# DEPARTMENT OF EDUCATION OVERSIGHT: GATEKEEPING

## HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

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# DEPARTMENT OF EDUCATION OVERSIGHT: GATEKEEPING

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**THURSDAY, JUNE 6, 1996**

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Souder, Morella, Towns, and Green.

Staff present: Lawrence J. Halloran, staff director and counsel; Christopher Allred, professional staff member; Thomas M. Costa, clerk; and Cheryl Phelps and Denise Wilson, minority professional staff members.

Mr. SHAYS. Thank you for coming today. I'd like to call this hearing to order and welcome our witnesses and also our guests.

Today we ask this question: Is the Department of Education effectively discharging its statutory duty to guard against the abuse of Federal higher education funds by schools that don't teach what students need to learn?

This year the Department of Education will make almost $40 billion available through student loan aid program authorized under title IV of the Higher Education Act. These funds will be used to pay tuition at public and private universities, community colleges, and both nonprofit and proprietary vocational and technical schools.

How can we be sure that the substantial Federal commitment to higher education is being used effectively?

This question first arose during our hearings last year on the Department's mission and performance. The Department of Education inspector general [IG] identified Federal education assistance programs as, "those most vulnerable to fraud, waste and abuse," in part due to "the multitude of entities the Department has had to rely on to assist it in administering the programs."

The IG concluded that the control of access to Federal funds, or the gatekeeping process, "has proven insufficient in keeping weak and unscrupulous schools out of the SFA programs," the student financial aid programs.

Based on that testimony, we asked the General Accounting Office [GAO] to identify weaknesses in the gatekeeping process affecting the quality of the education and training purchased with Federal assistance. Although that review is still underway, the GAO testimony today will provide an important perspective on the dimensions of this problem.

Guarding access to Federal education assistance is described as, "a shared responsibility," borne by a triad consisting of the Department, the States and recognized accrediting bodies. Each member of the triad is responsible for monitoring one or more of the factors used by the Department to determine that schools are eligible, or ineligible, for participation in Federal student aid programs.

As the fiduciary guardian of Federal funds, the Department measures administrative and financial capacity of participating schools. But a solid bottom line and low loan-default rates are, at best, indirect indicators of educational quality.

Accrediting bodies recognized by the Department measure their member schools against curriculum and instruction standards. It would seem they bear primary responsibility for quality assurance. But these private peer review organizations can be reluctant to sanction dues-paying members, just as they can be too eager to punish innovative or aggressively competitive schools for technical deficiencies unrelated to program quality.

The States license schools to operate within their borders and apply a wide variety of standards including minimum teacher qualifications, library resource levels, and physical plant requirements. But the 1992 Federal effort to standardize the State role through the recognition of State postsecondary review entities, called SPRE's, proved both unpopular and unworkable.

In such a tripartite arrangement, no one is ultimately accountable for the quality of what is purchased with Federal higher education assistance. Each party in the troika can rely on quantitative measures, such as loan default rates, test scores or student placement rates, while each points to the others to take responsibility for the far more difficult task of applying and enforcing qualitative standards.

Contrary to President Truman's observations, when it comes to higher education quality in Federal programs, the buck never stops anywhere.

As a result: Federal student aid spending remains on the GAO list of high-risk programs; students still use Federal funds to pay for poor quality education; and students still pay to receive training for jobs that do not exist.

So we asked our witnesses for their assessment of the current gatekeeping system and for their suggestions, how to stop the finger pointing and point all Federal higher education spending toward high-quality schools.

Along with the GAO and the inspector general, we will hear testimony from representatives of all three members of the gatekeeping triad: the Department of Education, accrediting agencies, and a State education department. We appreciate their being here today, and we look forward to their recommendations. Their testimony will be useful as we continue our oversight of the Department and as Congress begins to prepare for reauthorization of the Higher Education Act programs.

At this time, I'd like to thank my colleagues for being here and to recognize the very distinguished ranking member of this committee, Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman. I am pleased to join you to consider current efforts to prevent fraud, waste, and abuse among postsecondary institutions receiving Federal student aid grants and loans.

Our purpose in today's hearing is to examine the gatekeeping triad system and whether measures established by the 1992 amendment to the Higher Education Act are being effectively implemented. We will also review whether the Department of Education State agencies are fulfilling their gatekeeping functions to ensure that only quality institutions are allowed to participate in title IV programs.

The Department of Education, the States, and the 88 agencies that accredit the educational institutions all have a poor record of management and oversight of the title IV student aid program. Through the 1992 amendment, Congress sought to correct this problem by strengthening the framework of the shared responsibility established by the Higher Education Act.

GAO reports indicate that, as a direct result of the 1992 amendment, default rates on student loans have steadily declined. This is important because this statistic is used to measure the success of fiscal management efforts, and it is the basis for determining whether quality institutions can continue to receive funding under title IV.

In addition to the mandates established by the 1992 amendment, the Department of Education has undertaken other reform initiatives. The agency has recently implemented a number of recommendations by the inspector general to improve program integrity. It is also taking steps to provide regulatory relief to institutions that have successfully demonstrated outstanding performance in administering title IV programs.

Despite this progress, there is still more work to be done to improve management of Federal student aid programs and to reduce student default rates. However, we all owe it to the taxpayers to see to it that the structure mandated by law is in place and appropriately funded.

Mr. Chairman, the subcommittee must be fair in its examination of the success of the gatekeeping system and compliance with the Higher Education Act, as amended. We must carefully examine the act's initial objectives and then ask ourselves if the three-part system can be effective if one or more components are not fully operational.

For example, Mr. Chairman, the 1992 amendments authorized the creation of a new State review process to enhance State oversight, the State postsecondary review entities, SPRE's. However, before this initiative could be fully implemented, the 1996 appropriations bill rescinded all of its funding. This funding cut creates a gaping hole in a critical gatekeeping component that ensures programs' integrity before Federal funds are disbursed.

I look forward to hearing from each of our witnesses, and hope to gain insight from each of them as to the methods we can use to enhance the current system.

Let me extend special greetings to Al MacKinnon, who is here this afternoon to testify from my home State of New York. New York is the only State to begin SPRE reviews, even though all States had signed agreements with the Department to do so. I am particularly interested in his views on how SPRE cuts have affected New York's effort to work cooperatively with the Department of Education.

So, Mr. Chairman, let me thank you again for holding what I consider a very important hearing, and I look forward to working with you and making certain that the areas that need to be strengthened are strengthened, and also to say to you that, in order to do that, we might have to find some resources.

I yield back.

Mr. SHAYS. I thank you, Mr. Towns, and for your continued cooperation in this committee.

I would now call on the vice-chairman of the committee, Mr. Souder. Do you have any comment?

Mr. Green, any comment?

Mr. GREEN. Mr. Chairman, just briefly. I appreciate the opportunity to be here, and, again, also serving on the Economic and Educational Opportunity Committee, and also on the Subcommittee for Post-Secondary Education. This is another dual role that some of us play on this committee, and I look forward to the hearing.

[The prepared statement of Hon. Gene Green follows:]

Statement of Representative Gene Green
Subcommittee on Human Resources and Intergovernmental Relations
June 6, 1996

Thank you, Mr. Chairman, for calling this important hearing on the gatekeeping function in the Higher Education Act programs. Congress has acted in the past to address the failures of the gatekeeping system that allowed poor and fraudulent schools to stay in the system. As we have seen in past hearings on this subcommittee, the federal government also has problems ridding itself of poor and fraudulent health care providers in the Medicare and Medicaid system.

One problem that the Higher Education Act programs have that health care does not is that education is seen as a primarily state and local function. Any attempts to strengthen federal oversight will be met of a federalization of education in America. I believe that we need to devise a response to this concern that will not, in fact, lead to unnecessary federal intervention, but will solve the real problem that we face in the Higher Education Act programs.

I look forward to exploring this and other issues involving the Higher Education Act at this afternoon's hearing.

Thank you, Mr. Chairman.

Mr. SHAYS. It's nice to have that dual role. Before calling our witnesses to come forward, I would get two housekeeping items out of the way. I ask unanimous consent that all members of the subcommittee be permitted to place any opening statements in the record and that the record remain open for 3 days for that purpose. Without objection, so ordered.

I also ask unanimous consent that our witnesses be permitted to include their written statements in the record. Without objection, so ordered.

First, I'd like to apologize to those who don't seem to have any seats here. At this time, I would like to call our witnesses. Or, actually, only one first: Cornelia Blanchette, Associate Director, Education and Employment Issues, the General Accounting Office, GAO.

I will be swearing you in. Will anyone else be making comments, because if they will, I'd like them to be sworn in, as well.

Ms. BLANCHETTE. No, sir, just the three of us.

Mr. SHAYS. But the three of you will be testifying, so I'll need your names for the record. But first, if I could swear you in.

[Witnesses sworn.]

Mr. SHAYS. For the record, our three witnesses have responded in the affirmative. Ms. Blanchette, you will be giving a statement, but I am assuming all three are prepared to answer questions; is that correct?

Ms. BLANCHETTE. That's right.

Mr. SHAYS. If you could, would you just identify yourself for the recorder, just so we have your name and your position.

Mr. UPSHAW. Wayne Upshaw, Assistant Director, General Accounting Office.

Mr. SHAYS. Thank you. And?

Mr. APPEL. I'm Jeff Appel, senior evaluator, General Accounting Office.

Mr. SHAYS. Jeff, I'm sorry, what is your last name?

Mr. APPEL. Appel, A–p–p–e–l.

Mr. SHAYS. Does the recorder have the names? Thank you.

Ms. Blanchette, we are happy to have your testimony.

## STATEMENTS OF CORNELIA M. BLANCHETTE, ASSOCIATE DIRECTOR, EDUCATION AND EMPLOYMENT ISSUES, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY WAYNE UPSHAW, ASSISTANT DIRECTOR; AND C. JEFF APPEL, SENIOR EVALUATOR, GENERAL ACCOUNTING OFFICE

Ms. BLANCHETTE. Thank you, Mr. Chairman. Mr. Chairman and members of the subcommittee, we are pleased to be here today to assist the subcommittee in its oversight of education. As you know, the Department administers an array of student financial aid programs under title IV of the Higher Education Act. In fiscal year 1995, the Federal Government made about $35 billion available to 7 million students in postsecondary institutions, including proprietary schools, which are the focus of our remarks today.

Since the late 1980's, the Department's IG, the Congress, and GAO have all found that extensive fraud and abuse exists in student aid programs. Student loan defaults are one of the more visible results of this fraud and abuse. Between fiscal years 1983 and

1993, annual Federal payments to honor default claims increased over 400 percent.

Annually, about 1 million students enroll in about 5,000 proprietary schools. These schools account for about half of all post-secondary institutions and make an important contribution by providing skilled training to the non-college-bound. However, the actions of some proprietary schools have been at the core of concerns about the integrity of title IV programs. Today, we will discuss our observations of proprietary schools resulting from ongoing work that we are doing for the subcommittee.

Most proprietary schools have fewer than 100 students and offer occupational training of 2 years or less in fields ranging from interior design to computer programming. Compared with nonprofit institutions, proprietary schools enroll higher percentages of women, minorities, and low-income students. Fewer proprietary schools participate in title IV programs now than 5 years ago, a trend that reflects the decreased number of schools accredited by the six primary accrediting agencies.

Proprietary schools receive a much smaller share of title IV aid dollars now than in the past. For example, nearly 35 percent of all subsidized Stafford loan dollars went to students attending proprietary schools in the 1986–87 school year. But by the 1992–93 school year, the percentage had declined to 10 percent.

The proportion of proprietary school students receiving title IV aid has also been declining. The proportion receiving aid fell from nearly 80 percent in the 1986–87 school year to about 67 percent in the 1992–93 school year. The proportion of students receiving aid in nonprofit schools remain steady.

While the default rates for proprietary school students are still far above those associated with nonprofit schools, the rates have declined 12 percentage points over the past few years, whereas default rates for other sectors have remained essentially the same.

One of the title IV eligibility provisions adopted in the 1992 Higher Education Act amendments, the 85–15 rule, went into effect last July. Proprietary schools that do not receive at least 15 percent of their revenue from sources other than title IV programs must report this to the Department. Or they lose their eligibility for such programs.

Schools that meet the 15-percent standard must include a statement attesting to that fact in their audited financial statements. Thus far, only four proprietary schools have notified the Department that they did not meet the standard. Further, according to the Department, about 25 percent of the 830 proprietary schools that submitted financial statements during the past 2 months have not properly documented whether they met the standard.

Although we're not sure what underlying conditions nonreporting reflects, there is a bigger issue. At the chairman's request, we recently initiated a study to address the core issue. Is there a clear relationship between reliance on title IV revenues and school performance?

One final observation. Students enrolled in occupational training programs, who obtain grants and incur debt, often risk being unable to find work because they have been trained for fields in which insufficient job demand exists. At the chairman's request, we have also initiated a study to address this issue.

In summary, to try to resolve longstanding concerns, the Congress sought to strengthen title IV oversight by amending the Higher Education Act in 1992. Recent trend data shows some signs of progress. Fewer proprietary schools are credited. Proprietary schools' share of title IV funding has declined. And the default rate for proprietary school students is falling.

The trends, however, do not eliminate concern about the quality of proprietary schools. While proprietary school students' default rates have declined, they remain substantially higher than those for their peers who attend nonprofit schools.

Mr. Chairman, this concludes our prepared remarks. We're happy to answer any questions you have.

[The prepared statement of Ms. Blanchette follows:]

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist the Subcommittee in its oversight responsibilities for the Department of Education. The Department administers an array of student financial aid programs under Title IV of the Higher Education Act (HEA) of 1965, as amended.[1] These programs provide grants, loans, and work-study support to students pursuing postsecondary education. In fiscal year 1995, under Title IV, the federal government made about $35.2 billion available to about 7 million postsecondary students with $5.4 billion (15 percent) for Pell grants and $14.3 billion (41 percent) for subsidized Stafford loans--two of the three largest Title IV programs.

A considerable history of concern exists about the integrity of Title IV programs, particularly the federal student loan programs. Since the late 1980s, the Department's Office of Inspector General, the Congress, and GAO have all concluded after completing several investigations that extensive fraud and abuse exist in student aid programs. Between fiscal years 1983 and 1993, annual federal payments to honor default claims increased over 400 percent, from $445 million to $2.4 billion.[2]

Annually, almost 1 million students enroll in about 5,000 proprietary (private for-profit) schools that represent about 50 percent of all postsecondary institutions. As a sector of the postsecondary education community, proprietary institutions make an important contribution to the nation's economic competitiveness by providing occupational training to those who are not college-bound. However, the actions of some proprietary school owners have been at the core of program concerns given past findings. For example, some proprietary school operators have enriched themselves at the expense of economically disadvantaged students while providing little or no education in return. Faced with large debts and no new marketable skills, these students often defaulted on their loans. In fact, default rates for proprietary school students peaked at around 41 percent in 1990 at a time when the student loan default rate for all postsecondary students averaged about 22 percent.

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[1]Title IV established financial aid programs for students attending institutions of higher education and vocational schools and includes the Federal Family Educational Loan Program and the Federal Direct Student Loan Program. Both offer subsidized and unsubsidized Stafford loans and Parent Loans for Undergraduate Students. Title IV also established the Federal Pell Grant Program and the Federal Perkins Loan Program.

[2]At the time of our review, the Department of Education did not maintain data disaggregated by type of institution on federal payments for default claims.

In recent years, the Congress has enacted legislation to address the problems plaguing Title IV programs. The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) established a process for terminating institutions with unacceptably high default rates from participation in the federal loan program. The act set a default rate threshold of 35 percent for fiscal years 1991 and 1992, and 30 percent for fiscal year 1993. Under the act, institutions that meet or exceed the threshold for 3 consecutive years are ineligible to participate in the program. The Higher Education Amendments of 1992 (P.L. 102-325) further tightened eligibility requirements by lowering the threshold to 25 percent for subsequent fiscal years.

You requested that today we talk about several issues related to "gatekeeping"--the process of ensuring that only schools providing quality education and training access Title IV funds. First, we will provide a broad overview of the regulatory framework for Title IV programs, outlining the roles and responsibilities of the principal actors. Second, we will discuss some of our preliminary observations on proprietary schools from ongoing work for the Subcommittee, describing trends in some quantitative measures, such as default rates, and laying out the framework for (1) examining the legislative provision limiting Title IV participation to schools receiving at least 15 percent of their revenues from non-Title IV sources and (2) determining the extent to which Title IV funds pay to train students for jobs in no- or low-demand occupations.

The information we present today is based on a review of the legislative history of the 1992 amendments to HEA, discussions with Department of Education officials responsible for examining accrediting agencies, and discussions with six nationally recognized accrediting agencies that cover 95 percent of all proprietary schools that participate in Title IV programs. In addition, we developed trend information on proprietary school students and Title IV programs using data from the Department.

In summary, to address long-standing concerns, the Congress sought to strengthen Title IV oversight by amending HEA in 1992. Recent trend data show mixed results. Some signs of modest progress exist: The six accrediting agencies that cover 95 percent of proprietary schools participating in Title IV accredit from 3 to 26 percent fewer schools than in 1992; proprietary schools' share of Title IV funding has declined; and the default rate for proprietary school students has fallen 12 percentage points, from 36 percent in 1991 to 24 percent in 1993. These trends, however, do not abate concern about program quality. For example, while proprietary school students' default rates have been reduced, their rates remain substantially higher than those for their peers who attend nonprofit institutions--about 14 percent for students attending 2-year nonprofits and about 7 percent for those attending 4-year nonprofits. In addition, questions remain about (1) whether proprietary schools that overwhelmingly rely on federal student aid for revenue should be allowed to continue participating in Title IV and (2) to what extent proprietary schools are training students for jobs that do not exist.

BACKGROUND

Vast sums of money funnel into America's higher education system each year through student financial aid programs authorized by Title IV of HEA, as amended. In 1995, about $35.2 billion in aid was made available to almost 7 million students to attend postsecondary institutions, with aid available projected to reach $40 billion in 1997.

As funding for Title IV programs has increased, so have losses to the federal government from honoring its guarantee on student loans. In 1968, the government paid $2 million to cover loan defaults; in 1987, default payments exceeded $1 billion; and by 1991, default claim payments reached a staggering $3.2 billion. In 1992, GAO listed the student loan program as 1 of 17 high-risk federal program areas especially vulnerable to waste, fraud, abuse, and mismanagement. More specifically, we found, among other things, that (1) schools used the program as a source of easy income with little regard for students' educational prospects or the likelihood of their repaying loans and (2) management weaknesses plagued the Department that prevented it from keeping on top of these problems.[3] The proprietary school sector has been associated with some of the worst examples of program abuse.

In the United States, 5,235 proprietary schools represent about 50 percent of all postsecondary institutions. Most are small, enrolling fewer than 100 students, and offer occupational training of 2 years or less in fields ranging from interior design to computer programming. Proprietary schools enrolled more than 1 million students in fall 1993--about 10 percent of all undergraduates. Compared with nonprofit institutions, proprietary schools enroll higher percentages of women, minorities, and low-income students. About 67 percent of proprietary school students receive federal student aid under Title IV.

While average default rates for all postsecondary institutions reached an all-time high of 22 percent in 1990, the default rate for proprietary schools exceeded 41 percent. This disparity has triggered numerous investigations. Congressional investigations, for example, discovered evidence of fraud and abuse by proprietary school owners. The Congress found that some proprietary schools focused their efforts on enrolling educationally disadvantaged students and obtaining federal funds rather than on providing meaningful training or education. The Congress also concluded that

[3]See Guaranteed Student Loans (GAO/HR-93-2, Dec. 1992).

the regulatory oversight system of Title IV programs provided little or no assurance that schools were educating students efficiently or effectively. Several recommendations emanating from these findings were included in the 1992 amendments to HEA.

