based education. The Council for Higher Education Accreditation—a national association representing accreditors—has issued guidelines on distance education and campus-based programs, that, among other things, call for greater attention to student learning outcomes.[18] Additionally, in May 2003,[19] we reported that 18 states are promoting accountability by publishing the performance measures of their colleges and universities, including retention and graduation rates, because some officials believe that this motivates colleges to improve their performance in that area. At the national level, Education stated in its 2004 annual plan that it will propose to hold institutions more accountable for results, such as ensuring a higher percentage of students complete their programs on-time. The congressionally appointed Web-based Education Commission[20] has also called for greater attention on student outcomes. The Commission said that a primary concern related to program accreditation is that "quality assurance has too often measured educational inputs (e.g., number of books in the library, etc.) rather than student outcomes."[21] Finally, the Business Higher Education Forum—an

[17]See Business-Higher Education Forum, *Building a Nation of Learners: The Need for Changes in Teaching and Learning to Meet Global Challenges* (Washington, D.C.: June 2003).

[18]See Council for Higher Education Accreditation, *Statement of Mutual Responsibilities for Student Learning Outcomes: Accreditation, Institutions, and Programs* (Washington, D.C.: September 2003). Also, in May 2003, the Council identified six areas for accreditation and accountability reform, including expanding the use of student learning outcomes in accreditation reviews, offering more information to the public on the findings of accreditation reviews, and reviewing any distance learning providers or offerings that may become eligible for the federal student aid programs.

[19]See U.S. General Accounting Office, *College Completion: Additional Efforts Could Help Education with Its Completion Goals*, GAO-03-568 (Washington, D.C.: May 23, 2003).

[20]The Congress established the Web-based Education Commission to prepare a report to the President and the Congress that contains recommendations for legislation and administrative actions, including those pertaining to the appropriate federal role in determining the quality of educational software products. Members of the Commission included Senators, Representatives, and leaders from postsecondary institutions.

[21]See Web-based Education Commission, *The Power of the Internet for Learning: Moving from Promise to Practice*, (Washington, D.C.: December 2000).

organization representing business executives and leaders in postsecondary education—has said that improvements are needed in adapting objectives to specific outcomes and certifiable job-skills that address a shortage of workers equipped with analytical thinking and communication skills.

Current Federal Restrictions on Distance Education Affect Few Schools' Ability to Offer Federal Student Aid, but Numbers Could Increase in the Future

Although current federal restrictions on the extent to which schools can offer programs by distance education and still qualify to participate in federal student aid programs affect a small number of schools, the growing popularity of distance education could cause the number to increase in the future. We found that 14 schools were either now adversely affected by the restrictions or would be affected in the future; collectively, these schools serve nearly 225,000 students. Eight of the 14 schools are exempt from the restrictions because they have received waivers as participants in Education's Demonstration Program, under which schools can remain eligible to participate in the student aid programs even if the percentage of distance education courses or the percentage of students involved in distance education rises above the maximums set forth in the law.[22] Three of the remaining 5 schools in the Demonstration Program are negotiating with Education to obtain a waiver.

The 14 schools that the current federal restrictions—called the 50-percent rules—affect, or nearly affect, are shown in table 2. They vary in a number of respects. For example, 2 are large (the University of Phoenix has nearly 170,000 students and the University of Maryland University College has nearly 30,000), while 5 have fewer than 1,000 students. Six of the 14 are private for-profit schools, 5 are private nonprofit schools, and 3 are public. Thirteen of the schools are in Education's Demonstration Program, and without the waivers provided under this program, 8 of the 13 would be ineligible to participate in federal student aid programs because 50 percent or more of their students are involved in distance education. One school

[22]Participation in the Demonstration Program does not necessarily exempt schools from federal restrictions on the size of their distance education programs. Schools must apply for waivers and Education reviews the applications and determines whether to grant the waivers. Through November 2003, there were 21 participants in the Demonstration Program. In December 2003, Education expanded the program to 26 participants.

that is not part of the Demonstration Program faces a potential problem in the near future because of its growing distance education programs.[23]

[23]In commenting on a draft of this report, an Education official indicated that Graceland University, a private nonprofit school, located in Limoni, Iowa was also affected by the 50 percent rules. The school serves over 3,000 students and is a new participant in the Demonstration Program. Education plans to grant the school waivers to the 50 percent rules.