TITLE IV REGULATORY FRAMEWORK

The Title IV regulatory structure includes three actors--the Department of Education, states, and accrediting agencies--known as the "triad." Because of concern about federal interference in school operations, curriculum, and instruction, the Department has relied on accrediting agencies and states to determine and enforce standards of program quality. HEA recognizes the roles of the Department, the states, and the accrediting agencies as providing a framework for a shared responsibility for ensuring that the "gate" to student financial aid programs opens only to those institutions that provide students with quality education or training worth the time, energy, and money they invest.

Department of Education

The Department plays two roles in gatekeeping. First, it verifies institutions' eligibility and certifies their financial and administrative capacity. In verifying institutional eligibility, the Department reviews documents provided by schools to ensure their compliance with state authorization and accreditation requirements; eligibility renewal is conducted every 4 years. In certifying that a school meets financial responsibility requirements, the Department determines whether the school can pay its bills, is financially sound, and that the owners and employees have not previously been convicted of defrauding the federal government. In certifying that institutions meet administrative requirements, the Department determines whether institutions have personnel resources adequate to administer Title IV programs and to maintain student records.

Second, the Department grants recognition to accrediting agencies, meaning that the Department certifies that such agencies are reliable authorities as to what constitutes quality education or training provided by postsecondary institutions. In deciding whether to recognize accrediting agencies, the Secretary considers the recommendations of the National Advisory Committee on Institutional Quality and Integrity. The advisory committee consists of 15 members who are representatives of, or knowledgeable about, postsecondary education and training. Appointed by the Secretary of Education, committee members serve 3-year terms. The advisory committee generally holds public meetings twice a year to review petitions for recognition from accrediting agencies. The Department's Accrediting Agency Evaluation Branch is responsible for reviewing information submitted by the accrediting agencies in support of their petitions. Branch officials analyze submitted materials, physically observe an accrediting agency's operations and decision-making activities, and report their findings to the advisory committee.

States

States use a variety of approaches to regulate postsecondary educational institutions. Some states establish standards concerning things like minimum qualifications of full-time faculty and the amount of library materials and instructional space. Other state agencies define certain consumer protection measures, such as refund policies. In the normal course of regulating commerce, all states require postsecondary institutions to have a license to operate within their borders.

Because of concerns about program integrity, the Congress, in amending HEA in 1992, decided to strengthen the role of states in the regulatory structure by authorizing the creation of State Postsecondary Review Entities (SPRE). Under the amendments, the Department would identify institutions for review by SPREs, using 11 criteria indicative of possible financial or administrative distress. To review institutions, SPREs would use state standards to assess such things as advertising and promotion, financial and administrative practices, student outcomes, and program success. On the basis of their findings, SPREs would recommend to the Department whether institutions should retain Title IV eligibility. The Congress terminated funding for SPREs in 1995.

Accrediting Agencies

The practice of accreditation arose as a means of having nongovernmental, peer evaluation of educational institutions and programs to ensure a consistent level of quality. Accrediting agencies adopt criteria they consider to reflect the qualities of a sound educational program and develop procedures for evaluating institutions to determine whether they operate at basic levels of quality.

As outlined by the Department of Education, the functions of accreditation include

- -- certifying that an institution or program has met established standards,
- -- assisting students in identifying acceptable institutions,
- -- assisting institutions in determining the acceptability of transfer credits,
- -- creating goals for self-improvement of weaker programs and stimulating a general raising of standards among educational institutions,
- -- establishing criteria for professional certification and licensure, and
- -- identifying institutions and programs for the investment of public and private funds.

Generally, to obtain initial accreditation, institutions must prepare an in-depth self-evaluation that measures their performance against standards established by the accrediting agency. The accrediting agency, in turn, sends a team of its representatives to the institution to assess whether the applicant meets established standards. A report, containing a recommendation based on the institution's self-evaluation and the accrediting agency's team findings, is reviewed by the accrediting agency's executive panel. The panel either grants accreditation for a specified period of time, typically no longer than 5 years, or denies accreditation. Once accredited, institutions undergo periodic re-evaluation.

To retain accreditation, institutions pay sustaining fees and submit status reports to their accrediting agencies annually. The reports detail information on an institution's operations and finances and include information on such things as student enrollment, completion or retention rates, placement rates, and default rates. In addition, institutions are required to notify their accrediting agencies of any significant changes at their institutions involving such things as a change in mission or objectives, management, or ownership.

Accrediting agencies judge whether institutions continue to comply with their standards on the basis of the information submitted by institutions and other information such as complaints. Whenever an accrediting agency believes that an institution may not be in compliance, the agency can take a variety of actions. For example, agencies may require institutions simply to provide more information so that they can render a judgment, conduct site visits to gather information, require institutions to take specific actions that address areas of concern, or, in rare instances, ultimately revoke accreditation.

## RECENT PROPRIETARY SCHOOL TRENDS

Recent information points to some favorable trends regarding the participation of proprietary schools in the Title IV program. Fewer proprietary schools participate in Title IV programs now than 5 years ago, a trend reflected in decreased numbers of schools accredited by the six primary accrediting agencies. Proprietary schools receive a much smaller share of Title IV aid dollars now than in the past. And, while the default rates for proprietary school students are still far above those associated with nonprofit institutions, the rates have declined over the past few years.

### Accreditation

For the six agencies we contacted, we observed a trend toward accrediting fewer institutions since 1992 (see table 1). Agency officials pointed out a number of reasons for the decreases, including recent changes in Title IV regulations, more aggressive oversight by accrediting agencies, school closures, and the fact that schools once accredited by two or more agencies are now accredited only by one. We observed no clear trends in other accreditation decisions such as an increasing or decreasing propensity to grant, deny, or revoke school accreditation over the past few years. Some accrediting agency officials told us that because they effectively prescreen institutions applying for accreditation, they would not expect to see much change in the number of cases in which accreditation is denied or applications are withdrawn.

Table 1: Number of Institutions Accredited by Six Agencies Accrediting Most Proprietary Schools in Title IV, by Year

| | 1992 | 1993 | 1994 | 1995 | Percentage change 1992-95 |
|---|---|---|---|---|---|
| Accrediting Council for Continuing Education and Training[a] | 335 | 317 | 287 | 261 | -22 |
| Accrediting Commission of Career Schools and Colleges of Technology[b] | 1,002 | 954 | 938 | 956 | -5 |
| Accrediting Council for Independent Colleges and Schools[a] | 543 | 491 | 431 | 404 | -26 |
| Council on Occupational Education[a,c] | 203 | 198 | 186 | 159 | -22 |
| National Accrediting Commission of Cosmetology Arts and Sciences[b] | 1,469 | 1,399 | 1,291 | 1,269 | -14 |
| Accrediting Bureau of Health Education Schools[b] | 78 | 87 | 80 | 76 | -3 |

Note: Totals not provided because of differences in accrediting agencies' methods of counting institutions and because some agencies accredit both proprietary and nonprofit institutions.

[a]Agency provided data on the number of institutions' main campuses excluding their branch campuses.

[b]Agency provided data on the number of institutions without distinguishing between main and branch campuses.

[c]Agency provided data on the number of accredited proprietary institutions only.

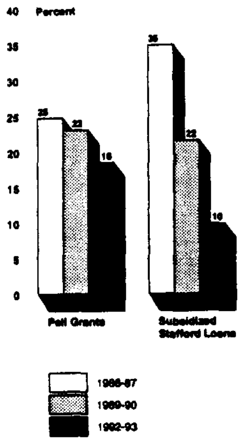
Source: Information provided by accrediting agencies.

## Share of Title IV Funds

Proprietary schools' share of Title IV aid has steadily declined since the late 1980s. For example, about 25 percent of all Pell grant dollars went to students attending proprietary schools in 1986-87, but by 1992-93 that figure declined to about 18 percent (see fig. 1). While total Pell grant expenditures rose from $3.4 billion to $6.2 billion over these years, the amount retained by proprietary schools only increased from $.9 billion to $1.1 billion. For the subsidized Stafford loan program, the proprietary school share declined from nearly 35 percent of all dollars in 1986-87 to about 10 percent in 1992-93. In the Federal Family Education Loan Program, total dollars increased from $9.1

billion to $14.6 billion between 1986-87 and 1992-93, but dollars going to proprietary schools fell from $3.2 billion to $1.7 billion.[4]

Figure 1: Declining Share of Title IV Dollars Going to Proprietary Schools




The proportion of proprietary school students receiving Title IV aid has been declining as well, although these students remain more likely than others to receive aid. The proportion receiving

[4]These figures include subsidized Stafford loans, Parent Loans for Undergraduate Students, and Supplemental Loans for Students, but not unsubsidized Stafford loans.

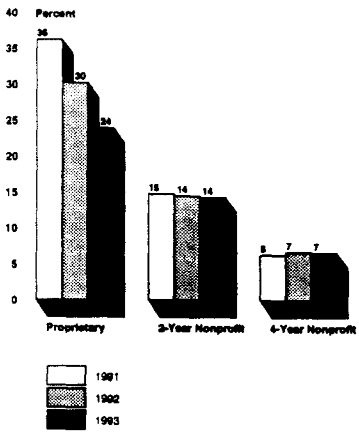
aid fell from nearly 80 percent in 1986-87 to about 67 percent in 1992-93, while the proportion of students receiving aid at the public and private nonprofit schools remained steady.

Furthermore, for proprietary school students who receive aid, the average dollar amount has risen more slowly than for students in other sectors. Average aid received by proprietary school students went up by 20 percent between 1986-87 and 1992-93; in contrast, the increase was 34 percent for public school students and 47 percent for private nonprofit school students.

Default Rates

Loan default rates for proprietary school students have been declining in recent years, from 36.2 percent in 1991 to 23.9 percent in 1993 (see fig. 2), while default rates in other sectors have not changed. However, students at proprietary schools are still more likely than others to default on student loans. The most recent rates for 2- and 4-year nonprofit schools were 14 and 7 percent, respectively.

Figure 2: Default Rates for Students at Proprietary Schools Have Declined but Are Still Higher Than Those at Nonprofit Schools



## The 85-15 Rule

One new measure adopted in the 1992 HEA amendments to help tighten eligibility for Title IV student financial aid programs was the so-called 85-15 rule. This provision prohibits proprietary schools from participating in Title IV programs if more than 85 percent of their revenues come from these programs. The presumption under the rule is that if proprietary schools are providing good services, they should be able to attract a reasonable percentage of their revenues from sources other than Title IV programs. In other words, the 85-15 rule is based on the notion that proprietary schools which rely overwhelmingly on Title IV funds may be poorly performing institutions that do not serve their students well and may be misusing student aid programs, and therefore should not be subsidized with federal student aid dollars.

Since the 85-15 rule went into effect last July, proprietary schools that fail to meet the standard must report this to the Department within 90 days following the end of their fiscal year. Schools that meet the standard must include a statement attesting to that fact in their audited financial statements due to the Department within 120 days following the end of their fiscal year. The period has now elapsed for the vast majority of schools. Thus far, however, only four proprietary schools have notified the Department of their failure to meet the 85-15 standard.

This finding may have a variety of possible explanations. For example, it may be that very few schools actually had more than 85 percent of their revenues coming from Title IV when the rule became law or that most such schools adjusted their operations to meet the standard when it took effect. Conversely, the actual number of schools that failed to meet the 85-15 standard could be substantially higher. According to the Department, about 25 percent of the 830 proprietary schools that submitted financial statements during the past 2 months have not properly documented whether they met the 85-15 standard. These schools may have met the 85-15 standard but misunderstood the reporting rules, or they may have failed to meet the 85-15 standard and intentionally not reported this fact in an attempt to avoid or postpone losing their Title IV eligibility.

At the Chairman's request, we recently initiated a study to address the core of this issue: Is there a clear relationship between reliance on Title IV revenues and school performance? Using data from national accrediting associations, state oversight agencies, and the Department, we will attempt to determine whether greater reliance on Title IV funds is associated with poorer outcomes, such as lower graduation and placement rates.

Title IV-Funded Training and Labor-Market Conditions

Annually, students receive over $3 billion from Title IV programs to attend postsecondary institutions that offer occupational training without regard to labor market circumstances. While Department regulations stipulate that proprietary schools--the principal vendors of occupational education and training under Title IV--provide instruction to "prepare students for gainful employment in a recognized occupation," schools are not required to consider students' likelihood of securing such employment. Students who enroll in occupational education programs, obtain grants, and incur significant debt often risk being unable to find work because they have been trained for fields in which no job demand exists. Proprietary school students are particularly vulnerable in this situation because, according to current research, unlike university graduates, they are less likely to relocate outside of their surrounding geographic region.[5]

The Department's Inspector General (IG) recently estimated that about $725 million in Title IV funds are spent annually to train cosmetology students at proprietary schools, yet the supply of cosmetologists routinely exceeds demand. For example, in 1990, 96,000 cosmetologists were trained nationwide, adding to a labor market already supplied with 1.8 million licensed cosmetologists. For that year, according to the Bureau of Labor Statistics, only 597,000 people found employment as cosmetologists, about one-third of all licensed cosmetologists. In Texas, the IG also found that, not surprisingly, the default rate for cosmetology students exceeded 40 percent in 1990.

At the Chairman's request, we have also initiated a study to address this issue. States have information readily available to project future employment opportunity trends by occupation. We are analyzing its usefulness in identifying occupations that, in the short term, have an over- or undersupply of trained workers. Using this data in conjunction with databases from the Department, we hope to determine the pervasiveness of this problem and the Title IV costs associated with it. We expect to report our results on this matter to you early next year.

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[5]Axel Borsch-Supan, "Education and its Double-Edged Impact on Mobility," Economics of Education Review, Vol. 9, No. 1 (1990), pp. 39-53.

Mr Chairman, this concludes my prepared remarks, and, as I mentioned, we will be reporting to you in the near future on the results of our ongoing work for the Subcommittee. I am happy to answer any questions you may have at this time.

For more information about this testimony, please call Wayne B. Upshaw at (202) 512-7006 or C. Jeff Appel at (617) 565-7513. Other major contributors to this testimony included Ben Jordan, Nancy Kinter-Meyer, Gene Kuehneman, Carol Patey, Jill Schamberger, Tim Silva, and Jim Spaulding.

(104854)

Mr. SHAYS. Mr. Souder will be recognized.

Mr. SOUDER. Thank you. I thought I heard you say, right toward the end of your testimony, that one of the problems was, and you have it in your written statement too, that people are being trained for jobs that don't exist and that you were looking into how to address that question.

Ms. BLANCHETTE. That's correct.

Mr. SOUDER. What would be some of the ways that you would look into addressing that question?

Ms. BLANCHETTE. Well, we're starting with a determination of what information is available. We know that, at least in some States, there is information available about the job market in that State. And, from there, we'll look at what programs there are.

The key will be to tie in students receiving financial aid under title IV with the programs that don't have an adequate job demand, so that our approach is first to determine what information is available on the market, the local markets, and then to tie that to recipients of financial aid.

Mr. SOUDER. The reason I ask the question is, we're trying to really be careful to balance two different things in our society. And we're going through this right now with the so-called careers bill, the job training bill.

Is it that how much we don't want to waste Government funds through loans or job training for jobs that don't exist versus how much steering and control of a job market should the Federal Government be practicing? And if we, in fact, through controlling student loans, while it might help the default rate in student loans, we could, in effect, be collaring the society as far as what the market is going to do and where an individual's choice is with that.

I just want to be careful that we don't back door into a Government-controlled economy, even though I understand what is driving it. I think we need to be cautious that we don't accidentally make executive branch policy that wasn't intended by the legislature, even though I understand that concern.

I have another kind of fundamental question. I apologize if this is kind of general information. But, in the default rates, which seem to me making great progress, but seem to me still quite high, are student loans treated differently than other tax liabilities? In other words, if somebody declares bankruptcy, presumably their student loan risk is gone? Is that why the default rate—what is propelling that default rate?

Ms. BLANCHETTE. Well, we haven't done a study of what's causing the defaults. I would imagine that the bankruptcy of some students may be part of the problem. But, generally it's just students are not paying now. Are they not paying because they're unemployed, in which case—well, they could also be declaring bankruptcy.

I don't know the answer to your question, whether it's because of the bankruptcy laws or not. I would suspect that that could be part of it, but probably it is not the whole problem.

Mr. SOUDER. It seems like a fairly fundamental question to look at. And that is, the reason I ask about other tax liabilities is, I suspect, not being a tax lawyer, which I'm proud of——

Ms. BLANCHETTE. You're not even a lawyer.

Mr. SOUDER. I'm proud that I'm not a lawyer. I'm a businessman. That you can't avoid other tax liabilities by bankruptcy and other means. And I wonder how much of our problem is being caused by the ability to escape. I know, doing both undergraduate and graduate, and hearing different people talk, that that is viewed as a viable option among students if their loans get too high, to get out of their loans. That's folklore and not factual. And it would be interesting to look at the factual background to that.

I wasn't real clear. Partly it was clarified reporting and tracking, partly—I'm trying to get at what do you believe were the key elements of the decline in the default rate. Obviously some came from the collection standpoint.

Do you believe—and this is something that may be of concern later in this hearing. Do you believe part of that has been squeezing out high-risk students and what does that mean for the society?

Ms. BLANCHETTE. Well, I'm sure it is. And high-risk schools, of course, as you know, that in 3 consecutive years, have default rates that exceed 25 percent are no longer eligible for the program. So removal of schools because of high default rates and the students that would attend them, of course, has helped to lower the rate somewhat. Proprietary schools that fall within that group, of course, have left, and that's part of the reason the proprietary school default rate has declined.

It seems that the overall default rates have declined because of the proprietary school segment and the decline there.

Mr. SOUDER. If I can ask this last question: In the declining—what is not clear to me is whether you feel that the default rate is predominantly because of schools' kind of inappropriate management or whether they're recruiting inappropriate students, from your perspective?

Ms. BLANCHETTE. Well, again, we have not done a study of the default rates and looked at why they are what they are. And we also have not looked at schools' recruitment procedures.

Part of the reason could very well be the clientele served by particularly the proprietary schools. As I said, proportionately more of the students in proprietary schools are minorities or low-income students. And, for that group, although they may receive a quality education, there are certainly other factors that affect their willingness and ability to repay loans. And I would suspect that proprietary school programs would not deal with some of those other aspects.

Mr. SOUDER. Because there's a very explosive issue of the right to get an education, even if you are high risk versus schools that are trying to kind of capitalize on a Government program to make profits.

Mr. Towns.

Mr. TOWNS. Thank you very much. Let me first thank you for your testimony.

Ms. BLANCHETTE. You're welcome.

Mr. TOWNS. You indicated that trade and technical school students' default rates have been reduced, although their rates remain higher than those students who attend nonprofit institutions. What are the reasons for this difference; do you know?

Ms. BLANCHETTE. Well, we believe at least part of the reason is the quality of the education that the students are getting. If a student completes a program and can't get a job, either because the student isn't prepared for it or because the job market doesn't allow for the student to get a job, the student can't repay the loan. So that's, at least, part of it.

Another part could be the clientele of the schools. As I said, they are proportionate to nonprofit schools. A higher percentage are low income students to begin with, economically and perhaps educationally disadvantaged students. That could account for part of it. We have not done a study that would allow me to precisely answer that question.

Mr. TOWNS. I guess I'm just sort of thinking out loud now. This one has not been baked. It's the idea, but it's just a thought. If there was some way we could get information out to the general public in a timely fashion maybe the response would be a little different, because I think in terms of the schools and everybody sort of participating in this process.

And I'll give you an example: When we were dealing with athletes in terms of graduation rates that, of course, these schools would come out and recruit athletes. And they would go to the university. And the graduation rate, in some instances, one school had not graduated a basketball player in 15 years, and they were still recruiting. And then finally, we were able to pass legislation here in the House that, where in the letter of intent, they had to place the graduation rate.

Now, we talk about placing default rates and we start getting the information out. And, I think that everybody gets involved in trying to make certain that there's some improvement in it. I don't know exactly how we could do it, but I think that we all need to be much more aggressive.

Now, I know you have this triad, in terms of—and I guess my question is, After you comment on that, what can we do to strengthen it?

Ms. BLANCHETTE. Well, I think you're absolutely right. The more informed potential students are, the better choices they could make. And, I think it's reasonable to make a presumption that anyone enrolling in a school wants an education and wants to better his or her life as a result of experience.

And although student aid is available, quite often students probably spend money of their own as well. And if they've gotten a loan, they have to repay the loan. So there is an investment that these students have made.

So, presumably, if they had better information, they would make better choices, and a lot of the schools with the high default rates would go out of existence for lack of demand.

In terms of how we make things better, there are a number of things that have been proposed and a number of things that seem quite reasonable. Certainly more attention should be paid to high-risk schools, and high-risk schools being schools that appear to have problems based on any various indicators, default rates being one, completion rates being another. There are various potential indicators.

But more attention should be paid. Now, whether that attention comes from the Department of Education or comes from States, as long as someone is paying attention—and paying attention to weed out fraudulent schools certainly, but also perhaps to provide technical assistance to schools where the owners and the managers have good intention, but just are not as strong managers as they could be.

So by focusing on the problem schools, there's an opportunity to perhaps turn things around and not have the school necessarily go out of business or necessarily not be eligible for title IV aid, but to help the schools turn things around.

Mr. TOWNS. All right.

Ms. BLANCHETTE. I think also, as you'll probably hear from some of the witnesses later, that standards are important. Now, they have to be realistic standards and they have to be relevant to the particular program that they're attached to, but I think schools need to be held accountable, and there needs to be standards in order to hold them accountable.

Mr. TOWNS. All right. Thank you very much. There's a vote on, so I'm going to run in and vote.

Mr. SOUDER. My understanding is that we have a vote, then a short debate, and then two more votes. So, depending whether the chairman comes back in, we may be in recess for a little while.

Mr. TOWNS. We should go in recess now.

Mr. SOUDER. I declare us in recess now until somebody gets back.

[Recess.]

Mr. SHAYS. I bring this hearing to order.

Ms. Blanchette, I would like you to just give me an outline of whether or not we have more proprietary schools now than we had 10 and 20 years ago. And I'd like you to give me, if you could, because you make reference to it in 1982, the amount of financial assistance. And give me a sense of—walk me through a little bit, the amount of defaults that we find in proprietary schools.

Ms. BLANCHETTE. Would you like to tackle this?

Mr. APPEL. There are fewer proprietary schools today than several years ago. But, in some cases, that data is hard to get. The total number of proprietary schools, we've estimated right now, is somewhat over 5,000. Not all of those necessarily participate in title IV.

Mr. SHAYS. Just explain to me why the Department of Education wouldn't have a complete list of proprietary schools or certainly any to which grants have been extended?

Mr. APPEL. They would if they were participating in title IV.

Mr. SHAYS. So let me limit it to title IV.

Ms. BLANCHETTE. So your question is, What has been the change in the number of proprietary schools?

Mr. SHAYS. I'd like to know how many proprietary schools we had in 1982, 1992, and today. I just want to have a sense of whether there's a growth, a decline, a consolidation.

Ms. BLANCHETTE. Do we have that?

Mr. APPEL. We don't have specific numbers here today. We do know that there has been a trend, over the last few years, of fewer schools being accredited.

Ms. BLANCHETTE. We could attempt to get that information from the Department and submit it later for the record.

Mr. SHAYS. OK. What is your bottom-line point to this committee?

Ms. BLANCHETTE. Well, the bottom line is that there have been improvements, we believe, in the quality of proprietary schools, because that's what we focused on. And, that's reflected in such things as declining default rates. But we don't believe that the, quote, problem has been resolved, that there are still schools in existence that are not providing the type of education that would allow its students to enter the job market and be productive.

Mr. SHAYS. Why would you describe quality by the declining of default rates? Why would that be a basis?

Ms. BLANCHETTE. That's an indicator. It's not the only indicator of quality. It's the one that's readily available, that's computed by the Department and reported annually. It's not the only one, as I said. Placement rates and training-related jobs would be another; completion rates for programs still another; and I'm sure that there are many others. But it is an indicator of how well a school is doing.

Mr. SHAYS. Do we evaluate higher institutions of education, colleges, universities, based on their default rate?

Ms. BLANCHETTE. Yes.

Mr. SHAYS. In terms of quality?

Ms. BLANCHETTE. Well, the default rates certainly are determined for those schools. And to the extent that those default rates for the period of 3 years exceed the 25-percent limit, they are no longer eligible for title IV aid, so the default rates are applied in the same manner.

Mr. SHAYS. Could you just outline to me what the default rate has been over the last 20 years?

Ms. BLANCHETTE. I don't have the 20 year. I think we had numbers for the last 5 years or so. Jeff, why don't you present what we have and then we can get more information for the record, if you'd like.

Mr. APPEL. We have some information in our prepared remarks. Default rates for proprietary schools in 1991 were 34 percent.

Mr. SHAYS. A little louder, please.

Mr. APPEL. Were 36 percent in 1991, 30 percent in 1992, and 24 percent in 1993.

Mr. SHAYS. To what do you attribute that decline in the default rate?

Ms. BLANCHETTE. A good portion of it is probably due to the change in the requirement, the threshold at which institutions were removed from the program prior to the 1992 amendments. And we seem to keep going back to that, because that's a convenient point in time when things did change, when the criteria did change for these schools.

Prior to that, going back to 1990 or 1991, the level was at 35 percent.

So schools have become ineligible because they've had that high default rate for 3 consecutive years and have been eliminated from the program; that's part of it.

Mr. SHAYS. Do we have a program that says that each institution has to have a declining rate or else they won't be accredited?

Ms. BLANCHETTE. No.

Mr. SHAYS. So, basically, you're taking the worst ones out, so that affects the average?

Ms. BLANCHETTE. Sure.

Mr. SHAYS. But the bottom line is that we have extraordinarily high rates of default. I would be obviously encouraged by the trend rate of 36, 30, and 24. And 24 is as of what year?

Mr. APPEL. 1993.

Ms. BLANCHETTE. That's the latest rate for which the Department has published default rates.

Mr. SHAYS. It boggles my mind that we can't know what the default rate was for 1994. And 1995 would be the end of this last September. Or is it calendar year?

Ms. BLANCHETTE. It's fiscal year. But there is a lag. The default rate is determined based on the number of loans that become due in a year and are not paid within the subsequent year, so there is a natural lag.

Mr. SHAYS. That's a good point.

Ms. BLANCHETTE. And, also, the Department doesn't publish its default rates until after schools have had a chance to appeal the calculations and that sort of thing. So there has not been a report since fiscal 1993.

We would expect fiscal 1994 to be available—well, I think actually by the end of September, I have read that it should be available.

Mr. SHAYS. Your focus has been primarily on the default rate?

Ms. BLANCHETTE. Well, as I said, that's the indicator that's readily available.

Mr. SHAYS. Tell me who, as you looked at this triad, who determines quality?

Ms. BLANCHETTE. Well, OK. I guess it depends on how you're defining quality, and I know that's at the root of your question. In terms of the Department, its definition is that the school is accredited and that it has met State licensing requirements, that it appears to be administratively and financially capable of administering and operating the program that it set out to operate.

In terms of the accreditation agencies, quality seems to be sort of mutually derived on the part of the accrediting agency and the school. There's a lot of self-evaluation and self-reporting that the accrediting agencies take into consideration in terms of recommending or suggesting things that need to be changed.

And, in terms of the States, it varies across the States. In some States, it's nothing more than paying a fee to get a license, as any other commercial entity would do. In other States, there are more stringent requirements.

Mr. SHAYS. Have you done any research on how many schools lost their accreditation?

Ms. BLANCHETTE. Do we have that?

Mr. APPEL. Not specific numbers. In our conversations with some of the accrediting agencies, we did get information on the number of institutions they've accredited over the past few years, but they don't necessarily always track why a school may be accredited 1 year and not the other. Sometimes a school might just choose not to seek accreditation any longer, if it's not going to, for example, participate in title IV.

Mr. SHAYS. I'm not trying to stump you all. I'm just trying to sort this out.

I think, for instance, you would be able just to get in a computer, like yesterday, exactly how many different institutions have loans, are accredited and have loans under the title IV program. Then determine how many of them lost their accreditation, because of the new accrediting process that's supposed to weed out those that don't provide a quality education.

Am I asking a question that is not answerable or one you haven't looked at?

Mr. UPSHAW. We've looked at it, Mr. Chairman. We had to rely on the data bases of the accrediting agencies that we visited. We visited the accrediting agencies that——

Mr. SHAYS. OK. I'm just trying to sort out what the task is and what my——

Mr. UPSHAW. And they're not required to, and they haven't been self-motivated to maintain information on why certain schools disappear from their rolls. It's a confluence of factors. Some schools disappear from rolls because they had dual accreditation and they sought single accreditation.

Some knew they were going to—they weren't going to meet the tougher standards, so they didn't seek accreditation.

And, in some limited cases, I presume, although we don't have any data to support it, schools actually had their accreditation revoked.

But the records just are not maintained.

Mr. SHAYS. How much money are we talking about when we talk about 36, 30, and 24? Can you give me numbers next to each of those, in terms of defaults?

Mr. UPSHAW. Default dollars.

Mr. SHAYS. I mean, it's mind boggling to think, first, that there is one-third of the American citizens who take out loans who don't honor their commitment. It's a pretty pathetic commentary on schools, and on the students, that they don't honor their commitments. Twenty-five percent of everyone who takes out a loan in a proprietary school simply isn't honoring their commitment. I mean, that's pathetic.

Do you have a number that is associated with this?

Ms. BLANCHETTE. We'll have to provide it later for the record.

Mr. SHAYS. Explain in your statement, "Between fiscal years 1983 and 1993, annual Federal payments to honor default claims increased over 400 percent, from $445 million to $2.4 billion." Now, I'm making an assumption——

Ms. BLANCHETTE. That's in total.

Mr. SHAYS. But in 1993, the default rate was $2.4 billion?

Ms. BLANCHETTE. Well, the defaults, the default claims that were paid.

Mr. UPSHAW. The claims. The data isn't disaggregated, so we can't distinguish—we can't identify what proportion of the default claims are associated with proprietary schools.

Mr. SHAYS. Versus?

Mr. UPSHAW. Versus traditional 4-year colleges, community colleges.

Mr. SHAYS. Now, why can't we determine that?

Mr. UPSHAW. The data isn't maintained, was not historically maintained in that fashion. We have a request——

Mr. SHAYS. Who is supposed to maintain that data?

Mr. UPSHAW. We rely on the Department of Education to supply us with that.

Mr. SHAYS. Now, the Department of Education, in the direct student loan program, is supposed to be in charge of administering student loans?

Mr. UPSHAW. Yes.

Mr. SHAYS. And that group is the group that can't give us a distinction between proprietary and nonproprietary schools in terms of the default rate?

Ms. BLANCHETTE. It's the same Department.

Mr. UPSHAW. Not so much the default rate, but the default claims that are triggered through defaults.

Mr. SHAYS. Do you have anything else that you want to say to the committee before I get to the next panel?

Ms. BLANCHETTE. Mr. Souder has left, but before the recess, there was a discussion of the discharge of student loan debt in a bankruptcy. And my staff has informed me that student loan debt is not discharged in a bankruptcy. Perhaps that could be passed onto him, and it might help him in understanding his question.

Mr. SHAYS. Before you go I want you to summarize the role of each of the three, the Department, the State, and the accrediting agency.

Ms. BLANCHETTE. All right.

Mr. SHAYS. I'd like to be clear as to who looks at quality in those three.

Ms. BLANCHETTE. OK. Again, as I said, the definition of quality has not been defined and it's somewhat in the eye of the beholder.

From the Department standpoint, it is responsible for certifying the eligibility of financial institutions to receive title IV aid. That basically means that the institution is accredited by a recognized accrediting agency, and the Department is the entity that recognizes accrediting agencies for purposes of the title IV aid.

The Department also certifies that the school is administratively and financially capable of operating the program that it is set out to operate. The Department's information is—the Department's decision is basically based on information from the schools, financial statements and other information coming from the schools.

Mr. SHAYS. The schools provide this information to the Department of Education?

Ms. BLANCHETTE. That's correct.

Mr. SHAYS. OK.

Ms. BLANCHETTE. The accrediting agencies—first of all, were set up a long time ago and had a role prior to any role under title IV. And accrediting agencies basically work with schools to, hopefully, ensure a quality program. They, as I said earlier, work very closely with the schools in the sense that the schools self-evaluate. Schools, along certain parameters, as defined by the accrediting agency——

Mr. SHAYS. Now, who are you talking about, the accrediting agency?

Ms. BLANCHETTE. Well, I was talking—the schools provide a self-evaluation to the accrediting agencies.

Mr. SHAYS. OK.

Ms. BLANCHETTE. That's right. And I'm talking about the accrediting agency's role.

Mr. SHAYS. You're finished with the Department.

Ms. BLANCHETTE. Finished with the Department, and I'm now talking about the accrediting agency's role. The accrediting agency, particularly since the 1992 amendments when the agencies were tasked with coming up with standards for the schools in certain areas, such as placement rates and facilities and faculty qualifications and so forth. The accrediting agencies seek information from the schools. Initially the schools provide a self-evaluation along various parameters.

The accrediting agency visits. A team under the auspices of the accrediting agency actually visits the school and it's very much a peer review. And they determine, based on talking to various people involved with the school just what the situation is, again along certain parameters.

And they reach a consensus as to whether or not the school should be accredited. And if it's accredited, should it be accredited for a full 5-year—up to 5 years or should it get interim accreditation, and should they go back and look at it before the normal 5-year period is up.

It's not an audit. It's not an indepth review, as was envisioned for SPRE's. And I'm not sure I'm characterizing it in a way that—I don't know if I'm confusing you more or making it easier.

Would you like to add something?

Mr. UPSHAW. Yes. The responsibility, in terms of defining what constitutes a quality program, rests with accrediting agents primarily. And that's different from ensuring program—the integrity of title IV programs, which, ultimately, is the Department of Education's responsibility.

But in terms of providing the perspective of what constitutes a quality education training program, given the divisions of responsibility with the triad, that rests with the accrediting agent, as I understand it.

Mr. SHAYS. Now, what accrediting agencies did you look at?

Ms. BLANCHETTE. We looked at the six that accredit 95 percent of proprietary schools.

Mr. SHAYS. What were those six?

Mr. APPEL. They were the Accrediting Council for Continuing Education and Training, the Accrediting Commission of Career Schools and Colleges of Technology.

Mr. SHAYS. Now, these aren't State by State?

Ms. BLANCHETTE. No.

Mr. SHAYS. OK.

Mr. APPEL. The Accrediting Council for Independent Colleges and Schools, the Council on Occupational Education, the National Accrediting Commission of Cosmetology Arts and Sciences, and the Accrediting Bureau of Health Education Schools.

Mr. SHAYS. Now, what I'm not clear about is, when you looked at them what you were trying to look for.

Ms. BLANCHETTE. All right.

Mr. SHAYS. I know what I would have been looking for, but I'm not sure what you were looking for.

Ms. BLANCHETTE. OK. This is, of course, part of our ongoing work for the subcommittee, and we have not completed our work.

Mr. SHAYS. OK.

Ms. BLANCHETTE. But we talk to officials in the accrediting agencies to basically find out what they do in accrediting a school, what they saw as pertinent issues, what they saw their role as, what they would identify as perhaps problems.

Mr. SHAYS. Was there anything that unified these different six accrediting agencies?

Mr. APPEL. Well, they all accredit primarily proprietary schools. Some of the data that we were looking at in terms of why they are accrediting less——

Mr. SHAYS. So, why are they accrediting less? They were accrediting less, but were they taking away any accreditations? Did you ask them how many schools they have taken accreditation away from?

Mr. APPEL. We did ask.

Mr. SHAYS. And what was the answer?

Mr. APPEL. We got some information. Our primary interest was to look for an increasing rate of being willing to revoke or deny accreditation.

Mr. SHAYS. Give me an example of what you found in one of those six.

Mr. APPEL. Basically, for all of them, we were looking for differences before and after the 1992 amendments. And we didn't really find that accrediting agencies were revoking accreditation with any more frequency after the 1992 amendments than before. We didn't ask for broad, detailed information, but they're some of our initial observations, based on our conversations with them.

Mr. SHAYS. Well, it sounds like you don't know how many they—you didn't ask the specific question. How many schools have they accredited? How many new ones have they accredited? How many accreditations have they revoked?

Mr. APPEL. We did ask.

Mr. UPSHAW. We asked that.

Mr. SHAYS. So how many did they revoke? Give me an example.

Mr. UPSHAW. They were unable to—they didn't maintain records on—OK. I know what. They told us that they did not maintain records on——

Mr. SHAYS. No, no. Now, these are the accrediting——

Mr. UPSHAW. Yes. I understand.

Mr. SHAYS. No, no. It would seem to me you would be pointing this out in your report. What I'm hearing you say is that the accrediting agencies cannot give you documentation of how many schools they've accredited or how many they've revoked.

Mr. APPEL. We did ask them for how many schools they revoked accreditation for, and we do have that information. We didn't——

Mr. SHAYS. Compile it?

Mr. APPEL. I don't have the exact numbers with me today. I mean, it's not many—it's a few.

Mr. SHAYS. See, I'm trying to determine the value of having this committee look into it. As opposed to the committee that actually has to write the law, we look at the program, and we come with a fresh face and a fresh look. The kind of questions that I'm interested in asking just seem kind of basic stuff.

I mean, we have three organizations that are involved. Your report is fairly clear that they are all involved. But there's no one ultimately that seems to be held accountable. And it seems like the SPRE's almost became a way to give credibility to something that maybe doesn't deserve credibility.

I mean, I would think an accrediting board would be able to proudly say: We have this many institutions. We are very proud of what they do. We have located some of the bad apples in this group and we've gotten rid of them.

And if they haven't proactively looked for the bad in their group, then they're really defrauding the system. All they're doing is using the word "accreditation" without housing the substance to back it up. There are bad schools in the system. It's great they haven't accredited new ones. But maybe some new ones deserve to be.

It's not good if they haven't gotten the bad ones. However, I can't make that determination based on what you've been able to tell me. It seems to me like those are pretty logical kinds of questions to ask.

Ms. BLANCHETTE. I think, Mr. Chairman, that perhaps part of the difficulty here is in understanding, at least, the traditional role of the accrediting agencies. They don't see themselves as part of the Federal regulatory process. They now have responsibility because of the 1992 amendments.

Mr. SHAYS. We've given them more credibility, haven't we?

Ms. BLANCHETTE. I think maybe we have not necessarily given them more credibility. I don't want to say that. But, in terms of being a gatekeeper for title IV programs, perhaps we have believed that they had a different role than they actually had.

Mr. SHAYS. Well, I mean I would think logically——

Ms. BLANCHETTE. And then one could argue what role should they have as a private entity.

Mr. SHAYS. We wanted to make sure that the schools that were able to encourage students to come to their school and have a program were schools of substance and that you would have an organization that would be able to put, in a sense, a stamp of approval. Admittedly, it was a brotherhood or sisterhood. But that they would take some pride in that this accreditation meant something and that they would work night and day to get out the bad ones.

And you are not—at least I can't make a determination, and the committee can't, whether they have done that or not done it, based on the kind of response I'm getting.

I get the sense that they haven't, but I can't—I'm not provided, you know, helpful information right now.

Ms. BLANCHETTE. I think the results are mixed. And part of the difficulty may be that, as I said, we're in the process of doing the work, so we have not gotten to the point of issuing the final product.

Mr. SHAYS. Well, then I would encourage that question to be responded to. And I'd like to simply know—I'd like to know specifically every institution that is qualified under title IV to have loans. I'd like to know how many of them have lost their license. I'd love to know why they have lost their license or their accreditation.

I'd like to know from the different accreditation boards, and we'll follow this up with a letter—the different accreditation boards of how many they have—how many new schools they've accredited and how many they've revoked.

And I'd like to know their process for going after those that simply shouldn't be players.