Table 2: Schools That Current Restrictions on Distance Education Programs Affect or Nearly Affect

Name	Number of students in 2000-2001	Percent of students involved in distance education	Type of school	When school first offered distance education	2001 default rate
Schools in Education's Demonstration Program that have substantial distance education programs					
1. Capella University[a]	3,985	100	Private for profit	1993	0.50 %
2. Charter Oak State College[a]	1,496	100	Public	1992	n/a
3. Eastern Oregon University[a]	4,908	69	Public	1970	5.6 %
4. Southern Christian University[a]	1,029	93	Private nonprofit	1993	1 %
5. U.S. Sports Academy[a]	704	100	Private nonprofit	2001	0 %
6. University Maryland University College[a]	29,442[b]	77	Public	1994	4.5 %
7. Walden University[a]	1,544	100	Private for profit	1970	2.8 %
8. Western Governor's University[a]	242	100	Private nonprofit	1999	n/a
9. Jones International University[b]	446	100	Private for profit	1995	n/a
10. North Central University[c]	319	100	Private for profit	1997	n/a
11. National Technical University[c]	969	100	Private nonprofit	1984	n/a
12. University of Phoenix	169,021	29[d, e]	Private for profit	1989	5.8 %
13. American Intercontinental University	5,885	54[e, f]	Private for profit	2001	5.4 %
Schools eligible for the federal student aid programs that may have problems with the 50-percent rules in the future, but that are not in the Demonstration Program					
14. St. Joseph's College	5,063	56[g]	Private nonprofit	1974	4.1 %

Source: GAO interview with officials at the 14 schools and Education's fiscal year 2001 student loan cohort default rate database.

N/A indicates the 2001 student loan cohort default rate database did not have information on the school or the school did not have any students with loans in repayment.

[a]Denotes a school that has received a waiver from the 50-percent rules.

[b]University of Maryland University College also serves a large number of military personnel stationed in Europe and Asia. These students are not included in this figure.

[c]Denotes a school that has received a waiver from the 50-percent rules pending Education's approval of the schools administrative and financial systems for managing the federal student aid programs.

[d]In 2000-2001, the University of Phoenix had almost 49,000 students involved in distance education, or about 29 percent of its entire student body.

[e]According to an Education official, at least half of the programs offered by the University of Phoenix and American Intercontinental University are degree programs so that their students enrolled in telecommunications courses are not considered to be enrolled in correspondence courses, so long as the total amount of telecommunication and correspondence courses is less than 50-percent of all the courses at those institutions.

[f]In 2002-2003, American Intercontinental University had 7,000 students involved in distance education (out of 13,000 students) or about 54 percent of its student body.

[9]St. Joseph's College has received a waiver from the 50 percent rules from the Secretary of Education because the students enrolled in its correspondence courses receive no more than 5 percent of all federal student aid received by students at the institution—an allowable exemption under federal regulations. However, a school official indicated that the number of distance education students that receive financial aid is growing and the school anticipates that it could have a problem with the 50-percent rules in the future if the student aid offered to distance education students exceeds 5 percent of the total aid received by students.

Two examples from among the 14 schools will help illustrate the effect that the restrictions on the size of distance education programs have on schools and their students.

- The University Maryland University College, a public institution, located in Adelphi, Maryland, had nearly 30,000 students and more than 70 percent of its students took at least one Internet course in the 2000-2001 school year. The college is participating in Education's Demonstration Program and has received waivers to the restrictions on federal student aid for schools with substantial distance education programs. According to university officials, without the waivers, the college and about 10,000 students (campus-based and distance education students) would no longer receive about $65 million in federal student aid.

- Jones International University, a private for-profit school founded in 1993 and located in Englewood, Colorado, served about 450 students in the 2000-2001 school year. The university offers all of its programs online and offers no campus-based courses. The university has received accreditation from the North Central Association of Colleges and Schools, a regional accrediting agency that reviews institutions in 19 states. In August 2003, school administrators told us that they would be interested in federal student program eligibility in the future. In December 2003, the school became a participant in Education's Demonstration Program and, therefore, its students will be eligible for federal student aid when Education approves the school's administrative and financial systems for managing the federal student aid programs.

According to Education, the Demonstration Program Has Not Revealed Negative Consequences of Waiving the Current Federal Restrictions on Distance Education

In the second of two congressionally mandated reports on federal laws and regulations that could impact access to distance education, Education concluded, "[T]he Department has uncovered no evidence that waiving the 50-percent rules, or any of the other rules for which waivers were provided, has resulted in any problems or had negative consequences." In its report, Education also stated that there is a need to amend the laws and regulations governing federal student financial aid to expand distance education opportunities, and officials at Education recognize that several policy options are available for doing so. A significant consideration in evaluating such options is the cost to the federal student aid programs. Regarding these costs, Education has not provided data on the cost of granting waivers to the 50-percent rules in the first two reports on the Demonstration Program.