I mean, as much as I fault the students for not paying, and I do fault them, if they've really been basically taken over, enticed to participate in a program that simply isn't worth the payment, I have some sympathy, though not an excuse, for why a student says, "Screw it. I'm not going to pay it."

I mean, I understand that, even though that can't happen.

Ms. BLANCHETTE. I think we may run the risk of oversimplifying what is a very complex issue, even the question of what a bad school is or, on the other hand, what a good school is, what a quality school is. It's not as simple as it might sound.

Mr. SHAYS. No. But that's why you have accreditation of schools. I mean, my brother used to own a camp. They would tell you what was a good camp and what wasn't a good camp, what was a safe camp and what was a dangerous camp. Some of it was the number of teachers, the number of counselors to campers, it was the kind of safety program you practiced, and on and on and on. So I don't buy the fact that an accrediting agency can't tell you what adds up to be a good institution.

Ms. BLANCHETTE. I think an accrediting agency can tell you what it believes adds up to be a good institution within the realm of institutions it looks at.

Mr. SHAYS. Let me just conclude by saying you've told me about the Department of Education, and accreditation. Now, how does the State fit in?

Ms. BLANCHETTE. The States, and as I said earlier, the State rules vary among the States. The States basically license proprietary schools, just as it licenses other businesses, and that can sometimes be nothing more than payment of a fee, filling out an application, paying a fee, or there might be more extensive requirements.

Mr. SHAYS. Does anyone on the committee have any questions or shall we get to our next panel?

Mrs. MORELLA. May I, Mr. Chairman?

Mr. SHAYS. Yes.

Mrs. MORELLA. Perhaps this had been answered; I was just simply curious about whether or not you've found any of the proprietary schools doing any recruiting that you felt verged on trying to entice at-risk, in terms of repayment, students?

Ms. BLANCHETTE. We did not look at the recruiting efforts of schools.

Mrs. MORELLA. OK. Mr. Chairman, isn't that kind of part of your question too, the idea, are they doing that and who is doing it?

Mr. SHAYS. Yes.

Mrs. MORELLA. Great. Thank you.

Mr. SHAYS. I realize, and with some deference to you all, that you are in the process of looking at this. We appreciate your effort to look into this.

It doesn't seem to me like it should be as confusing and diffuse as it appears to be. It seems to me that, ultimately, there has to be more accountability. I may change my view on how. But in my mind, it doesn't seem that the system has to work that way.

Do you all have any other comments?

Ms. BLANCHETTE. Just that I agree, accountability is extremely important, and I don't know that the system has to work that way.

Mr. SHAYS. Thank you.

Ms. BLANCHETTE. You're welcome. Thank you, sir.

Mr. SHAYS. Thank you very much.

Mr. TOWNS. Thank you very much. Now, we move to the next panel, David A. Longanecker, Assistant Secretary for Postsecondary Education; Thomas R. Bloom, inspector general for the Department of Education.

There is a longstanding tradition that we swear everybody in on this.

[Witnesses sworn.]

Mr. TOWNS. Take a seat. Why don't we start with you, Mr. Longanecker.

Mr. LONGANECKER. Thank you.

Mr. TOWNS. I'm getting used to this, because I plan to Chair in the next Congress.

**STATEMENTS OF DAVID A. LONGANECKER, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION; AND THOMAS R. BLOOM, INSPECTOR GENERAL FOR THE DEPARTMENT OF EDUCATION, ACCOMPANIED BY PAT HOWARD, BRANCH CHIEF FOR POSTSECONDARY EDUCATION, AUDIT SERVICES**

Mr. LONGANECKER. Mr. Chair, members of the committee, for the record, I'm David Longanecker. I'm the Assistant Secretary for Postsecondary Education, and I'm accompanied this afternoon by Betsy Hicks, who is the Deputy Assistant Secretary for Student Financial Assistance, and is the person who is, to a great extent, responsible for much of what I am going to be talking about and for what I think is a pretty strong record of success for us in the oversight of and improvements in the oversight in postsecondary education.

It is a pleasure to appear before this committee today. This is my first opportunity to appear before this particular committee, though I've worked with a number of the committee members in other venues in the past.

It's also a pleasure to share with you, as you requested, the status of our current gatekeeping system, the roles and responsibilities of the tripartite gatekeepers, and the expectations each has of the other.

We hope that this is the first of many productive sessions with your committee, as we jointly look for ways to better serve students in the future, while also assuring that we do so through a set of programs that demonstrate the highest levels of fiscal and administrative integrity.

I might also mention to you I'm departing from my prepared remarks, which I presume will be included, and I'm going to try to abbreviate those quite a bit.

This afternoon, I'll explain the eligibility and certification requirements. I'll describe how tougher standards and more attentive oversight within the Department are reaping intended results. And, finally, I'll share with you the work we've done to adopt a fundamentally different, and we think better, approach to oversight for the future.

To the approximately 7,000 postsecondary institutions that currently participate in the Federal title aid programs, we provide them about $40 billion in Federal aid. So this is mighty important work in which we're engaged.

To participate in these programs, an institution has to meet three conditions. It has to be licensed to operate by the State in which it is located. It has to be accredited by a federally approved accrediting association. And it must be certified by the Department. You heard about the program integrity triad.

The States determine the standards used for licensing and approving institutions. And, indeed, those standards vary considerably from State to State.

Accrediting, on the other hand, is more closely monitored at the Federal level. Accrediting agencies are private, nongovernmental organizations that evaluate the educational quality of the institutions, to speak to the chairman's interest. They emphasize the curriculum, the faculty, the educational outcomes, support services, and the ability of the institution to carry out its educational mission.

The 1992 amendments to the Higher Education Act substantially strengthened the requirements of accrediting agencies, specifying 12 specific areas in which they must develop standards. This is serious business because if an institution loses its accreditation, it automatically loses title IV eligibility. And, in this world, for all practical purposes, that means they probably won't be able to survive.

The Department is responsible for evaluating compliance of the accrediting agencies. We do so by evaluating written materials, conducting site visits, observing their site visits, and conducting file reviews. In addition, we are assisted by the National Advisory Committee on Institutional Quality and Integrity, the role of which was substantially enhanced by the 1992 amendments, as well. This sterling group of professionals has proven extremely helpful to us in advising the Secretary of whether and how accrediting agencies should be recognized.

There were concerns in Congress and elsewhere about whether these accrediting agencies were adequately ensuring quality education. These concerns led to the much more directive role reflected in the 1992 amendments. The Department shared similar concerns, both under the last administration and the current one.

But I want to tell you that we are quite pleased with the response today. My perspective is somewhat different than the other ones you will hear today. Although we certainly continue to have some concerns regarding these agencies and their ability and willingness to enforce performance measure standards, we have witnessed substantial improvement. And we are convinced that these private organizations are better suited to assess educational capability than is the Federal Government.

If an institution is State approved and accredited, then it can apply for eligibility and certification by the Department. And this is where we come into the quality dimension. We look at whether that institution has the financial and administrative capability to operate its programs. So we're assessing its administrative quality, if you will.

That institution must demonstrate that it meets standards of financial responsibility and administrative capability. This is certainly not automatic, though it used to be. In 1990, only 16.6 percent of applications were rejected. In 1995, 40 percent were rejected.

Mr. SHAYS. Can you give me that statistic again? I'm sorry.

Mr. LONGANECKER. In 1990, 16 percent of applications were rejected; 1995, 40 percent were rejected. Furthermore, the sheer number of initial applications has declined by more than 50 percent since 1991. We think that demonstrates that people now know that this is more than just a frivolous activity.

When an institution seeks initial eligibility and meets the standards, it is granted provisional certification. Now, provisional certification is, incidentally, a very important result of the 1992 amendments. To remain eligible, you've got to pass these various tests, participate rapidly if the capacity is—let me just catch my breath. I saw that red light go off, and it just——

Mr. SHAYS. No. I turned it off, which meant don't worry about it, within reason.

Mr. LONGANECKER. OK. Thank you. I appreciate that, Mr. Chairman.

Mr. SHAYS. Your testimony is very important to us, and I want to make sure you have an opportunity to share it with us.

Mr. LONGANECKER. I mentioned how important we thought provisional certification was. It allows the Department to allow new and marginal institutions to remain eligible. But it also allows the Department to remove those institutions for participation rapidly if their capacity to serve the program's purposes deteriorate.

After the first full year on provisional certification, new institutions are reviewed and either granted full certification, continued provisional certification, or they are terminated.

Now, fully certified institutions must also follow certain procedures to continue to remain in the programs. Obviously, they must remain licensed and accredited, as they are requirements of the program. But they must also be recertified every 4 years. And when they come up, we determine, based on their performance, whether they are again fully certified, provisionally certified, or whether we withdraw certification.

Of the 1,500 institutions undergoing recertification last year, 70 percent were fully certified, 20 percent were provisionally certified, and 10 percent were rejected.

We also monitor these institutions' progress. And we have dedicated more staff, more training and more attention to this process. Last year, our 10 regional offices conducted more than 850 reviews of institutions, 50 percent more than the previous year. We've worked hard to better target our reviews on at-risk schools, reduce the time it takes to complete a review, and to assess only meaningful liabilities.

We also monitor student aid applications to ensure that ineligible students don't get aid. And, last year, through the new data base that we have and some of the matches that we have with Social Security, the INS, and others, we rejected over 125,000 applications for students who should not have been eligible, but were applying, who, if they had received aid if we hadn't caught them, would have received over $300 million in student loans and $75 million in Pell grants.

Plus, we've redesigned our computer systems and financial management systems to ensure greater integrity into one slick system. A major piece of that is a project we call EASI, which stands for Easy Access for Students in Institutions, which is taking the lessons we've learned from a very successful direct lending program and applying them to the delivery system for all student aid programs so that we can better serve our students and the institutions and have greater accountability to boot.

You've probably heard about the great success in reducing defaults. You heard about it a little bit earlier. We would like to claim success for all of that, but, in fact, you deserve some of the credit. It was, in fact, the default initiatives of the late 1980's that put in place the process we're using. And they've led to a tremendous reduction in the default rates and the number of schools. More than 600 schools have been eliminated from loan eligibility since 1988. And 300 have been removed from all title IV since we came to town in 1993, more than twice the number in the previous 7 years combined. But we're not satisfied.

Mr. SHAYS. I don't understand. The 600 schools are what?

Mr. LONGANECKER. The 600 is the number of schools that have been eliminated from the program since 1988.

Mr. SHAYS. Because of a default rate?

Mr. LONGANECKER. Default rate and other factors, but principally because—no, excuse me, that 600 is solely because of the default rates.

Mr. SHAYS. Right. And the 300 is?

Mr. LONGANECKER. That's the number that we have eliminated from the program since 1993.

Mr. SHAYS. So the 300 is part of the 600?

Mr. LONGANECKER. That's correct.

Mr. SHAYS. OK. Thank you.

Mr. LONGANECKER. We're not satisfied with what we've accomplished.

Mr. SHAYS. No. I just wanted to understand the statistics.

Mr. LONGANECKER. Yes. Perhaps our most ambitious project is the one in which we're currently engaged to rethink the way we approach monitoring and oversight. We've begun an approach that will reward institutions that have continually demonstrated outstanding performance with less regulation, using the resources previously focused on those institutions to more fully focus on those institutions that pose the most significant risk to the Federal Government and to students.

We began that process by simplifying regulations which we released last December. We've also reinvented the administrative processes to focus more on a case management approach. We're doing a great deal to try to ensure that we are good stewards of those Federal funds, and that we are rewarding those people who do a good job and focusing on those who are placing Federal dollars in students' educations at risk.

I do have some of the specific information that you were asking the previous respondents for. I'll be glad to provide those tables and numbers. And when we get to questions and answers, we can go into those, as well.

Mr. SHAYS. Mr. Longanecker, that would be very helpful, and I'd like to get to that.

Mr. LONGANECKER. My apologies for running long there.

[The prepared statement of Mr. Longanecker follows:]

Mr. Chairman and Members of the Committee,

I am pleased to appear before you today to share with you the process by which institutions of postsecondary education become and remain eligible to participate in the student financial aid programs. I would also like to share the work we have done to ensure that these institutions are complying with administrative and fiscal requirements, as well as providing high-quality education and training to their students. Our goal -- one that I am sure you share -- is to provide deserving students access to high-quality postsecondary education while simultaneously ensuring the integrity of the federal student aid programs. It is a goal that embodies the President's long-standing conviction that the Federal Government has an obligation to ensure educational opportunity, but with that opportunity comes responsibility, including responsibility on the part of the institutions. Our commitment to ensure that students, who increasingly are from low and middle-income families, have access to a high-quality postsecondary education, depends, in large part, upon our management of these very important programs.

While we believe that the vast majority of the institutions that participate in our programs are operating in full compliance with our rules and regulations, there are some institutions that perform contrary to the program's goals and objectives. These are the institutions that we are especially concerned with in our monitoring and oversight efforts. We remain committed to enhancing the effectiveness of our oversight responsibilities and to reducing the incidence of high-risk institutions participating in the federal student financial aid programs authorized under Title IV of the Higher Education Act of 1965 (HEA). In my testimony today, I will explain the requirements that institutions must meet for eligibility in the student financial assistance programs. I will also discuss how our more focused and attentive oversight efforts, as well as our tougher standards, have removed many institutions from the programs and deterred other unqualified institutions from even applying for eligibility. Finally, I will share with you the work we have done, and the progress we have made, to adopt a fundamentally different, and we are convinced far better, approach to oversight that will build upon our accomplishments of the last few years.

**ELIGIBILITY AND CERTIFICATION**

Currently, approximately 7,000 postsecondary institutions participate in Title IV programs, and nearly $40 billion of financial aid will be provided to students through these programs this year. In order to participate in the Title IV programs, an institution must (1) be licensed or otherwise legally authorized by a State to provide postsecondary education or training; (2) be accredited by a nationally recognized accrediting agency; and (3) meet the Department's requirements for certification. [Flow charts outlining the existing oversight system are attached at the end of the testimony.] These three partners represent what is often referred to as the Program Integrity Triad. The Department of Education has worked with Congress to improve the eligibility and certification process, and our combined efforts have paid off handsomely. For example, the percentage of initial applications for certification that are denied has increased substantially, from 16.6 percent in 1990 to 30.5 percent in 1992 to nearly 40 percent in 1995, reflecting our tougher standards for certification. Furthermore, the sheer number of initial applications for certification has declined more than 50 percent since 1991.

To participate in Title IV programs, an institution must first be licensed or otherwise legally authorized by a State to provide postsecondary education or training. Currently, state licensure requirements vary widely across states. Some states have strict licensure requirements that address an institution's financial and administrative capability and its educational program. In other states, licensure consists of little more than acknowledgment that the institution is owned and operated by a duly-chartered corporation, and no scrutiny is exercised over the institution's ability to provide education. For eligibility purposes, the Department recognizes the state license regardless of the licensure requirements.

The 1992 Amendments to the Higher Education Act enhanced the role of the states in the oversight system through State Postsecondary Review Entities (SPREs). Initial efforts to implement these statutory provisions suggested that the SPRE program was developing as anticipated. However, creating the SPREs changed the relationship between institutions and their State and Federal governments so substantially that the overwhelmingly negative response from the postsecondary community created an environment that simply made it impossible to sustain the partnership we need to serve students well. The Department is now relying on the states to provide help in the areas in which they are most familiar with rather than burdening them with nontraditional tasks. We believe that institutions should be required to provide information about educational programs and student outcomes to prospective students in order to help them make more informed decisions about where to enroll. This would help to ensure that market forces work better to eliminate inadequate institutions and programs. The information provided by institutions could vary between degree and non-degree programs. State-run One-Stop Career Centers could act as honest brokers of information and be responsible for making this information available to prospective students as they do now with information on employment opportunities and career possibilities.

In addition to being licensed, an institution seeking initial eligibility for Title IV programs must be accredited by an accrediting agency that is recognized by the Secretary. Accrediting agencies are private, nongovernmental, peer review organizations that evaluate educational quality, with emphasis on the curriculum, the qualifications of the faculty, student outcomes, support services, and the ability of the institution to carry out its mission. While accreditation has been a requirement for institutional eligibility since the inception of these programs, the 1992 Amendments significantly strengthened the requirements that accrediting agencies must meet in order to be recognized. The 1992 Amendments specified 12 areas in which agencies must develop standards and operating procedures with respect to reviews of institutions by accrediting agencies. The Amendments included the requirement that agencies must have standards for educational outcomes, including, as appropriate, completion and job placement rates, and performance on licensing examinations. Institutions that fail to meet their accrediting agency standards risk losing their accreditation and, as a result, their eligibility to participate in Title IV programs.

The Department is responsible for evaluating the compliance of accrediting agencies with the requirements of the 1992 Amendments. The Department evaluates written materials, conducts site visits of agencies, observes institutional site visits conducted by accrediting agency evaluators, and conducts agency file reviews to evaluate and monitor agency compliance with the requirements for recognition.

The 1992 Amendments also substantially enhanced the role of, and renamed, the National Advisory Committee on Institutional Quality and Integrity, which is comprised principally of presidents and vice presidents of postsecondary education institutions. This outstanding group of individuals performs a valuable service for the Federal Government by giving their time and advising the Secretary on matters regarding the eligibility and certification of institutions for Title IV programs. One of their principal roles is to review staff reports concerning accrediting agencies and to make recommendations to the Secretary concerning the recognition of accrediting agencies, including recommendations to withdraw, modify, and/or place conditions on recognition.

The Department, with the assistance of the National Advisory Committee, is continuing to work with accrediting agencies to strengthen their oversight in statutorily mandated areas, in accordance with the 1992 Amendments. Prior to the 1992 Amendments, there were concerns that the agencies were not ensuring that the institutions they accredit were fulfilling their responsibility to provide a high-quality education to their students. The Department shared similar concerns. Since then, we have engaged the agencies and stressed the importance of their role with regard to ensuring educational quality. The agencies have responded by working to develop meaningful standards, consistent with the law, to assess educational programs. Although some concerns remain regarding the agencies' ability and willingness to enforce performance measure standards, we have witnessed a substantial change in behavior on the part of the accrediting agencies.

An institution must also apply to the Department for certification that it meets certain standards of financial responsibility and administrative capability. To meet these standards, an institution must, at least, demonstrate that it meets its financial obligations, provides the administrative resources necessary to comply with Title IV requirements, has audited financial statements that indicate sufficient financial health, employs an adequate number of capable staff to administer Title IV programs, maintains records as required by the Department, and implements a sound system of internal controls.

If an institution seeking initial eligibility meets the standards of financial responsibility and administrative capability, the Department grants provisional certification to the institution. The 1992 Amendments required the Department to give a no more than probationary approval, called provisional certification, to institutions of questionable capability to ensure that those institutions demonstrated that they were capable of effectively administering the Title IV programs. After the first full award year, each new institution must apply for full certification, at which time the Department determines, based on a thorough review of the institution's performance during its first year of participation, whether to grant full certification, continue provisional certification, or refuse to permit further participation under any terms. In addition, the Department considers any review that may have been conducted by either the Department or a student loan guaranty agency. All institutions placed on provisional certification are subject to a system of expedited administrative review, which enables us to remove schools from participation quickly, should problems arise.

Institutions fully certified to participate in Title IV programs must also follow certain procedures to continue their participation. Institutions must remain licensed and accredited at all times during their participation. In addition, all institutions, as required by the 1992 Amendments, must be recertified every four years to ensure that they continue to meet the standards of financial responsibility and administrative capability. When an institution applies for recertification, the Department may: recertify the institution for the full four-year period; provisionally certify the institution if it meets most of the requirements but has some deficiencies; or deny recertification, at which point the institution's Program Participation Agreement (PPA) expires and the institution loses the ability to participate in Title IV programs. The Department may place an institution on provisional certification if the institution is experiencing problems that are significant enough to warrant further monitoring. Again, when an institution is placed on provisional certification, the Department can remove the institution from participation much more quickly than it can remove a fully certified institution.

The Department focused its initial recertification efforts on the institutions that have previously posed concerns to the Department. Nearly 60 percent of the first 1,500 institutions that underwent recertification were selected because they met criteria that identify potentially at-risk institutions. Institutions that met these criteria include institutions that were subject to an on-site review by either the Department or a guaranty agency in the past year or did not meet the financial standards based upon an initial screening of their financial statements. Among the institutions selected for recertification last year, more than 20 percent were provisionally certified and another 10 percent were rejected altogether. In all, 531 institutions (which includes both new institutions and currently eligible institutions) are provisionally certified.

## MONITORING EFFORTS

Monitoring and program reviews are other essential tools of oversight that we use to ensure accountability and compliance with the rules and regulations of the programs. Through the use of management controls, databases, legislation, and intensive reviews of at-risk institutions, we have spent considerable time and effort to substantially improve monitoring and oversight.

The Department's monitoring of institutions was assisted by the 1992 Amendments, which mandate the annual and timely submission of financial and compliance audits by all institutions. Previously, institutions submitted financial audits only after the Department detected a problem with their ability to meet the financial requirements. Annual compliance audits serve as an important tool in reviewing high-risk institutions' performance before serious problems arise. For example, findings in an institution's compliance audit may lead us to conduct a program review, in which one of the Department's 10 regional offices conducts an on-site review of an institution's participation in the student financial assistance programs. If a program review or other process check reveals noncompliance with specific program participation requirements, or potential for significant dollar impact that is adverse to the government or harmful to students, the Department initiates corrective action to ensure that the school properly uses and accounts for Federal funds; to do so, the Department may require the institution to be paid under the reimbursement payment method, and may pursue an administrative enforcement action, including termination of the institution's participation, and, if fraud is suspected, refer the case to the Office of the Inspector General for investigation.

The Department performed nearly 900 program reviews in 1995, a 50 percent increase from 1994. We have hired additional program reviewers and significantly increased the formal training we provide to them through our new Training Academy. The Department has also implemented other measures to better target high-risk institutions for program reviews, reduce the time it takes to finalize a review, and assess only meaningful liabilities. By taking advantage of technological advances, we have refined automated techniques used to evaluate school status and provide warning signals to identify high priority candidates for review; we have supplied staff with state-of-the-art portable computers and enabled them to access Pell Grant payment information to support review activities; and we have made important improvements in the practice of statistical sampling so that our reviewers can make more sophisticated, scientifically designed assessments of the loss of Federal funds caused by institutional errors or abuse.

The Department also monitors student aid applications to prevent ineligible students, and students who provide false information, from receiving Federal funds. A number of database matches are performed for each student aid application, and many have recently been enhanced or introduced to strengthen our oversight in this area. First, each applicant's name and date of birth is now matched with the Social Security Administration's master file to verify the applicant's Social Security number. Prior to September, 1994, we checked merely to determine whether the Social Security number the applicant reported was within the valid range of all numbers issued by the Social Security Administration.

Second, since January, 1995, every applicant's name and Social Security number is checked against the Department's National Student Loan Data System (NSLDS) to determine whether the student is in default on a student loan, or has received an overpayment on a grant and therefore owes a refund, before he or she can receive additional aid. This new data system provides more timely, accurate, and comprehensive loan-level information than was previously available through the database of loans held by the Department and the annual status reports filed with the Department by the guaranty agencies. NSLDS is also used to verify the enrollment status of student borrowers, verify that student borrowers have not exceeded statutory loan limits, and is critical in ensuring that the Federal Government does not overpay lenders for interest benefits arising from federally guaranteed loans. To date, NSLDS has identified approximately 125,000 prior defaulters among students applying for additional financial aid, preventing as much as $310 million in future defaults and denying about $75 million in Pell Grants to these ineligible students.

Third, the Department verifies the eligibility status of applicants who claim to be eligible non-citizens by matching their alien registration number ("A" number) with the Immigration and Naturalization Service. We have also implemented, beginning in January, 1996, a recommendation from our Office of the Inspector General to expand the Social Security number match to include citizenship status in order to prescreen all applicants for citizenship status rather than only those who provide an alien registration number. Finally, the Department has recently begun systematically to identify students with scheduled Pell Grants in excess of the amount allowed by law. Such excesses can occur when students transfer schools. This check will help ensure that no such student will receive an overpayment.

We are also building on the accomplishments of the Direct Loan program to use technological advances to consolidate our student aid data systems and processes. For example, we are redesigning the Department's financial and management information systems to ensure that data from accounting, grants, contracts, payments, and other "feeder" systems such as the student aid application system are integrated into one financial management system. Additionally, we are working with a diverse group of government, business, and education leaders to reengineer the postsecondary student aid delivery system through the creation of Project EASI (Easy Access for Students and Institutions). Project EASI will integrate the various systems components into a single, student-centered system. All of these measures will help us reduce our costs through the elimination of redundant and obsolete systems, reduce fraud and system vulnerability, and facilitate program flexibility and change as we expand our capability to quickly utilize new technologies. They will also help institutions avoid noncompliance with our rules and regulations.

## ENFORCEMENT ACTIONS AND DEFAULT REDUCTION INITIATIVES

When audit reviews, program reviews, or other monitoring devices indicate that an institution is failing to comply with requirements of Title IV programs, or that a school is otherwise determined to be at-risk, the Department can limit, suspend, or terminate an institution's participation agreement. In 1994, 191 termination actions were imposed by the Department, the most ever for a single year.

The default reduction initiative has also proven to be a very effective tool in enabling the Department to end an institution's eligibility for one or more of the student aid programs when the institution's student loan cohort default rate exceeds certain statutory and regulatory default rate criteria. The cohort default rate is defined as the percentage of borrowers whose loans entered repayment in a given fiscal year who defaulted in that year or the subsequent year. Because the statutory threshold has dropped from 35 percent to 25 percent over a four-year period, the number of institutions removed from participation has increased considerably in the past few years. More than 600 institutions have been made ineligible to participate in the Federal Family Education Loan (FFEL) program since the default reduction exclusion authority was enacted in 1990.

The national cohort default rate declined from 22.4 percent in the 1990 cohort to 11.6 percent in the 1993 cohort. The Department's reinsurance payments have declined more than 30 percent, from $3.5 billion in 1991 to $2.4 billion in 1995, despite a 50 percent increase in the volume of loans in repayment during the same period.

Through these measures, and our overall commitment to stronger oversight, more than 300 institutions have been removed from participation in all Title IV programs since this Administration came into office in January, 1993. This is more than twice the number removed from eligibility in the previous seven years combined.

## THE DEPARTMENT'S NEW APPROACH FOR OVERSIGHT REFORM

Finally, I want to share with you today a very different approach to monitoring and oversight that will best utilize our available resources. Our approach includes regulatory relief for institutions where appropriate, statutory relief, with your help, where necessary, and improvement of administrative processes wherever possible. At the same time, we are increasing our oversight of institutions that have experienced problems in managing our programs and that pose significant risks to Federal funds.

This initiative builds upon the actions already taken by the Department to simplify regulations and administrative processes and to ensure the integrity of the programs and promote accountability. The Department has alleviated some unnecessary burdens for all institutions through the recent issuance of new regulations and by streamlining the recertification application that each institution is required to submit. Our latest initiative would allow us to move further in this direction and reduce administrative burden where the program's requirements do not improve accountability, protect the Federal fiscal interest, or serve the students. We believe that there are a number of institutions that should not have to be regulated as stringently as other institutions because of their past successful performance in managing the Title IV programs.

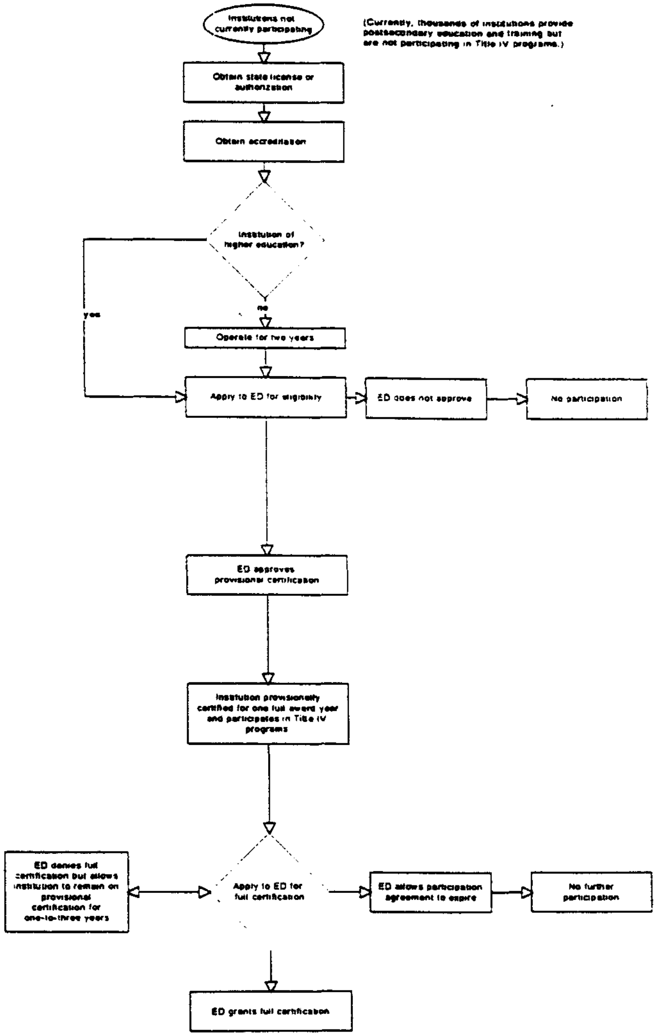
We are focusing on further improving our oversight of institutions that require closer monitoring through the development of a risk-analysis model that will allow us to target oversight resources on institutions with poor performance records. The Department will also re-align staff with oversight responsibilities along case management lines, whereby a team of employees is responsible for all oversight activities for an assigned group of institutions. We believe that this approach will enable us to manage the program more effectively and efficiently and to be more sensitive to our customers' concerns. In this regard, we have consulted extensively with both the leadership of individual institutions and the associations representing all sectors of higher education to develop a more-responsive relationship.

## CONCLUSION

Mr. Chairman, I have explained the policies and processes involved in institutional eligibility for Title IV programs. Although the requirements for eligibility may, at times, seem daunting, we recognize and take seriously our responsibility to maintain the integrity of the student financial aid programs. We also believe that we have made significant improvements in the existing oversight system, both by reducing the unnecessary administrative burdens and by better monitoring institutions that pose risks to Federal funds. Our hard work in implementing the regulations arising from the 1992 Amendments and in improving the management of these programs is consistent with the President's belief in providing opportunity with responsibility. In all, our efforts have allowed us to provide more financial aid to students than ever before, while ensuring that the institutions that participate in the Title IV programs are operating within the boundaries of financial and administrative responsibility.

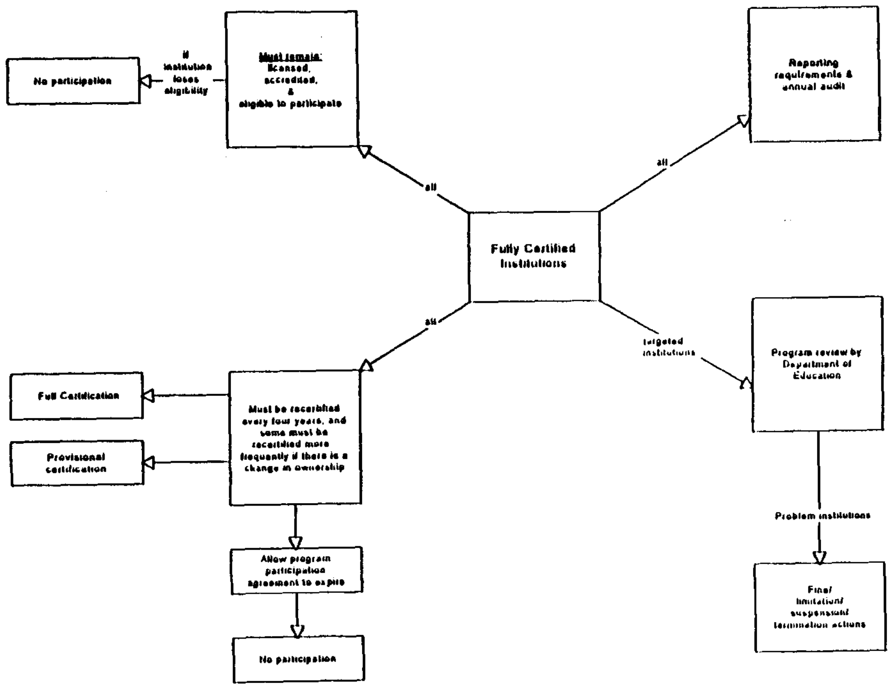
I would be happy to answer your questions at this time.

**How Institutions Obtain Initial Eligibility to Participate in Title IV Programs**




Flow Chart 1

# Oversight of Fully Certified Institutions




Flow Chart 2

Mr. SHAYS. No. That's all right. Mr. Bloom.

Mr. BLOOM. Thank you, Mr. Chairman and other members of the committee. It's certainly a pleasure to be here. I have with me Pat Howard from my office, who is really the student financial aid expert in my office, and he'll be here to help.

Mr. SHAYS. That has to be a full-time job.

Mr. HOWARD. Yes, sir.

Mr. BLOOM. And then some, sir. This is my first meeting with the subcommittee. I'm relatively new as the inspector general, having been sworn in in January. My learning curve is going like that [pointing upward]; we're getting there.

Mr. SHAYS. Nice to have you.

Mr. BLOOM. Thank you. I've submitted a 22-page prepared statement, which we submit for the record. And so this oral testimony will be somewhat more brief.

Mr. SHAYS. Well, we'll submit your whole statement into the record, and appreciate your summary.

Mr. BLOOM. Thank you. Mr. Chairman, I'm an accountant and a CPA by training; financial executive auditor and management consultant by profession. I've been a line manager. I've been a senior management official. So I've been there. And one of my strongest basic beliefs that I manage by and that I used to consult by, is what you measure you get. I strongly believe that. Not only is this important in the business world, but I believe that it's an important principle for Government and education.

So I want to first hit kind of the punch line of my testimony, which I have here. The punch line basically is legislative performance——

Mr. SHAYS. You know what I like: You're new and you came with a new idea. I have never seen anyone with a light pen able to point from the desk to there. I'm sure that happens in the private sector a lot, though.

Mr. BLOOM. All the time. All the time. Legislative performance standards are needed. They need to be quantifiable, enforced, and verified.

First of all, let me talk a little bit about accrediting agencies. You probably—this is maybe a little bit gratuitous.

Mr. SHAYS. You need to be gratuitous.

Mr. BLOOM. Yes.

Mr. SHAYS. Assume nothing.

Mr. BLOOM. Accreditation is one of the legs of the gatekeeping triad; the others being State licensure and certification. Under the current situation, accrediting agencies are arguably the most important part of that triad. Currently, the accreditation is done by private accrediting agencies that are funded by the schools that accredit them.

The 1992 Higher Education Act amendments were a great first step toward the measurement that I talk about, because, for the first time, they included a requirement for measuring student outcomes. While the amendment was somewhat vague, it certainly provided a skeleton for the Department of Education and the accrediting agencies to add meat to require quantifiable, enforced, verifiable performance standards. However, we're halfway through 1996—remember this was the act of 1992—and we're not there yet.

We do not have what I believe are important quantifiable, enforceable, and verified standards.

Now, some of the accrediting agencies are working on the quantifiable part. I want to say some because I don't believe all are. But it doesn't appear that verifiable and enforced is on anybody's radar screen just yet.

Now, I don't want to give you the impression that my friend and colleague, Dr. Longanecker, and the Department of Education have been sitting on their hands for the last 4 years. We don't believe that. There have been some great strides that have been made in the gatekeeping process, particularly in the certification area. The 1992 amendments were quite clear when they added significant financial responsibility requirements, most notably the audited financial statement requirement. And the Department has done a credible job of implementing this bright-line, statutory requirement.

Another issue that I want to talk about, the bifurcation issue, which maybe doesn't relate totally, but it's something I want to talk about a bit. I want to ask the question: Why do we regulate the receipt of public funds at, say, Yale, the same way that we regulate it at, say, XYZ Barber College? That is not how business would operate. The same lawyer who handles matters for, say, the University of Connecticut probably would handle them differently or probably wouldn't be the lawyer that worked on the barber college, because the issues are different.

The same would be true with Pitney Bowes or AT&T; they're really different industries. The business world would handle them as such.

So, I would say that we need to bifurcate our legislation and regulation in the way that it more meaningfully reflects the kind of education being given.

Now, to better illustrate the nuance of goals and standards in verifiable and enforceable, very quickly this morning, we put together this chart that we think is a continuum. We do not believe that it's—it's not 100 percent audited—but we think it shows the point in the difference between what we think is a weaker requirement all the way to what we believe are very strong requirements.

For instance, a goal or a guideline would say, we ought to strive to have a graduation and a placement rate of 70/70. Let's strive to do that, and we expect continuous improvement. Fairly vague.

Now, a standard might require the 70/70, and it might say, if it's not met, you really need to have an improvement plan. And failure to comply, in the long run, we'll kick you out of the program.

A verifiable, enforced standard would again be a mandatory 70/70. It would say something to the effect of, if you don't fix it in 12 months, you're out, period, and that the data needs to be independently verified.

Now, if I had to put on this continuum where I believe the different factions are at this point—and, again, this is the new guy's guess—I would say that the accrediting agencies are closer to the weak side, that the Department is kind of in the middle, and what we believe is probably not as draconian as others might say, but certainly on the strong side. And that's pretty much what we would propose.

Now, before I conclude, I want to make two additional points. First of all, we are not suggesting that schools that cannot meet the standards should have to shut their doors; we're not saying that. If there is a market out there for their services, so be it. But we believe that if Federal funds are involved, we need to have quantifiable, enforceable, and verifiable standards.

The second point is that while bright-line default rates are doing an excellent job of removing some of the not so productive schools out of the student loan program, many are still eligible for the Pell Program, which, strangely enough, if you kick them out of the loan program, there's kind of a perverse incentive for abuse in the Pell side. So we believe that performance standards would protect all of the title IV programs.

So, in summary, we believe what you measure you get. We believe that, in gatekeeping, past statutory requirements have been sufficiently vague; that, 4 years later, we are still not where I believe you all want to be with respect to protecting the student and the taxpayer; and that it would appear to us that more bright-line legislative instruction is needed. Now, I'm not big on regulation and laws where it's not needed, but it does appear to us that it ought to seriously be considered by this subcommittee and the Congress as a whole.

Thank you.

[The prepared statement of Mr. Bloom follows:]

Mr. Chairman and Members of the Subcommittee:

We welcome this opportunity to discuss the gatekeeping process for schools that participate in the federal student financial assistance (SFA) programs under Title IV of the Higher Education Act (HEA). The issue of gatekeeping -- that is, the process for screening institutions to participate in the SFA programs -- has been one of great concern to the Office of Inspector General (OIG) for many years. We firmly believe that it is vital to the efficiency of the SFA programs to have strong front-end controls like effective gatekeeping, rather than to rely on back-end, institutional monitoring and enforcement mechanisms. In the Department's testimony today, these two efforts are described as a single process. While they both perform important functions, the gatekeeping process exists to prevent marginal schools from ever participating or continuing to participate in the SFA programs.

The OIG has focused its work on non-degree-granting, vocational trade schools, because they have posed the greatest risk to the SFA programs in terms of fraud, waste and abuse. Therefore, my remarks will be directed to gatekeeping for those schools. Furthermore, based upon OIG's years of experience auditing and investigating the SFA programs, we believe that Congress should adopt a separate statutory and regulatory scheme for such schools, because they pose different challenges from the traditional academic schools for the administration of SFA programs. Indeed, the HEA already recognizes a distinction between degree-granting, higher education institutions and non-degree granting, vocational trade schools; only the latter are required to prepare students for "gainful employment in a recognized occupation."