Based in part on our discussions with Education officials and proposals made by members of Congress,[24] there appear to be three main options for consideration in deciding whether to eliminate or modify the current federal restrictions on distance education: (1) continuing the use of case-by-case waivers, as in the current Demonstration Program, coupled with regular monitoring and technical assistance; (2) offering exceptions to those schools with effective controls already in place to prevent fraud and abuse, as evidenced by such characteristics as low default rates; or (3) eliminating the rules and imposing no additional management controls. Evaluating these options involves three main considerations: the extent to which the changes improve access to postsecondary schools, the impact the changes would have on Education's ability to prevent institutions from fraudulent or abusive practices, and the cost to the federal student aid programs and to monitor schools with substantial distance education programs. Our analysis of the three options,[25] as shown in table 3, suggests that while all three would improve students' access to varying degrees, the

[24]In January 2003, H.R. 12—Fed Up Higher Education Technical Amendments Act of 2003 and in April 2003, S. 901—Higher Education Technical Amendments Act of 2003, proposed that telecommunication courses would not be considered correspondence courses for purposes of the 50-percent rules if a school had a default rate of 10 percent or less for each of the 3 most recent fiscal years.

[25]Our analysis of the three options is based on several data sources, including Education's monitoring reports on schools participating in the Demonstration Program, structured interviews with officials at schools that are affected or that could be affected by federal restrictions, interviews with Education officials, a student loan cohort default rate data base and prior reports on the federal financial aid programs. Regarding the accuracy of the student loan cohort default rate database, Education sends preliminary default rate data to each school to verify the accuracy of the data.

first two would likely carry a lower risk of fraud and abuse than the third, which would eliminate the rules and controls altogether. We also found support for some form of accountability at most of the 14 schools that current restrictions affect or nearly affect. For example, officials at 11 of these schools said they were generally supportive of some form of accountability to preserve the integrity of the federal student aid programs rather than total elimination of the restrictions.

Table 3: Evaluation of Policy Options Related to Amending the 50-Percent Rules

Policy option	Relative Impact on access to federal student aid for schools above the current limits based on the 50-percent rules	Risk of fraud and abuse	Relative Impact to the federal student aid programs and cost to monitor schools with substantial distance education programs
Continue the Demonstration Program, which allows for waivers to the 50-percent rules and provides monitoring and technical assistance on a routine basis.	Medium. Increased access to federal student aid for postsecondary education would be limited to students attending schools that have received waivers.	Low. As part of the Demonstration Program, Education has provided oversight and technical assistance on a routine basis. According to participants, this has resulted in improved compliance with federal student aid program rules. Also, as part of the application process, Education screens schools for the program; this acts as another form of oversight.	Medium. Increased cost to the federal student aid programs would be limited to those schools participating in the Demonstration Program. Education would need to continue monitoring schools with staff located in its field offices. Its ability to monitor substantially more schools on a routine basis may be limited, however. For example, in 2001, Education monitored less than 200 out of the over 6,000 schools eligible for the federal student aid programs.
Offering exceptions to the 50-percent rules to schools with evidence of effective management controls, such as low default rates. For example, a Senate proposal (S. 1445) offered schools a waiver to the 50-percent rules if they had a default rate of 10 percent or less for each of the 3 most recent fiscal years.	Medium to high. Increased access to federal student aid for postsecondary education would be limited to students attending schools with low default rates.	Low to medium. Our evaluation shows that all 9 schools eligible for the federal student aid programs (with loans in repayment) and that have or may have problems with the 50-percent rules had default rates of 6 percent or less in 2001. This alternative ensures that default rates remain reasonable; however, technical assistance and monitoring are not provided. One possible unintended effect of this option is that if a school exceeds the designated default rate, all students, including students enrolled in on-campus programs, might become ineligible for the federal student aid programs.	Medium to high. The federal student aid program would cost more under this option since the only limiting factor would affect schools with high default rates. Initially, monitoring default rates would take minimal effort by Education, however, should rates increase, the costs associated with managing and guaranteeing the defaulted loans would increase.

Policy option	Relative Impact on access to federal student aid for schools above the current limits based on the 50-percent rules	Risk of fraud and abuse	Relative Impact to the federal student aid programs and cost to monitor schools with substantial distance education programs
Eliminating the 50-percent rules with no additional management controls.	High. Increased access to federal student aid for students attending schools with substantial distance education.	Medium to high. Without any monitoring or technical assistance, this option offers the highest risk of increasing fraud and abuse. Lessons learned from the Demonstration Program suggest that eliminating the 50-percent rules without adequate monitoring may increase the risk of fraud and abuse. For example, Education identified problems at 15 of the 21 participants[a] remaining in the program as part of its monitoring efforts. Alternatively, relying on accrediting agencies to monitor compliance with student aid rules may be difficult because accrediting agencies do not consider it their role to act as "regulators" for the federal government.	High. The federal student aid programs would incur greater costs since there would be no limit on the number of distance education schools that could participate. Initially, the cost to monitor could be low, but such costs could increase substantially if fraud and abuse rise.

Source: GAO analysis.

[a]The most common problems that surfaced included weaknesses in administrative systems for tracking satisfactory academic progress of students and the enrollment status (i.e., whether students withdrew from a class) of distance education students. Having sound administrative systems for tracking these two areas are important because they can result in an institution returning student aid funds to the federal government if improperly administered.

The first option would involve reauthorizing the Demonstration Program as a means of continuing to provide schools with waivers or other relief from current restrictions. Even though exempting schools from current restrictions on the size of distance education programs costs the federal student aid programs, Education has yet to describe the extent of the costs in its reports on the program. According to Education staff, developing the data on the amount of federal student aid could be done and there are no major barriers to doing so. The data would prove valuable in determining the potential costs of various policy options since the program is expanding in scope—five new schools joined in December 2003—and additional reports will need to be prepared for the Congress.

Our review of the Demonstration Program and our discussions with Education officials surfaced two additional considerations that would be worthwhile addressing if the Congress decided to reauthorize the program. They relate to streamlining Demonstration Program requirements and improving resource utilization.

- *Reducing paperwork requirements.* When the Congress authorized the Demonstration Program, it required that Education evaluate various aspects of distance education, including the numbers and types of students participating in the program and the effective use of different technologies for delivering distance education. These requirements now may be redundant since Education collects such information as part of its National Postsecondary Student Aid Study and other special studies on distance education. Eliminating such requirements could ease the paperwork burden on participating institutions and Education staff.

- *Limiting participation to schools that are adversely affected by federal restrictions.* Some schools participating in the Demonstration Program do not need waivers to the 50-percent rules, because their programs are not extensive enough to exceed current restrictions. Limiting participation in the program to only schools that need relief from restrictions on the size of distance education programs could ease the administrative burden on Education. However, in the future, more schools may be interested in receiving waivers if their distance education programs expand.

Accrediting Agency Reviews of Distance Education Varies

The seven accrediting agencies we reviewed varied in the extent to which their institutional reviews included distance education. While all seven agencies had adopted standards or policies calling for campus-based and distance education programs to be evaluated using the same standards, the agencies varied in (1) the extent to which agencies required schools to demonstrate that distance education and campus-based programs were comparable and (2) the size a distance education program had to be before it was formally included in the overall institutional review. While the Higher Education Act requires Education to ensure that accrediting agencies have standards and policies in place regarding the quality of education, including distance education, it gives the agencies latitude with regard to the details of setting their standards or policies. Differences in standards or policies do not necessarily lead to differences in educational quality, but if one accrediting agency's policies and procedures are more or less rigorous than another's, the potential for quality differences may increase. An Education official said the historical role of the federal government in exerting control over postsecondary education has been limited. Similarly, Education has limited authority to push for greater consistency in areas related to the evaluation of distance education.

Accrediting Agency Actions for Evaluating Distance Education Programs

The agencies we reviewed all had standards or policies in place for evaluating distance education programs. The Higher Education Act does not specify how accrediting agencies should review distance education programs, but instead directs them to cover key subject areas, such as student achievement, curricula, and faculty. The law does not specify how accrediting agencies are to develop their standards or what an appropriate standard should be. All seven agencies had a policy stating that the standards they would apply in assessing a school's distance education programs would be the same as the standards used for assessing campus-based programs. The six regional accrediting agencies within this group had also adopted a set of supplemental guidelines[26] to help schools assess their own distance education programs.[27]

While all the agencies had standards or policies in place for evaluating distance education and campus-based learning, we found variation among the agencies in the degree to which they required institutions to compare their distance learning courses with their campus-based courses. Five of the seven agencies, including the one national accrediting agency reviewed, required schools to demonstrate comparability between distance education programs and campus-based programs. For example, one agency required each school to evaluate "the educational effectiveness of its distance education programs (including assessments of student learning outcomes, student retention, and student satisfaction) to ensure comparability to campus-based programs." Another accrediting agency required that the successful completion of distance education courses and programs be similar to those of campus-based courses and programs. The remaining two accrediting agencies did not require schools to demonstrate comparability in any tangible way.

A second area in which variations existed is in the threshold for deciding when to conduct a review of a distance education program. While

[26]The "Best Practices for Electronically Offered Degree and Certificate Programs" was drafted by the Western Cooperative for Educational Telecommunications in Colorado. The executive directors of the eight regional accrediting agencies (including six covered in our review) requested the study on best practices to assist institutions in planning distance education activities and to provide a self-assessment framework for those already involved. According to the "best practices," overall program effectiveness is determined by such measures as student retention rates and student competence in fundamental skills such as communication, comprehension, and analysis.