I will urge in this testimony that reform of the gatekeeping process for the SFA programs be guided by this principle: WHAT YOU MEASURE, YOU GET. It is vitally important that we measure the right things in order to ensure that increasingly scarce taxpayer money is financing only quality training. Unfortunately, the way the SFA programs currently are designed, there are virtually no enforceable, quantitative measures that assure the quality of vocational trade schools that may participate in the programs. The result is that students and taxpayers are not always getting their money's worth for the $8.8 billion spent annually on postsecondary vocational training.

Because the traditional gatekeeping mechanisms for the SFA programs have not assured the quality of the participating vocational trade schools, I will be advocating in this testimony that, with respect to the non-degree-granting, vocational trade school sector, Congress legislate consistent, measurable, objective standards which schools would have to meet in order to be eligible to participate in the SFA programs.

## HISTORY OF PROMISED IMPROVEMENTS IN THE GATEKEEPING PROCESS

There has been a great deal of congressional testimony on the subject of gatekeeping, particularly leading up to the 1992 HEA Amendments. In 1990, then-Secretary of Education Lauro Cavazos told the Permanent Subcommittee on Investigation, Senate Committee on Governmental Affairs:

> "We believe that focusing more on performance, strengthening standards for State Licensure, and improving the accreditation, eligibility and certification process will greatly improve quality amongst our postsecondary institutions. This has been and will continue to be a major emphasis of the Department's activity."

In October 1993, Assistant Secretary for the Office of Postsecondary Education, Dr. David Longanecker, promised the same Senate Subcommittee major improvement in the gatekeeping process by using authorities in the 1992 HEA Amendments to beef up the accreditation and certification processes, particularly with regard to the problem school sector -- nonbaccalaureate vocational institutions.

In July 1995, Assistant Secretary Longanecker again testified before the same Senate Subcommittee and promised a "new approach for oversight reform," a centerpiece of which was a targeting by the Department of resources in the gatekeeping area and elsewhere on "for-profit institutions providing short-term training."

Have the promised improvements materialized? In general, I can report that there has been improvement in those areas where Congress has legislated clear, bright-line standards or requirements for the Department to implement without much discretion, for example, the requirement for audited financial statements from participating schools. However, where the law has deferred to outside entities, such as accrediting agencies, to set and enforce standards, much more improvement is needed.

**ACCREDITING AGENCIES -- RELUCTANT TO SET AND ENFORCE MEANINGFUL PERFORMANCE STANDARDS**

Accrediting agencies are one-third of the tripartite gatekeeping process, along with the Department and the states. The accreditation process is conducted by private accrediting agencies, which under the HEA are to be determined by the Secretary to be "reliable authorit[ies] as to the quality of education or training offered" by institutions that participate in the SFA programs. Thus, under the current statutory scheme, accreditation is supposed to ensure the quality of training so that students and taxpayers get their money's worth from the training purchased.

History of Concern Regarding Accreditation Process

In testimony before congressional committees going back to 1990, OIG has repeatedly expressed its concern that the accreditation process does not reliably ensure institutional educational quality for vocational trade schools.

The Senate Permanent Subcommittee on Investigations, which had held extensive hearings on weaknesses in the SFA programs, issued its report on Abuses in Federal Student Aid Programs in May 1991. The report recommended that accrediting agencies be eliminated as a part of the gatekeeping process unless, under the leadership of the Department, the agencies dramatically improved their ability to screen out substandard schools. The report further recommended that the Department "should be required to develop minimum uniform quality assurance standards, with which all recognized accrediting bodies that accredit proprietary schools must comply. The Department should be responsible not only for formulating those standards, but also for developing and carrying out a meaningful review and verification process designed to enforce compliance with those standards. If the Secretary determines that an accrediting body does not or cannot meet these requirements, recognition should be terminated."

1992 HEA Amendments

In the 1992 HEA Amendments, Congress sought to address the need for specific accreditation and institutional performance standards. Section 496 directed the Department to establish standards for recognizing accrediting agencies as reliable authorities as to the quality of education or training offered. The 1992 HEA Amendments also required the accrediting agencies to have institutional review standards in twelve areas. While many of these areas were previously included in the law, the required standards for student outcomes were a new addition. In fact, the law stated that "such standards shall require that" accrediting agencies assess institutional "success with respect to student achievement in relation to its mission, including, as appropriate, consideration of course completion, State licensing examination, and job placement rates."

We believe that by requiring the Department to "set standards" for evaluating accrediting agencies in specified areas, Congress was directing the Department to put meat on the bare-bones statutory language in order to ensure that the agencies had meaningful, quantifiable and enforceable standards for their member schools.

Department Action Since the 1992 HEA Amendments

It appeared that the Department was on the same track when Assistant Secretary Longanecker told the Senate Subcommittee on Investigations in 1993, in reference to the proposed regulations:

> "The Department will soon publish proposed regulations for recognizing accrediting agencies . . . which will make it clear that the accrediting agencies are accountable for the schools they accredit . . . [A]ccrediting agencies will be required to have meaningful standards for assessing an institution's fiscal and administrative capabilities, recruiting and admissions practices, measures of program length and student achievement, and program completion, job placement, and default rates. . . . These regulations would also require accrediting agencies to take followup action when a school fails to meet those standards."

In our opinion, the Department's final accrediting agency regulations did not fulfill this promise. The final regulations simply restated the statutory language of the 1992 HEA Amendments without giving the accrediting agencies additional direction for setting meaningful standards or requiring that those standards be enforced against member schools that do not meet them. The stated rationale was that the Department must regulate "closely to the law" to avoid "regulation-driven management." In addition to the Department's efforts to minimize regulation, the accrediting agencies expressed an unwillingness to develop and enforce meaningful, objective standards because of their belief that it would inappropriately make them federal regulators. This demonstrates why we believe Congress must legislate measurable and mandatory performance standards and not rely on the Department or the accrediting agencies to do so.

We believe that the Department's regulations are not what the 1992 HEA Amendments contemplated; nor will they enable the Department to attain clear, measurable and binding performance standards to help meet the requirements of the Government Performance and Results Act of 1993 (GPRA). The GPRA mandates federal program accountability by requiring federal agencies to establish performance goals that are objective, quantifiable and measurable by fiscal year 1999. The Department currently must rely on accrediting agencies to establish and enforce such performance goals. However, without assessing the institutional performance data collected by the agencies from member schools, the Department's ability to comply with the GPRA may be significantly jeopardized.

Post-1992 HEA Amendments OIG Audit Work

To assess whether the accrediting agencies were in fact developing performance standards for student achievement, as contemplated by the law and the Department's regulations, the OIG in 1994 conducted on-site reviews of five agencies that accredit institutions providing vocational training programs which receive SFA funds. Our May 1995 audit report concluded that the five accrediting agencies generally were not using performance measures to assess and improve the quality of education offered by member schools. Since our report, on-going, follow-up work reflects that some accrediting agencies have adopted or are now developing performance standards. However, the accrediting agencies expressed their reluctance to do so and said that they want and need more direction in the law itself as to what the appropriate standards for schools should be for purposes of participation in the SFA programs.

The accrediting agencies we reviewed treated the standards only as "goals" that the schools should try to meet rather than as enforceable standards that serve as a basis for withdrawing accreditation of substandard schools. For example, the National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS) offered what it called "outcome guidelines" as fulfillment of the requirement for performance standards during the re-recognition process. To its credit, the Department staff criticized NACCAS for not having enforceable standards and directed NACCAS to call its guidelines "standards" and enforce them. While this is encouraging, the Department's regulations give accrediting agencies considerable leeway in enforcing their standards. Without enforceable standards, schools that fall short of their own accrediting agency standards -- even in such basic areas as graduation and job placement -- may continue to be accredited and continue to participate in the SFA programs. Since what you measure you get, without measurement and enforcement of even these basic standards for student achievement, we cannot assure that vocational trade schools in the SFA program will consistently graduate and place the bulk of their students in jobs for which they were trained.

For example, our 1993 Management Improvement Report entitled "Title IV Funding for Vocational Training Should Consider Labor Market Needs and Performance Standards" reported that in one instance, a cosmetology school in Louisiana received over $2.8 million in SFA program funds for the 673 students enrolled over a period of approximately 3.5 years. Of the 673 students, only 19 students actually received state cosmetology licenses, at a cost to the taxpayers of almost $148,000 per license. While we do not mean to suggest that this is the norm, our investigations and other studies have revealed similar or even more egregious examples. I submit that had there been performance standards for vocational trade schools that included licensing exam pass rates and job placement, this shocking waste of federal funds may not have occurred.

In our 1995 audit report on accrediting agency performance standards, we recommended that the Department evaluate accrediting agency standards and procedures for measuring the quality of member schools and the success of their programs, particularly with respect to job placement. We also recommended that the Department require the agencies to verify the accuracy of performance outcomes reported by schools and hold schools accountable for unsuccessful training programs. We recommended further that the Department develop a process to collect and compile reported performance data from accrediting agencies. The data could not only be used to monitor the success of accrediting agencies on an ongoing basis, but it is essential in order for the Department to assess program success in accordance with the GPRA.

The Department's program office did not completely agree with our audit report, and we have elevated the matter within the Department to the Office of the Chief Financial Officer for resolution. The fundamental disagreement concerns the requirements of the 1992 HEA Amendments regarding performance standards for student achievement. We believe the performance standard for student achievement must be numerical and absolute to be both meaningful and enforceable. We also believe that accrediting agencies must enforce their standards so that substandard schools do not remain accredited. The Department has taken the position, on the other hand, that the performance standards do not have to be absolute or numerical; that the standards could be goals that schools should work to, but may never achieve; and that agencies could develop subjective standards to be applied on a case-by-case basis to assess schools that do not meet the standards within specified time frames.

The Department also did not agree with our recommendation that it develop a process to collect and compile performance data from accrediting agencies. The Department expressed concern that it did not have the resources to develop and operate a system to collect and compile the performance data. We continue to believe that it is not enough to simply require accrediting agencies to measure performance. The Department needs to know how well its Title IV funded vocational training programs are doing so that it can better manage the programs and demonstrate compliance with the GPRA.

Legislative Standards Needed

There has been a statutory requirement for accreditation standards for student achievement since July 1992, and a regulatory requirement effective since July 1994. Yet, we are only now beginning to see a handful of accrediting agencies establish performance standards, and accrediting agencies are not using their standards to terminate the accreditation of poor quality schools. In light of this reluctance on the part of accrediting agencies to engage in objective, quantitative evaluation of student achievement at their member schools, and the Department's reluctance to require that the performance standards be absolute, we recommend that Congress incorporate performance standards directly into the law, at a minimum for non-degree-granting, vocational trade schools. Since what you measure you get, these legislative standards should measure what Congress believes students and taxpayers should get from vocational training being financed with federal dollars.

As previously stated, a vocational trade school is allowed to participate in the SFA programs only if it "provides an eligible program of training to prepare students for gainful employment in a recognized occupation." Therefore, I submit that the most important performance standard should be the number of students who obtain jobs in the field for which they were trained. If students who are trained at a particular vocational school are getting jobs, then Congress and the taxpayers can be relatively certain that the quality of the training is good.

Congress has mandated job placement performance standards before. The 1992 HEA Amendments required that programs of less than 600 clock hours have a verified completion rate of at least 70 percent and a verified placement rate of at least 70 percent. Even this is a modest standard, requiring that only one of every two students enrolled get a job. We believe that Congress should seriously consider a similar provision as a gatekeeping mechanism for all non-degree-granting vocational programs that receive SFA funds.

It is important to recognize that not all measurable statutory requirements are meaningful in assuring institutional quality. For example, the current HEA measures course length, but this does not ensure quality training. In fact, our past reviews disclosed that, in some instances, courses were stretched in order to meet the statutory course length requirement for participation in the SFA programs.

Furthermore, course length requirements may actually increase the cost of training unnecessarily.

Past experience has shown us that legislative mandates of bright-line, quantitative standards are the most effective means of bringing about real, systemic reform, rather than relying on the administrative process. Because there is tremendous pressure for deregulation in administering federal programs, the Department has been, and may well be in the future, reluctant to promulgate regulations that go beyond what the authorizing statute minimally mandates, as was the case with the current accrediting agency regulations. Bright-line statutory standards are important because, with fewer resources to administer these complex financial programs, the Department cannot do so efficiently and effectively when there are exceptions and mitigating factors that must be considered on a case-by-case basis. For example, the student loan default rate significantly declined between 1990 and 1993 after Congress promulgated default reduction provisions that required the Department to terminate the Federal Family Educational Loan Program eligibility of institutions having cohort default rates over specific numerical thresholds.

## CERTIFICATION/ELIGIBILITY -- LEGISLATIVE REFORMS LEAD TO IMPROVEMENT

An example of the successful use of clear, bright-line legislative mandates occurred in another area of the gatekeeping processes. In the HEA Amendments of 1992, Congress set forth specific criteria for the Department to use in its financial and administrative certification of institutions participating in SFA programs. As a result, we have noted significant improvements in the Department's certification process.

### History of IG Concern Regarding Certification Process

Our office issued two audit reports in 1989 and 1991 which addressed the Department's financial and administrative certification processes. At that time, we reported that the Department's certification procedures did not prevent deficient institutions from participating in SFA programs and did not protect student and government interests in the event of school closure. Moreover, nominal surety arrangements were used for the purpose of providing a mechanism for allowing almost any school to be certified to participate in the Title IV programs. In addition, the Department's administrative certification process placed too much reliance on the integrity of institutions in the preparation of certification applications, because the Department did not validate the information. We further found that institutions were routinely certified and recertified despite indicators of administrative capability problems such as high withdrawal and default rates.

1992 HEA Amendments

In the HEA Amendments of 1992, Congress added significant financial responsibility requirements for participating schools. Most importantly, all schools were required to have an annual independent financial statement audit submitted to the Department. Schools also were required to meet more stringent financial criteria for them to be considered financially responsible by the Department. The Amendments further added a 50-percent surety requirement for any institution that failed to meet the new financial responsibility criteria.

Post-1992 HEA Amendments OIG Audit Work

To determine the impact of the 1992 HEA Amendments on the Department's certification process, we conducted a follow-up review last year to evaluate the deficiencies we had reported in our previous audit reports. We concluded that the Department had implemented many of the requirements contained in the 1992 Amendments, and improvements were evident in the recertification process. In particular, the Department's implementation of the annual financial statement audit requirement significantly improved the certification screening process. However, we have been unable to verify the Department's stated increase in certification rejections because the Department cannot provide our office with the specific names of the institutions that have been rejected.

Our 1995 review also revealed that there were certain key areas where corrective action had not been completed. The 1992 HEA Amendments contained an additional requirement that the Department recertify all schools participating in SFA programs by July 1997 and then repeat the recertification every four years thereafter. Due to the large number of recertifications required and the limited number of staff available to conduct the reviews, it is our opinion that the Department will not be able to finish the recertification of participating institutions within the statutorily mandated time frame. If the recertification process is not completed as required, it could result in ineligible institutions receiving SFA funds. To complete the recertification process in a manner that will minimize the risk to the Department, we recommended that the recertification of institutions be prioritized by first reviewing institutions that present the highest risk and then restructuring the process to streamline the recertification of the remaining institutions. The Department generally agreed with this recommendation.

Our follow-up review further revealed that the Department continues to have problems in maintaining and tracking its files on institutions. We recommended that the Department reevaluate its staff resources to determine how best to accomplish the file custodian's responsibilities. We further recommended that the Department consider the feasibility of scanning all institutional documents into an electronic database.

OIG is currently conducting another review of the Department's recertification process. For the high-risk institutions, we are questioning some of the Department's individual recertification decisions because of deficiencies in the financial responsibility and/or administrative capability of the institutions. The matter is the subject of internal debate with the Department at the current time.

Overall, we believe that the Department is making progress in its certification process, primarily because Congress provided the Department with specific requirements in the 1992 HEA Amendments. One area we intend to address in the near term is the Department's application of the new provisional certification process authorized by the 1992 HEA Amendments. Provisional certification permits a marginal school to remain eligible to participate in SFA programs under certain restrictions. We will be examining the Department's handling of schools on provisional certification upon the expiration of their provisional certification period.

Institutional Eligibility Determinations

We also have some concerns about the Department's ability to implement new school eligibility requirements that appeared in the 1992 HEA Amendments. In the past, a school generally met the Department's eligibility criteria if it was licensed and accredited. The 1992 HEA Amendments added additional eligibility criteria such as the 85/15 rule (for recertification) and the 50-percent restriction on the number of students admitted on the basis of ability-to-benefit rather than high school credentials. We strongly support these clear absolute standards, and we believe that the Department must assure its current eligibility review staff establish procedures to ensure that schools are adequately evaluated under the new eligibility requirements.

**THE STATES -- LICENSURE STILL GENERALLY INEFFECTIVE AS A NATIONAL GATEKEEPING MECHANISM**

State licensure is a third part of the triad of gatekeeping mechanisms provided for by the HEA. It has been generally recognized for some time that state licensure does not assure a consistent level of quality for institutions participating in the SFA programs, because of the wide variation among the states as to their licensure procedures. In the 1992 HEA Amendments, Congress contemplated a greater role for states by providing for new State Postsecondary Review Entities --

SPREs -- which would have been responsible for establishing acceptable measures for student achievement for schools participating in the SFA programs and for monitoring problem schools in their states. However, funding for the SPREs was eliminated in 1995, and therefore the state role in gatekeeping remains ineffective.

One reason the SPREs were not funded is because of opposition from the higher education community as a whole. We believe that Congress should reexamine the SPRE concept as a gatekeeping and monitoring mechanism for non-degree-granting vocational trade schools only.

We also believe there are other ways that states could have a role in the gatekeeping process. The OIG examined workforce development initiatives underway in six state offices responsible for overseeing state-supported vocational training. We found some states had made significant progress in developing strategies for coordinating and measuring the effectiveness of their job training programs. A key component of the strategies is the targeting of training for high-demand jobs and the use of performance measures. Although these agencies were not part of the state role in the program triad, we think these are exactly the strategies that were envisioned in the GPRA.

In August 1995, we recommended in a report to the Department that it study the feasibility of conducting a pilot project in one or more of those states with advanced workforce development programs. The Department did not disagree, but took the position that it was premature to implement pilot projects.

DEPARTMENT'S CURRENT GATEKEEPING INITIATIVE

In congressional testimony in July 1995 regarding fraud and abuse in the federal student aid programs, Assistant Secretary Longanecker testified as to the ongoing improvements in the gatekeeping and oversight of schools, and unveiled a new approach to ensure the integrity of these programs. The new approach is to differentiate between schools based on the level of risk they pose to the integrity of the programs. Departmental resources would then be redirected from the monitoring of the low-risk schools to an intensified focus on the high-risk schools, which he defined generally as for-profit non-degree granting institutions.

Following the testimony, the Department convened a meeting of its senior officers in an effort to decide what needed to be done to accomplish this effort. We were encouraged by the open discussion of the problems and looked forward to continuing to assist the Department in this much needed and long overdue effort.

Subsequent to the initial meeting, the Department established a steering committee on oversight and monitoring to continue this effort. Although we are aware of Departmental efforts such as the IPOS Challenge, to improve its processes for dealing with the high-risk schools, we are concerned that the Department's plans to provide regulatory relief for the low-risk schools have become the top priority of the steering committee, rather than the increased oversight of high-risk schools.

We believe implementation of the current proposal for deregulation will require the reallocation of limited resources. We are concerned that this reallocation will divert resources from dealing with the high-risk schools. While we are not opposed to deregulation for the low-risk schools, we believe the Department's top priority should be addressing the high-risk problem schools, those that have called into question the integrity of the student aid programs.

This concludes my remarks. I will be happy to answer any questions you may have.