[27]Four of six regional accrediting agencies we reviewed also had additional standards or policies that applied to schools with distance education programs.

accrediting agencies complete their major review of a school on a multiyear cycle, federal regulations provide they also must approve "substantive changes" to the accredited institutions' educational mission or program. The regulations[28] prescribe seven types of change, such as a change in the established mission or objectives of the institution, that an agency must include in its definition of a substantive change for a school. For example, starting a new field of study or beginning a distance education program might both be considered a substantive change for a school. However, the seven agencies vary in their definition of "substantive" so the amount of change needed for such a review to occur varies from agency to agency. Three of the seven agencies review distance education programs when at least half of all courses in a program are offered through distance learning. A fourth agency reviews at an earlier stage—when 25 percent or more of a degree or certificate program are offered through distance learning. The remaining three agencies have still other polices for when they initiate reviews of distance education programs.

Education's Role and Responsibility in Monitoring Accrediting Agencies Is Limited

The variations among accrediting agencies that we found probably result from the statutory latitude provided to accrediting agencies in carrying out their roles. For example, in the use of their varying policies and practices, the agencies are operating within the flexible framework provided under the Higher Education Act. Such variations likewise do not necessarily lead to differences in how effectively agencies are able to evaluate educational quality. However, the lack of consistently applied procedures for matters such as comparing distance education and campus-based programs or deciding when to incorporate reviews of new distance education programs could potentially increase the chances that some schools are being held to higher standards than others. Additionally, the flexible framework of the Higher Education Act extends to the requirements that accrediting agencies set for schools in evaluating student learning outcomes. In discussions on this matter, Education officials indicated that the law's flexibility largely precludes them from being more prescriptive about the standards, policies, or procedures that accrediting agencies should use.

[28] 34 C.F.R. 602.22(a)(2)(i) thru (vii).

Accrediting Agency Assessment of Student Learning Outcomes in Their Reviews Varies Considerably

The seven accrediting agencies we reviewed varied in the extent to which their standards and policies address student-learning outcomes for either campus-based or distance education courses or programs. Over the past decade, our work on outcomes-based assessments in a variety of different areas shows that when organizations successfully focus on outcomes, they do so through a systematic approach that includes three main components.[29] The three are (1) setting measurable and quantifiable goals for program outcomes, (2) developing strategies for achieving these goals, and (3) disclosing the results of their efforts to the public. The accrediting agencies we reviewed generally recognized the importance of outcomes, but only one of the seven had an approach that required schools to cover all three of these components.

Successful Implementation of Outcomes-Based Approach Generally Involves Three Main Components

The three-part approach we found being used to successfully implement an outcomes-based management strategy was based on our assessments across a wide spectrum of agencies and activities, including, for example, the Federal Emergency Management Agency working with local governments and the building industry to strengthen building codes to limit deaths and property losses from disaster and the Coast Guard working with the towing industry to reduce marine casualties. Briefly, here are examples of how these three components would apply in an educational setting.

Developing measurable and quantifiable goals. It is important that outcome goals be measurable and quantifiable, because without such specificity there is little opportunity to determine progress objectively. A goal of improving student learning outcomes would require measures that reflect the achievement of student learning. For example, a goal of improving student learning outcomes would need to be translated into more specific and measurable terms that pertain directly to a school's mission, such as an average state licensing examination score or a certain job placement rate. Other measures could include test scores measuring writing ability, the ability to defend a point orally, or analyze critically, and work habits, such as time management and organization skills.

Developing strategies for achieving the goals. This component involves determining how human, financial, and other resources will be applied to achieve the goals. In education, this component could include such

[29]See GAO/GGD-96-118.

strategies as training for faculty, investments in information technology, or tutoring programs to help improve skills to desired levels. This component helps align an organization's efforts towards improving its efficiency and effectiveness. Our work has shown that providing a rationale for how the resources will contribute to accomplishing the expected level of performance is an important part of this component.

Reporting performance data to the public. Making student learning outcome results public is a primary means of demonstrating performance and holding institutions accountable for results. Doing so could involve such steps as requiring schools to put distance learning goals and student outcomes (such as job placement rates or pass rates on state licensing examinations) in a form that can be distributed publicly, such as on the school's Web site. This would provide a basis for students to make more informed decisions on whether to enroll in distance education programs and courses. It would also provide feedback to schools on where to focus their efforts to improve performance. Education's 2002-2007 strategic plan calls for public disclosure of data by stating, "[A]n effective strategy for ensuring that institutions are held accountable for results is to make information on student achievement and attainment available to the public, thus enabling prospective students to make informed choices about where to attend college and how to spend their tuition dollars."[30] Similarly, in September 2003, the Council for Higher Education Accreditation stated that "institutions and programs should routinely provide students and prospective students with information about student learning outcomes and institutional and program performance in terms of these outcomes" and that accrediting organizations should "establish standards, policies and review processes that visibly and clearly expect institutions and programs to discharge [such] responsibilities."[31]

Most Accrediting Agencies Lacked One or More Components

The accrediting agencies we reviewed generally recognized the importance of student learning outcomes and had practices in place that embody some aspects of the outcomes-based approach. However, only one of the agencies required schools to have all three components in place.

[30]U.S. Department of Education, *Strategic Plan 2002-2007*.

[31]See Council for Higher Education Accreditation, *Statement of Mutual Responsibilities for Student Learning Outcomes: Accreditation, Institutions, and Programs* (Washington, D.C.: September 2003).

Developing measurable and quantifiable goals. Five of seven agencies had standards or policies requiring that institutions develop measurable goals.[32] For example, one accrediting agency required institutions to formulate goals for its distance learning programs and campus-based programs that cover student achievement, including course completion rates, state licensing examination scores, and job placement rates. Another accrediting agency required that schools set expectations for student learning in various ways. For example, the agency required institutions to begin with measures already in place, such as course and program completion rate, retention rate, graduation rate, and job placement rate.

We recognize that each institution will need to develop its own measures in a way that is aligned with its mission, the students it serves, and its strategic plans. For example, a 2-year community college that serves a high percentage of low-income students may have a different mission, such as preparing students for 4-year schools, than a major 4-year institution.

Developing strategies for achieving the goals. All of the agencies we visited had standards or policies requiring institutions to develop strategies for achieving goals and allocating resources. For example, one agency had a standard that requires institutions to effectively organize the human, financial, and physical resources necessary to accomplish its purposes. Another agency had a standard that an institution's student development services must have adequate human, physical, financial, and equipment resources to support the goals of the institution. In addition, the standard requires that staff development to be related to the goals of the student development program and should be designed to enhance staff competencies and awareness of current theory and practice. Our prior work on accountability systems, however, points out that when measurable goals are not set, developing strategies may be less effective because there is no way to measure the results of applying the strategies and no way of determining what strategies to develop.

Our visits to the accrediting agencies produced specific examples of schools they reviewed that had tangible results in developing strategies for meeting distance education goals. One was Old Dominion University, which had collected data on the writing skills of distance education

[32]Two agencies did not require institutions to set measurable goals. Instead, they required schools to set goals without requiring them to be measurable.

students. When scores by distance learners declined during an academic year, school administrators identified several strategies to improve students' writing abilities. They had site directors provide information on tutoring to students and directed students to writing and testing centers at community colleges. In addition, they conducted writing workshops at sites where a demonstrated need existed. After putting these strategies in place, writing test scores improved.

Reporting performance data to the public. Only one of the agencies had standards or policies requiring institutions to disclose student learning outcomes to the public. However, various organizations, including the Council for Higher Education Accreditation, are considering ways to make the results of such performance assessments transparent and available to the public. Among other things, the Council is working with institutions and programs to create individual performance profiles or to expand existing profiles. The Student Right to Know and Campus Security Act of 1990 offers some context for reporting performance data to the public.[33] This act requires schools involved in the federal student loan programs to disclose, among other things,[34] completion or graduation rates and, if applicable, transfer-out rates for certificate- or degree-seeking, full-time, first-time undergraduates.[35] In this regard, Education is considering ways to make available on its Web site the graduation rates of these schools. However, according to two postsecondary experts, the extent that schools make such information available to prospective students may be uneven.

Conclusions

The federal government has a substantial interest in the quality of postsecondary education, including distance education programs. As distance education programs continue to grow in popularity, statutory restrictions on the size of distance education programs—put in place to guard against fraud and abuse in correspondence schools—might soon result in increasing numbers of distance education students losing eligibility for federal student aid. At the same time, some form of control is needed to prevent the potential for fraud and abuse. Over the past few years, the Department of Education has had the authority to grant waivers to schools in the Demonstration Program so that schools can bypass

[33]Pub. L. No. 101-542, Nov. 8, 1990.

[34]The act also requires schools to report information on graduation rates of students who receive athletically related student aid and crimes committed on and off campus.

[35]Education plans to release graduation rate data on all schools involved in the federal student aid programs in 2004.

existing statutory requirements. The waivers offer schools the flexibility to increase the size of their distance education programs while remaining under the watchful eye of Education. Education is required to evaluate the efficacy of these waivers as a way of determining the ultimate need for changing the statutory restrictions against distance education. To do so, the Department would need to develop data on the cost to the federal student aid programs of granting waivers to schools. Developing such data and evaluating the efficacy of waivers would be a helpful step in providing information to the Congress about ways for balancing the need to protect the federal student aid programs against fraud and abuse while potentially providing students with increased access to postsecondary education.