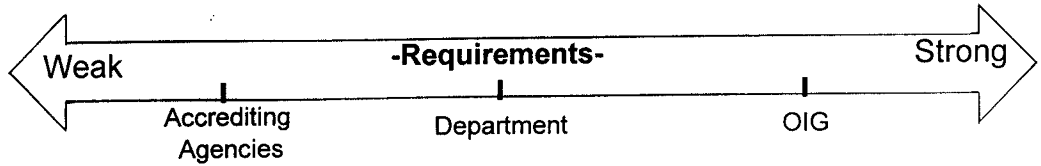
- **Accrediting Agencies Have Not Established and Enforced Quantifiable And Verified Performance Standards**

- **Certification Has Improved Due To Legislated Mandates Implemented By The Department**

- **Bifurcation: Vocational Training Should Be Treated Differently Than Degree-Granting Academic Education By Statute And Regulation**

**∴ Legislated Performance Standards Are Needed Which Are Quantifiable, Enforceable and Verified**

# Interpretations of Statutory Requirements for Performance Standards




**Goal / Guideline**

-**Strive** to achieve 70/70.

-Continuous improvement is expected.

**Standard**

-**Required** 70/70.

-Not met, results in Performance Improvement Plan (PIP).

-Failure to comply with PIP, accreditation withdrawn.

**Verifiable Standard**

-**Mandatory** 70/70.

-SFA eligibility will lapse if not achieved within a twelve month probation period.

-Data to be independently verified annually, e.g., by CPA or AA.

Mr. SHAYS. Thank you. Mrs. Morella.

Mrs. MORELLA. Oh, thank you. Thanks, Mr. Chairman. I think this is a very important and very timely hearing. I guess I will try to be brief and simple.

Mr. Longanecker, there is a problem with the default rate appeals, I understand; there is a delay, it takes a long time. Can you tell me what you are doing to remedy it and do you have all the resources that are necessary to do that?

Mr. LONGANECKER. We have not had an ideal record with respect to the processing of default rate appeals. We have placed that as a very high priority within the Department. We are on a very aggressive timeline to complete all of the appeals. We will complete all of the appeals—the backlog from prior years and the new year's appeals—by September 30 of this year, so that we have a clean slate as we release the default rates for fiscal year 1994. And we will go into that with a whole new slate.

Yes; we have the resources now. We dedicated the resources. Our dilemma wasn't our staff, it was really our management decision not to have previously put the kind of resources into that that was necessary. And we have done that and that will be taken care of. And that will contribute, I think, substantially to improving the environment as well.

Mrs. MORELLA. Great. If you were applying for a Malcolm Baldrige Quality Award and had to do an appraisal of the Department of Education in this capacity, how would you evaluate? What would you say would be the area where you need to show greatest improvement—I mean, besides the appeal backlog?

Mr. LONGANECKER. Well, I think the default management area is one of the areas where we would need to do that. But I also believe that there are two other areas, which we've been working on. We're working very hard to entirely reinvent our administrative processes.

And one of the areas we needed to change radically was that we had our staff organized in a way that were store pipe operations. The people who determined the eligibility of an institution did not work with the people who reviewed the financial audits, and did not work with the people who did the program reviews.

We're moving to a case management approach, which will give us a better overall sense of the institution and allow us, where we have decent institutions trying to do better, to help provide greater technical assistance to them and other institutions that simply aren't administrating their activities effectively. It will allow us to move more rapidly in taking appropriate action against them.

So, I would say that basically we had some fundamental problems with the way in which we were organized to expeditiously and appropriately move through the review of institutions.

Mrs. MORELLA. And these internal progressions are being done on your own, self-motivated?

Mr. LONGANECKER. Yes.

Mrs. MORELLA. You haven't pushed into it——

Mr. LONGANECKER. We have a project called the IPOS Challenge that is the most aggressive reinvention activity in the Office of Postsecondary Education.

Mr. BLOOM. We're helping him along.

Mrs. MORELLA. Well, we always feel the inspector general has that kind of role, and that's good. I wondered, Mr. Bloom, what consequences there would be if the Department is unable to finish the recertification of the institutions participating within that mandated period of time set by statute?

Mr. BLOOM. Well, should they not hit the requirement, I think, as a practical result, they would. For those institutions that they hadn't gotten to, my guess is they would grant them a waiver until they were able to get to it. Now, the consequences of that could be that a school that ultimately would be decertified would have that waiver for whatever period of time the waiver is granted. And that would not be an ideal situation. So it is important that they hit that deadline.

Mr. LONGANECKER. Yes. If I might contribute to the answer: To help mitigate the possible downside there, we are trying to review those institutions that appear to be most at risk, to take them through the recertification process earlier, so that we have less potential risk if we don't meet that deadline. We're going to work very hard to meet that. There is a chance, at this point, we will not.

Mrs. MORELLA. And apropos of the question that I asked the first panel, GAO, I was wondering have you looked into whether or not any of the proprietary schools who are desiring certification, recertification especially, have been doing some kind of, not illegal, but kind of questionable recruiting of people who are high risk, in terms of returning the loans?

Mr. LONGANECKER. Well, that's a tough question. The law in 1992—well, the law for some time has, I think it was the 1986 amendments, eliminated the possibility for institutions to use basically bonuses for providing counselors or advisers to attract students to a campus.

However, there are institutions that are working to attract students to them, many of whom are at-risk students. And, so, it's hard to find whether that's a positive or a negative and at which point it goes over the line.

Mr. BLOOM. And we know it's out there, and we know that from some of our investigations that we do on the criminal side when we do the interviews. So we know it's out there. The rule that actually said you can no longer pay sales commissions, we think, helps substantially, but still we know it's out there.

Mrs. MORELLA. Yes. I'm thinking, even as we look at welfare reform, very often there is a serious recruiting of those people who are receiving aid to families with dependent children, who may not be ready to be able to pay back at some early point; I mean promise is made, but not promises that can be kept.

Mr. BLOOM. Oftentimes the students themselves become victims. They're recruited, they get student loans——

Mrs. MORELLA. That's right.

Mr. BLOOM [continuing]. And they will never have any ability to pay. Their credit rating is ruined forever, in many cases. And it's really—they've really become—the real victims of this sometimes are the students from lower socioeconomic areas that may not have the education.

Mrs. MORELLA. And then they have to face failure. And once you start facing failure like that, you lose confidence in yourself, too.

Mr. BLOOM. It's tough enough sometimes, when you start off in the hole, when the hole is dug even deeper for you.

Mrs. MORELLA. Well, I hope you will in your way look into it. Thank you.

Thank you, Mr. Chairman.

Mr. SHAYS. Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman. As you are well aware—it's Dr. Longanecker, right?

Mr. LONGANECKER. Sure. I go by both. A lot of people call me other things, too.

Mr. TOWNS. I don't want to be associated with that. As you are well aware, the recently passed fiscal year 1996 appropriations bill rescinded funding of the State Postsecondary Review Program. In your opinion, what effects would the absence of the State function have on the gatekeeping system? And let me just further add: How does the absence of the State postsecondary review process affect the Department's role in the triad structure?

Mr. LONGANECKER. Well, clearly it created a gap for us, because the way in which we had implemented the 1992 amendments was to try to come up with complementary and not redundant roles for the States, the accrediting bodies, and the Department. And the States, as a significant component built into the law, had a major part of that. And so the elimination of that clearly left a gap.

That is, in fact, one of the reasons why we began to look around for another model, the one that I described that is sort of our new approach of trying to differentiate and to not have to worry so much about high-performing institutions and to focus our resources with the Department on those institutions that were most at risk, because we felt we needed a response to help fill that gap.

Having said what I said, and the creation of the gap, I think we also found that the SPRE concept was so unpopular that, in a regulatory environment, to provide leadership, you need followers. And we were not in a position that was so uncomfortable to the higher education community that was being regulated that we needed a different model. They simply couldn't live with that model and, in some cases for very, I think, understandable reasons; in others, it was concerns that may not have been entirely legitimate. But the fact is, the concerns were there.

And, so, we think we can fashion a strong, effective oversight model, one in which, frankly, we think the Federal Government has to accept primary responsibility for quality assurance here. These are Federal dollars. They aren't State dollars. They aren't private dollars. These are Federal dollars, 40 billion of them a year, and we feel that, as a result, we have to, if you will, be the senior partner, coordinating the role of the States, what is left of that State role, and being very vigilant with respect to the accrediting agencies to assure that they are providing the level of educational quality assurance that is anticipated in the law.

Mr. TOWNS. Right.

Mr. LONGANECKER. Is that responsive to your question?

Mr. TOWNS. Yes, that's responsive. You responded to it. Let me—the staff just gave me something that I think is very interesting, and I just wanted to find out if it's accurate. The national loan default rate has been cut in half, according to this information I have, from 22.4 percent 3 years ago to 11.6 percent in the most recent year, reducing the taxpayers' burden by millions and millions of dollars. Would you comment on this?

Mr. LONGANECKER. Those are correct. That's one of the statistics we're proud of. I think another one that's very important is the net cost of defaults have gone down from over $2 billion to $½ a billion this year. I mean that's all good news.

We're working very hard to assure that this set of programs has integrity. We think the default rate has been a good and reasonable proxy for educational quality and for administrative capability. And so we're not uncomfortable using that as we have. If there are better measures, we've indicated to the community, we'd be glad to look at those during reauthorization of the Higher Education Act.

But we think that the default initiative has been very helpful in improving the overall performance of institutions and students in this array of Federal student financial aid programs.

Mr. TOWNS. So you attribute it to that? Is there anything else that you attribute it to?

Mr. LONGANECKER. I think it's good management on the part of the Department, obviously. They're a clear part of it, without doubt, I'm sure. We'd like to claim all the credit, but I think the default initiative as I indicated, was a great part of it.

If you look, you will find, particularly within the proprietary sector, the institutions that are remaining are bringing their rates down; so, it is not only eliminating bad schools, it is changing the behavior of those schools that remain in the program.

Mr. TOWNS. All right. Let me move along. What are your views on making accrediting agencies more liable? What effects has title IV had on the role of accrediting agencies and the gatekeeping system?

Do you feel there is still room for further changes in the role of accrediting agencies to ensure program integrity?

If so, I would like to know what changes, because I think this is very, very important.

Mr. LONGANECKER. It's an awfully important area, and it's one I think we're going to have to continue to have a lot of discussions. Tom and I disagree a little bit on how aggressive the Federal role should be here. I very strongly believe that a private sector involvement in quality assurance is better than trying to Federalize that activity.

However, having said that, I would also tell you that I don't think the current accreditation process is a very modern quality assurance process; it needs reform.

Having said that, I would also tell you there's a great deal of reform going on in that community, both pressured by the changes in the Federal law and self-initiated activities.

So, I'm fairly optimistic that the kind of modernization that's needed to bring it into compliance is beginning to occur.

We have noted a number of the accrediting bodies that accredit proprietary schools have begun eliminating schools. We've had over 80 schools eliminated between 1993 and 1996, most either by State licensure or by accreditation. And almost all of those were eliminated by accreditation, not by State licensure. And that's substantially more than was the case before. There was virtually nothing going on before.

With respect to the national accrediting bodies, the ones that accredit public and private colleges and schools, they haven't eliminated as many institutions, though they too have become much more aggressive. And we, in our oversight, have become much more aggressive. In our review of these programs, relatively few, as they came up before us for their first review after the 1992 amendments, received the full certification for 5 years.

In many cases, we have let them continue in operation, but we have told them where we think there are areas they need to strengthen. We've given them 1, 2, or 3 years to do that. And we've been quite pleased, by and large, with the response that we're receiving.

This is a very significant change from the way in which accrediting bodies have been held accountable in the past. It's very uncomfortable and very new for them, and it took a while for them to believe that it was that different, even though the law said it was. That realization, we think, has occurred, and we believe we are seeing substantial turnaround in the attitudes of accrediting bodies.

Mr. TOWNS. All right. I'd like to get your comments on that, Mr. Bloom.

Mr. BLOOM. I guess by nature, I am a fairly impatient person, and while we do see some movement by the accrediting agencies, it has been 4 years, and we're not where, at least, where I believe—going back to my chart—we ought to be.

So while there is some movement, it's not enough, in my book. And, again, by nature, I would much rather this be—my professional education tells me I would much rather this not have to be a Federal process. But if they're not going to get there, we're going to have to kick them one way or another. That's kind of my point.

Mr. TOWNS. All right. OK. Mr. Chairman, at this point, I yield back, unless, Mr. Howard, you want to make a comment?

Mr. HOWARD. No.

Mr. TOWNS. OK. Fine.

Mr. SHAYS. First off, Mr. Longanecker, you've been in the Department for how long?

Mr. LONGANECKER. I've been there since June 1993; 3 years.

Mr. SHAYS. You know this committee tries not to throw bricks at Government agencies. You have been there for 3 years, and there was a process before you.

What I hear you saying is that you did not have the kind of information systems that would enable you to get information quickly and easily when you took over; is that accurate?

Mr. LONGANECKER. That's accurate. I would say that we aren't there yet. We have better information systems today. We still are doing a great deal.

If I had added a second area to Mrs. Morella's request about how I'd apply for the Baldrige Award, it would be to improve our overall information management systems. And we're working very hard toward that.

Mr. SHAYS. We have a subcommittee of the Government Reform and Oversight Committee that focuses on management information systems, because there's a general sense that the Government, for whatever reason, is never at the cutting edge.

And when it starts to get there, it's way behind, I mean when it starts to implement, and then it doesn't implement the programs well, then we're constantly redoing them. I mean it seems like one horror story after another.

But getting to the statistics that I'm interested in, it seems like a no-brainer to me that you would be able to tell me the number of proprietary schools that are involved in title IV programs.

Mr. LONGANECKER. Well, here's the table that I think you're looking for, for fiscal year 1988 through fiscal year 1993, which is the most recent cohort default rate that we have, by public 4-year, public 2-year, private 4-year, private 2-year, proprietary, foreign, unclassified on one column, number of schools, number of hours defaulted, number of borrowers, payment——

Mr. SHAYS. Let's take proprietary schools.

Mr. LONGANECKER. OK, proprietary schools.

Mr. SHAYS. Just give an illustration of what you've got there.

Mr. LONGANECKER. In 1988, the number of proprietary schools was 4,435. Their default rate, at that time, was 30.5 percent. And they represented three-quarters of the students in default.

Mr. SHAYS. And do you have a dollar amount?

Mr. LONGANECKER. I don't have the dollar amount on this table. We do calculate the dollar amount.

Mr. SHAYS. Well, we'll just have you followup on that, sir.

Mr. LONGANECKER. By 1993, and this is——

Mr. SHAYS. I understand you don't have it here, but I would like you to follow up on that request.

Mr. LONGANECKER. We'll be glad to provide that to you. To give you a sense of how things had changed, by 1993, that number of schools had dropped to 3,575 schools.

Mr. SHAYS. Wait. I'm sorry. How many total schools did you have in 1993?

Mr. LONGANECKER. It's 4,435 proprietary.

Mr. SHAYS. It's 4,435. It still is the same number?

Mr. LONGANECKER. No. It's gone down to 3,575. So it's dropped by——

Mr. SHAYS. It's 3,575. I'm sorry.

Mr. LONGANECKER. It dropped by 900 schools. The number of defaulters had dropped from 319,000 to 99,000.

Mr. SHAYS. It's 99,000, OK.

Mr. LONGANECKER. Defaulters now represented less than one-half of the defaulters, whereas they represented over three-quarters of the defaulters in 1988.

Mr. SHAYS. You say one-half of what?

Mr. LONGANECKER. Of all defaulters are in the proprietary sector.

Mr. SHAYS. So you're saying the proprietary schools went down in number.

Mr. LONGANECKER. And, as share of the total, both in absolute numbers and as a share of the overall total.

Mr. SHAYS. And the nonproprietary schools may have remained constant?

Mr. LONGANECKER. Yes. Actually, there's been relatively little change. The overall default rate for other sectors has remained fairly stable and is not that high; it's around—I think the overall default rate for 4-year—well——

Mr. SHAYS. And when you talked about the $2 billion versus the $½ billion; explain that to me?

Mr. LONGANECKER. That's what I call the net default rate. That's the difference between what we paid out in that year in default costs and what we collected in student loan defaults. And most of that is from a substantial increase in collections. Again, that is an area where, I think, we can proudly claim that we have a very high performing unit. Our debt collection service is extremely good. But also the law gave us some pretty powerful ammunition.

Mr. SHAYS. Right.

Mr. LONGANECKER. There was a question earlier about defaults.

Mr. SHAYS. You can garnish wages, correct?

Mr. LONGANECKER. We garnish your wages. We capture income tax refunds.

Mr. SHAYS. Right.

Mr. LONGANECKER. We do amazing work with skip tracing to locate people. And we just don't give up on a student. And they cannot, as an answer to that, they cannot declare bankruptcy.

Mr. SHAYS. Right.

Mr. LONGANECKER. So we go after them. I mean, we ruin a person's life if they default on a student loan.

Mr. SHAYS. You know, they ruin their own lives.

Mrs. MORELLA. If the chairman would just yield, you started to mention what the default rate is.

Mr. LONGANECKER. Default rate, very substantially, by type. Public 4-year institution, the average default rate is 6.9 percent.

Mr. SHAYS. Slow down just a little bit. You're going a little too quickly.

Mr. LONGANECKER. It's 6.9 percent for public 4-year colleges; that would be like the University of Maryland. Public 2-year, like Montgomery College, would be 14.5 percent. Private 4-year, like GW or Georgetown or Catholic or American, would be 6.2 percent. Private 2-year colleges, that would be a school like—I'm trying to think, Mount Vernon, is that right, I think they're a private 2-year, 13.5 percent. Proprietary now at 23.9 percent. Foreign institutions, 5.1 percent. And, unclassified, 4.1 percent.

So the overall rate comes to 11.6 percent.

Mr. SHAYS. Yes. But I just want to understand. The default rate is a half a billion as of what year?

Mr. LONGANECKER. That's as of fiscal year—well, I got that one here, too; I'll give you that. That's as of 1995, the fiscal year that was completed last September 30. That was the net default rate.

It was the difference between $2.4 million in default costs and $1.9 million in default collections.

Mr. SHAYS. OK.

Mrs. MORELLA. Mount Vernon gives bachelor's degrees and master's degrees now.

Mr. LONGANECKER. Then I have a bad example.

Mrs. MORELLA. You're in the olden days.

Mr. LONGANECKER. Yes.

Mr. SHAYS. And the $2 billion was in what year?

Mr. LONGANECKER. The highest year we had was in 1991, and the net cost in that year was $2.8 billion.

Mr. SHAYS. And is that figured the same way?

Mr. LONGANECKER. Yes. It was $3.6 billion in default costs and $.7 billion in collections.

Mr. SHAYS. Well, it seems to me that's a pretty impressive number.

Mr. LONGANECKER. Yes. We're reasonably proud of it.

Mr. SHAYS. Mr. Bloom, put it in perspective. I'm impressed.

Mr. LONGANECKER. Well, you should be. I mean this is—I mean we do some things——

Mr. SHAYS. I didn't ask you. I asked Mr. Bloom.

Mr. BLOOM. It's certainly moving in the right direction. And I would add that a lot of people can take credit for that, including the Congress particularly, for instituting the default rate provisions.

Mr. SHAYS. So we've given the Department some significant tools in which to go after them.

Mr. BLOOM. And they've used them well.

Mr. SHAYS. Yes. And so, for my way of looking at it, I can go back to the constituents I represent and say, if a student defaults, they can't hide. It's not written off. It follows them the rest of their life, until they honor their commitment. Now, when is it written off?

Mr. LONGANECKER. Well, actually, it's never written off. It's one of the dilemmas we have with the GAO and others, in terms of trying to find and get a clean audit. These debts are really never written off, until a person dies. We don't go after people after they die. There's been some discussion about it.

Mr. SHAYS. Let me get to the next—you're kind of a fun guy here. See, you know, we all make mistakes. I made a mistake giving my ranking member the gavel. And, you know, but we learn.

Accreditation, I don't think I am impressed with that part of it. The accreditation agencies are national; they're not State by State. And you basically accredit the accrediting organization?