In addition to administering the federal student aid programs, Education is responsible for ensuring the quality of distance education through the postsecondary accreditation process. Among other things, measures of the quality of postsecondary education include student-learning outcomes, such as the extent to which students complete programs and/or the extent to which students' performance improves over time. As distance education programs proliferate, challenges with evaluating these programs mount because accreditation procedures were developed around campus-based, classroom learning. There is growing awareness in the postsecondary education community that additional steps may be needed to evaluate and ensure the quality of distance education and campus-based programs, though there is far less unanimity about how to go about it. Several accrediting agencies have taken significant steps towards applying an outcome-based, results-oriented approach to their accreditation process, including for distance education. These steps represent a potential set of "best practices" that could provide greater accountability for the quality of distance education. Due to the autonomous nature of accrediting agency operations, Education cannot require that all accrediting agencies adopt these practices. It could, however, play a pivotal role in encouraging and fostering the use of an outcomes-based model. In the long run, if the practices of accrediting agencies remain so varied that program quality is affected, Education may need additional authority to bring about a more consistent approach. Finally, if Education wishes to hold schools more accountable for the quality of distance education and campus-based programs—such as ensuring that a minimum percentage of students complete their programs—aligning the efforts of accrediting agencies to ensure that these factors are measured could increase the likelihood for success in this area. Indeed, a more systematic approach by accrediting agencies could help Education in its effort to focus greater attention on evaluating schools and educational policy through such outcomes.

Recommendations

To better inform federal policymakers, we recommend that the Secretary of Education include data in future Demonstration Program reports on the potential cost to the federal student aid programs of waiving the 50-percent rules. To enhance oversight of distance education quality, we recommend that the Secretary of Education, (1) develop, with the help of accrediting agencies and schools, guidelines or a mutual understanding for more consistent and thorough assessment of distance education programs, including developing evaluative components for holding schools accountable for such outcomes and (2) if necessary, request authority from the Congress to require that accrediting agencies use these guidelines in their accreditation efforts.

Agency Comments

In commenting on a draft of this report, Education generally agreed with our findings and the merits of our recommendations. For instance, Education said that it will consider the potential cost of the federal student aid programs of eliminating the 50-percent rules; however, due to the timing of the process of reauthorizing the Higher Education Act, Education believes it is unlikely these estimates will become part of a future report to Congress on the Demonstration Program. While we can appreciate the difficulties surrounding the timing of the reauthorization, we believe that policymakers would be better informed if this information was provided to them as part of the Demonstration Program. Given the uncertainty about whether Congress will indeed amend the 50-percent rules as part of reauthorization and that the timing of such changes is uncertain, providing information on the costs of the waivers would appear to have value—especially since such information would, in part, carry out the spirit of Demonstration Program requirements.

With respect to our recommendation for accreditation, Education said that it would study it carefully. Education agrees that it could engage in a series of discussions with accrediting agencies and schools leading to guidance on assessment and public disclosure of information. Education, however, said that the results would be largely informational because the agencies would not be required to adopt the guidance, and Education is not convinced of the necessity or appropriateness of requiring the guidance via the Higher Education Act. Again, we can appreciate Education's position on this issue, but continue to believe that greater accountability for student learning outcomes is necessary for enhanced oversight of distance education programs. Given Education's stated desire to hold institutions more accountable for results, such as ensuring a higher percentage of students complete their programs on time, working with

accrediting agencies to develop guidelines or a mutual understanding of what this involves would be one management tool for doing so.

We are sending copies of this report to the Secretary of Education, appropriate congressional committees, and other interested parties. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov. Please call me at (202) 512-8403 if you or your staffs have any questions about this report. Other contacts and acknowledgments are listed in appendix III.

Cornelia M. Ashby
Director, Education, Workforce,
and Income Security Issues

Appendix I: Scope and Methodology

To address the two questions about the extent to which current federal restrictions on distance education affect schools' ability to offer federal student aid to their students and what the Department of Education's Distance Education Demonstration Program has revealed with respect to the continued appropriateness of these restrictions, we obtained information from Education staff and other experts on which postsecondary institutions might be affected by these provisions or were close to being affected. We limited our work primarily to schools that were involved in the Demonstration Program or had electronically transmitted distance education programs and that were accredited or pre-accredited by accrediting agencies recognized by Education for eligibility in the federal student aid programs. We initially interviewed officials at 21 institutions with a standard set of questions regarding the effect, if any, current federal restrictions have on the schools' ability to offer federal student aid, and we obtained information on the distance education programs at the schools. Based on our interviews, we determined that only 14 of the 21 schools had been affected or could be affected by the restrictions. We also obtained data on default rates at the 14 schools, if applicable, from Education's student loan cohort default rate database. With respect to the Demonstration Program, we interviewed officials at Education who were responsible for assessing distance education issues. Additionally, we reviewed monitoring and progress reports on participating institutions involved in the Demonstration Program. We reviewed various reports on federal restrictions related to distance education as well as pertinent statutes and regulations.

To address the two questions related to the work of accrediting agencies: To what extent do accreditation agencies include distance education in their reviews of schools or programs and as they evaluate distance education programs and campus-based programs, to what extent do accreditation agencies assess educational outcomes, we focused on the standards and policies of seven accrediting agencies that collectively are responsible for more than two-thirds of all distance education programs.[1] We interviewed agency administrators and evaluated the extent of their outcomes-based assessment standards and policies using criteria that we had developed in a variety of past work addressing performance and

[1]The seven are Middle States Association of Colleges and Schools, Western Association of Schools and Colleges—Accrediting Commission for Community and Junior Colleges, the New England Association of Schools and Colleges, North Central Association of Colleges and Schools, Northwest Association of Schools and Colleges, Southern Association of Colleges and Schools, and the Accrediting Council for Independent Colleges and Schools.

accountability issues. We compared accrediting agency standards and policies with prior work we conducted on key components for accountability. We provided our preliminary findings to the seven accrediting agencies and asked them to verify our initial findings. In addition, we interviewed staff at Education involved in accreditation issues. We reviewed Education's monitoring reports on accreditation agencies. Additionally, we interviewed officials at the Council for Higher Education Accreditation and reviewed various reports that they have produced.

We conducted our work in accordance with generally accepted government auditing standards from October 2002 to February 2004.

Appendix II: Comments from the Department of Education

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

FEB 20 2004

THE ASSISTANT SECRETARY

Ms. Cornelia M. Ashby
Director, Education, Workforce,
and Income Security Issues
United States General Accounting Office
Washington, DC 20548

Dear Ms. Ashby:

Thank you for providing the Department of Education (the Department) with a draft copy of the U.S. General Accounting Office's (GAO's) report entitled, "Distance Education: Improved Data on Program Costs and Guidelines on Quality Assessments Needed to Inform Federal Policy" (GAO-04-279). We have reviewed the draft and have the following comments.

This study focuses on the appropriateness of the limitations on the size of distance education programs currently in place for institutions to participate in the Title IV programs, as well as whether data exist that may be utilized to support easing those restrictions. Additionally, this report raises the issues of cost to the federal student aid programs if certain restrictions are waived. A third focus of the report is the review of seven accrediting agencies and their approaches to examining distance programs, particularly whether they have included assessments of student outcomes as part of that review.

In this report, you recommend that the Department:

- include empirical data in future Demonstration Program reports on the potential cost to the federal student aid programs of waiving the 50 percent rules;
- enhance oversight of distance education quality by developing, with the help of accrediting agencies and schools, guidelines or a mutual understanding for more consistent and thorough assessment and public disclosure of distance education programs, including developing evaluative components for holding schools accountable for such outcomes; and
- if necessary, request authority from the Congress to require that accrediting agencies use these guidelines in their accreditation efforts.

In the President's fiscal year 2005 budget, we propose to make higher education more accessible by expanding college and university options for offering courses and programs online. As we work with Congress to develop specific legislative proposals, we will look carefully at the issues associated with the rules that limit the participation of institutions

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Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

that offer more than 50 percent of courses or enroll more than 50 percent of their students via distance learning. As we work with Congress, we will carefully consider the potential cost to the federal student aid programs of eliminating the 50 percent rules. However, because of the timing of the process of reauthorizing the Higher Education Act of 1965, as amended (HEA), it is unlikely that these estimates will become part of a future report to Congress on the Demonstration Program.

We will also look carefully at your recommendations for accreditation in the area of distance learning. While the Department could engage in a series of discussions with accrediting agencies and schools leading to "guidance" in the form of information about best practices in accrediting distance education programs, this "guidance" would be primarily informational. Statutory flexibility for accrediting agencies, as GAO acknowledges, provides them with the discretion to decide whether they would adopt or implement any or all of the recommended practices. It is not clear, at this point, whether it would be necessary or appropriate to make changes to the HEA to require that accrediting agencies use certain guidelines in their accreditation efforts.

I appreciate your examination of this important issue. We have provided to your staff some technical comments on the report. The Department is committed to the continued development of distance education.

Sincerely,

Sally L. Stroup

Appendix III: GAO Contacts and Staff Acknowledgments

Contacts

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Staff Acknowledgments

In addition to those named above, Jerry Aiken, Jessica Botsford, Elizabeth Curda, Luann Moy, Corinna Nicolaou, Jill Peterson, Stan Stenersen, and Susan Zimmerman made important contributions to this report.

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E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548