Mr. LONGANECKER. That's correct.

Mr. SHAYS. I'd love to have a sense of how you evaluate the accrediting organization?

Mr. LONGANECKER. We deal with them very similar to the way in which we deal with a school. We review them periodically. They bring to us——

Mr. SHAYS. And how many organizations do you——

Mr. LONGANECKER. I'm trying to remember the total number; about 20—I'm thinking it's about 20 to 25 that are——

Mr. SHAYS. I'm kind of pleased that you didn't have an answer.

Mr. LONGANECKER [continuing]. Are approved between—there are the national organizations, like the ones that you will have speaking to you later. There are also, then, the regional accrediting—there are seven regional accrediting bodies, six or seven regional accrediting bodies. They are the ones that most traditional colleges and universities are accredited by.

Mr. SHAYS. But with the proprietary, let's take proprietary.

Mr. LONGANECKER. Take proprietaries.

Mr. SHAYS. How many? It doesn't have to be precise.

Mr. LONGANECKER. There are six or seven that are broad national—well, there has to be more than that, because we have—well, actually, the State of New York is an accrediting body. They have their own accreditation. And so that's the only State that has the equivalent of accreditation. So they come before us to get approval as well.

Mr. SHAYS. You're confusing me a little bit here though. I mean, if you only have six or seven, then?

Mr. LONGANECKER. There are six or seven regionals, and then there are the six nationals you'll see today, and then there are some that are specialized accrediting bodies, that will do just health sciences or just law.

Mr. SHAYS. OK. But you have to recognize the accrediting agency before the accrediting agency has the validity to accredit its members?

Mr. LONGANECKER. That's correct. That's correct. And they come before us and before an advisory committee that we have. And the Secretary has put an absolutely stellar group of people on this advisory committee.

Mr. SHAYS. Well, is it one advisory committee or are there different advisory committees——

Mr. LONGANECKER. One advisory committee has representation from the different sectors of postsecondary education.

Mr. SHAYS. So give me an example of how you would accredit the organization that does cosmetology.

Mr. LONGANECKER. OK. We did that; I think it was last time. This group, this advisory committee, meets twice a year, and we bring before them a group of accrediting bodies.

They will come and they will demonstrate to us how well they are responding to their statutory responsibilities.

Our staff will do an examination of how well they are responding. We will do site visits. We will go with them on their site visits of institutions to determine whether, in fact, they are requiring the kind of standards that they say they are.

And, based on our substance assessment, we will present that to the national advisory committee, and they will take testimony from the accrediting body and from others who have an interest in speaking to the issues. And they will take that into consideration and give that advice to the Secretary.

The Secretary then makes a decision on the basis of the advice he receives from staff and from the advisory committee on whether we should approve that institution, or that agency, and, if we do so, under what conditions we should approve it.

Mr. SHAYS. Taking any of these accrediting agencies, do you have statistics on how many schools they have cleaned out?

Mr. LONGANECKER. Yes. I mentioned earlier that our statistics indicate that they have eliminated——

Mr. SHAYS. Who is they?

Mr. LONGANECKER. That the accrediting bodies, over the last 2 years——

Mr. SHAYS. Collectively?

Mr. LONGANECKER. Collectively have eliminated 45 institutions.

Mr. SHAYS. Out of how many?

Mr. LONGANECKER. Out of 7,000.

Mr. SHAYS. OK. Do you think that's good or bad?

Mr. LONGANECKER. Well, it's better than none, which——

Mr. SHAYS. Well, that's not——

Mr. LONGANECKER [continuing]. But it's not—I think there is more to be done in that regard. I believe there are more than 45 educationally deficit institutions in the universe.

Mr. SHAYS. Yes. I would think a lot more. If it's 45 collectively, you could have one agency that has eliminated 40 of them. So give me examples of the accrediting agency that has done the best job and the one that's done the worst?

Mr. LONGANECKER. I don't have those statistics, but I'll be glad to provide them to you as soon as I can.

Mr. SHAYS. OK. So it is likely that some have not eliminated any; correct?

Mr. LONGANECKER. Yes.

Mr. SHAYS. I just want to go back to this last—this number of the $2 billion and the $1½. I want to understand it's flow in and flow out?

Mr. LONGANECKER. That's correct. I'll give you the table that we have on it.

Mr. SHAYS. If you had a tremendous backlog of IOU's——

Mr. LONGANECKER. Yes.

Mr. SHAYS [continuing]. Which is how much? What is the backlog of IOU's?

Mr. LONGANECKER. The overall default portfolio.

Mr. SHAYS. Mr. Howard, you can answer the question.

Mr. LONGANECKER. We're thinking it's around $25 billion.

Mr. SHAYS. It's $25 billion. But what that says to me is that we are making an effort to go back over a gigantic pool of IOU's; it's so gigantic.

It seems to me that one of the ways we would want to look at it is year by year. What is each class' particular record of default? Do you break it down on that basis?

Mr. LONGANECKER. Yes. In terms of the cohort. That's essentially what the cohort default rate is a reasonable proxy of. And those rates have varied from a low of $2.2 billion—$2.4 billion in 1990, 1994, and 1995, to $3.6 billion in 1991. It went up.

Mr. SHAYS. So just put that one in perspective for me. The $2.4 is when?

Mr. LONGANECKER. That was 1990, and that's what it is today. It went up in the early 1990's to $3.6, and then came down to $2.7 in 1992.

Mr. SHAYS. I'm going to go to the next panel. I don't quite understand these numbers.

Mr. LONGANECKER. I'll be glad to provide some additional information.

Mr. SHAYS. No. I want to nail this down a little bit more now.

Mr. LONGANECKER. OK.

Mr. SHAYS. I want to understand this kind of statistic as compared to the last statistic.

Mr. LONGANECKER. OK. This one is the number of loans that we had to pay guarantee agencies defaults on.

Mr. SHAYS. Right.

Mr. LONGANECKER. That is, they essentially said, these loans are going into default. You now owe us the money for the default. And so those are the default costs. That's when we incur the cost, when that guarantee agency says——

Mr. SHAYS. And that number has been kind of constant?

Mr. LONGANECKER. It went up—it actually went up substantially in the 1980's, the late 1980's. That's when the program really lost——

Mr. SHAYS. Right.

Mr. LONGANECKER [continuing]. When we lost control of this program, frankly.

Mr. SHAYS. OK. And in the 1990's?

Mr. LONGANECKER. It's been coming down to $2.6. Now, keep in mind——

Mr. SHAYS. No, no, no. Don't interrupt yourself. Give me some years here.

Mr. LONGANECKER. In 1991, $3.6 million; 1992, $2.7; 1993, $2.6; 1994, $2.4, 1995, $2.4.

Mr. SHAYS. OK. Give me the——

Mr. LONGANECKER. And volume has been going up at that time, so the actual likelihood of default has been going down.

Mr. SHAYS. So the rate has gone down. The absolute dollar amount is relatively constant from the last 3 years?

Mr. LONGANECKER. That's correct.

Mr. SHAYS. So explain to me why that is happening, the absolute amount is——

Mr. LONGANECKER. Is staying relatively constant?

Mr. SHAYS. Yes, because I was getting kind of excited when you went from $2 billion down to half a billion.

Mr. LONGANECKER. I don't know why it's staying roughly constant. What that represents is a smaller share. I think there are a couple of reasons. That's actually a smaller share of the loans that are going into repayment, because, each year, the volume borrowed by students continues to go up, and so that represents a lower share.

I think that's both a function of the guarantee agencies working to help keep down the default rate somewhat better than they had in the past.

It's, I think, the elimination, beginning in basically 1992, of very high default rate schools. And so those schools weren't lending to students who were coming into repayment streams in the late 1994's.

And then, as I mentioned, of course, great management at the Department.

Mr. SHAYS. The difference between the two statistics, as I'm seeing it, tell me if I'm correct, the better statistic the better one, the $2 plus down to a half, is because you have a better collection process?

Mr. LONGANECKER. Yes. That's gone up from $.7 to $1.9.

Mr. SHAYS. And that's the result of being able to garnish wages and get income tax refunds and so on?

Mr. LONGANECKER. Yes.

Mr. SHAYS. Whereas the issue—we still have a sizable default rate.

Mr. LONGANECKER. Yes. Yes.

Mr. SHAYS. The rate is going down, but the absolute dollar amount is somewhat constant in the last few years?

Mr. LONGANECKER. Yes. Yes.

Mr. SHAYS. Let me just end with this: How do we begin to focus on that part of the problem?

Mr. LONGANECKER. I think there are two ways. And obviously we like the direct lending program. A part of the reason we like it is because it provides more reasonable repayment terms for students. There is research to show why students default on their student loans. Most of them default because they cannot pay the amount that their loan required.

Mr. SHAYS. Yes.

Mr. LONGANECKER. Income contingent repayment is one way in which they will be able to manage their loan debt without going into default. Once you've transgressed into default, it's easier to stay there or go back in there. So if we can keep them from going into default, keep them on a positive repayment stream, we think that that will help reduce the overall default costs and default losses.

Mr. SHAYS. Yes. I would agree with that analysis. I think it would be borne up by statistics and experience with other types of IOU's.

Do you have any other comments, questions?

Mr. TOWNS. Yes, I do. The State of Pennsylvania has the lowest, I think 7.7 or even lower, somebody said. What do you attribute that to?

And let me just sort of like go to another point, maybe, that you can sort of answer that as well: I heard you, loud and clear, when you said, we ruin their lives. I heard that. But I'm wondering if there's not some things that we need to do before we ruin their lives in terms of the counseling and all.

I just think that the cutbacks that we're making might be counterproductive, that maybe we need to take another look at some of these things before we rush to do it. I think that additional resources might bring us greater returns.

Has anyone looked at the fact that maybe once they're kicked out, once they default, that they might end up in the prison system, in terms of how much this might cost us?

I'm not sure we're saving money. I hear those numbers over there, but something else is sort of flashing in the back of my head that could be going on.

Mr. LONGANECKER. Two or three things, I think. That's a good point. And I shouldn't be cavalier in saying that. I mean we do make it miserable and they're in big trouble if they default. We do have a redemptive system. Just as our country is redemptive, we are in our program. If the student enters into repayment, we will allow them to—we've got a neat word, and I'm not—what do we call that, Pat, when they——

Mr. HOWARD. Forbearance or deferment.

Mr. LONGANECKER. Well, we allow them to rehabilitate their loan. If they enter into six payments, we'll allow them to essentially move out of default status and become sort of back in good shape with us. So we have put that in.

The other is, I think, the new, more sensitive repayment terms will allow students to avoid default. But, more importantly, is that we provide the education to the students, and that that is an education that gives them a return on the investment.

We may disagree on some of the nuances with the IG's report. But on the principle that students should receive an education of value, we don't disagree at all. And if we could assure that these students were in programs where they were getting a reasonable return on their investment, then they will, by and large—we'll still have some deadbeats, just like every lending institution does. But most of these people are not deadbeats.

And, as a result, we'd like to be able to assure that they were getting a high quality education, one that was going to make them a productive, economic contributor to our society. If that's the case, then these will go down.

Mr. TOWNS. Well, how is Pennsylvania doing so well; why is that? Answer that.

Mr. LONGANECKER. I don't have a State-by-State comparison. Pennsylvania may be the lowest. There are probably a couple of reasons. One is that Pennsylvania has a pretty good guarantee agency; the Pennsylvania Higher Education Assistance Authority is a good organization and does a good job. And I think that's part of it. You know, those people from Pennsylvania are all good people, too.

Mr. TOWNS. Let me say, the reason I ask you that, I'm looking at some national legislation that maybe we can make all people the same as——

Mr. LONGANECKER. All people good people.

Mr. TOWNS. Yes.

Mr. LONGANECKER. That's a good idea. I was in Minnesota. I spent part of my career in Minnesota, and there they actually do believe that all their people are above average, so it's possible. I don't know if you can legislate it.

Mr. SHAYS. You guys are confusing me now.

Mr. TOWNS. No. I'm saying that I'm looking at it. Let's look at some national legislation and maybe they'd be able to give us whatever is going on in Pennsylvania, but I think it's something, Mr. Chairman, we need to look at because they have the best percentage in terms of it, and I think that that's interesting. And I think that maybe we could look at it. Maybe they're doing something that we need to do nationally; I don't know.

Mr. LONGANECKER. One of the things they do in Pennsylvania that a number of other States do, but not all, is have a very strong grant program. And, you know, you just can't rely solely on student loans. We have to make sure that the most needy students don't have to take out loans, because they're the most at risk. I mean we've lost the balance and we need to do something as a society to come back into grips with that.

Mr. SHAYS. Well, your point is that it used to be a 2 to 1 grant to loan ratio and now it's——

Mr. LONGANECKER. Yes.

Mr. SHAYS [continuing]. Two to one loan to grant?

Mr. LONGANECKER. Yes. Now, there's nothing wrong with borrowing for an education, because it's the best investment you'll ever make in your life. But there is something wrong with forcing people to borrow too much for that investment.

Mr. SHAYS. I thank the panel very much. Mr. Bloom, it's nice to have you here and I look forward to you returning. And, Mr. Longanecker, I didn't say your name correctly; Longanecker.

Mr. LONGANECKER. There it is; that's right.

Mr. SHAYS. And, Mr. Howard, do you have a closing comment? If any of the three of you have a comment, I'm happy to hear it. You were very animated; you were about to speak many different times. If there is any comment, any observation you'd like to make.

Mr. HOWARD. I think there's one observation I'd like to make with the chart over here. I would say that the Department in its accrediting agency recognition process has tried to send a stern message to the accrediting agencies that they are required to develop the standards. In our audit report that we issued last year we reported that, even if they are developing those standards, we don't see where the accrediting agencies are going to use them to actually withdraw accreditation from schools.

Mr. SHAYS. I think I am least impressed with the whole accrediting process as I'm hearing it. I am curious what the third panel will share with us. I mean, it would seem to me, if they're really doing their job, they're weeding out more than 45 organizations nationally. I would agree that there has to be some significant standards. I also understand that when you take away an accreditation, you basically shut them down.

Mr. HOWARD. Yes.

Mr. SHAYS. But another comment on the process is that even the very best schools become not addicted, but totally dependent on this long process in order to function. It's pretty incredible actually.

Mr. HOWARD. Yes.

Mr. SHAYS. I thank all of you for coming and I really appreciate your testimony.

Mr. LONGANECKER. Thank you.

Mr. SHAYS. We'll conclude this hearing by having come before us Letha Barnes, chairman of the American Association of Cosmetology Schools, not an accrediting organization, but I'm very grateful that you're here to testify. Thomas Kube, executive director of the Accrediting Commission of Career Schools and Colleges of Technology; and P. Alistair MacKinnon, coordinator of Federal education legislation for the New York State Department of Education. And thank you. Please remain standing. If I could swear you all in.

Are you all together? In case you have to respond to questions, if you'd all raise your right hands.

[Witnesses sworn.]

Mr. SHAYS. For the record, all of our participants have responded in the affirmative. We will start with Letha Barnes, then go with Thomas Kube, and then we'll go to Mr. MacKinnon. I appreciate your patience and willingness to stay until 4:30 to testify. Thank you.

**STATEMENTS OF LETHA BARNES, CHAIRMAN OF THE AMERICAN ASSOCIATION OF COSMETOLOGY SCHOOLS; THOMAS KUBE, EXECUTIVE DIRECTOR OF THE ACCREDITING COMMISSION OF CAREER SCHOOLS AND COLLEGES OF TECHNOLOGY [ACCSCT]; AND P. ALISTAIR MacKINNON, COORDINATOR OF FEDERAL EDUCATION LÉGISLATION FOR THE NEW YORK STATE DEPARTMENT OF EDUCATION, ACCOMPANIED BY THOMAS McCORD, COORDINATOR, OFFICE OF RESEARCH AND INFORMATION SYSTEMS FOR HIGHER AND PROFESSIONAL EDUCATION, AND NANCY WILLIE-SCHIFF, ASSOCIATE IN HIGHER EDUCATION**

Ms. BARNES. Mr. Chairman, members of the committee, good afternoon. As you said, my name is Letha Barnes. I'm chairman of the American Association of Cosmetology Schools. And as you stated, we are not an accrediting agency, but the schools that are affected by all of these regulations. It is a privilege to be here. Thank you for having us.

I also shall depart from my prepared comments, in the interest of time, and in an effort to hopefully to respond to many of the comments that we've heard earlier today.

Mr. SHAYS. Let me say to you, that one of the values of having you come later is that you can respond to the questions we've already asked. If you do so, you really will be hitting some of our main interests.

Ms. BARNES. I'll do my best to do so and be happy to answer any questions later. And I do refer you also to our detailed written testimony, because it does contain a lot more specific information about our particular types of institutions and how they are affected by the regulations.

I think one of the problems that we currently see with the triad is the fact that there is no valid definition of a quality institution. And, second, sometimes there seems to be an apparent effort to simply eliminate all proprietary institutions from participation in the programs.

There are currently extensive regulations that measure administrative capability, financial responsibility, educational effectiveness, and so forth. But the requirements have not seemed to work necessarily to remove the poor schools or the bad schools. But, more importantly, the requirements haven't seemed to work to keep the quality schools in the program.

And I think, contrary to maybe a misconception or in light of a misconception about job opportunities in our field, we are not currently meeting the supply and demand needs of our industry. There are far more job openings than we can provide graduates for. So the data that are sometimes available at the Federal level are not consistent with what's really happening. So it's very important in light of that, that we do keep the quality schools in the programs.

The plain and simple fact is that we have proprietary institutions which meet all of the requirements imposed by each leg of the triad that are still being suspended from participation in the title IV programs due to one single factor. And that's the one that we've been having so much discussion about, the cohort default rate.

As an example, one of our member schools that has two schools located in the same State—one of the schools is an inner-city, one is in a suburban area. Both of the institutions have the same administrative personnel and procedures. They offer the same courses in curriculum. Their faculty attend similar professional development programs and so forth. And they follow the exact same default management plan.

Both of the institutions have successfully undergone accreditation reviews within the past 6 months. Both have undergone a guarantee student loan agency program review within the last month where there were no file findings at all. They have completed annual compliance audits with no findings. They both have healthy financial statements.

And, finally, they have high outcomes with regard to completion, licensure, and placement of their graduates.

However, the inner-city campus has 3 years over the 25-percent cohort default rate. And the suburban campus has consistently maintained rates of 10 percent or below.

Mr. SHAYS. How much higher than the 25-percent rate?

Ms. BARNES. I believe in the 30's. I mean not over 30's; from 25 to 35 perhaps.

As a result of using the default rates, though, the inner-city campus is going to lose eligibility to participate in both the loan and the grant program later this year. This is an institution that's been in existence for 40 years. And it's no longer going to be able to provide quality education when that occurs.

Mr. SHAYS. Since you're ad-libbing here, let me just ask you this question: Can the two schools combine and use a singular default rate? I mean, it's a good illustration because, obviously, there are some schools that are in inner cities. So you're trying to make a point, and I'm asking another point.

Could these two schools be basically considered one school?

Ms. BARNES. Logistically, absolutely not, and they wouldn't be able to serve the same market if they were to try to do so. And there are specific regulations that address that, and we have people here that can address it better than I from the Department. But, no, that would not be a realistic approach to this problem.

And I think another relevant point: Once the school closes, who is going to serve those needy students? They are needy citizens of this country that need access to education.

One relevant point to this to be added is that, in both cases, all of the years of default rate data available for these institutions are incorrect. And the institutions have made numerous attempts with the State agency and the Department to get the rates corrected. And they have been unable to do that.

So you see, in terms of the measure of quality of an institution shutting their doors when, in fact, the quality exists there and they're being taken out of the programs based on data that are not even accurate. It's a big concern.

Earlier today in one of the testimonies, there was discussion about what was causing the default rate and whether perhaps bankruptcy was a factor. But, frankly, we see it—as a proprietary institution, clearly see it in the formula. And I'm sure you're aware that the default rates are based on the number of borrowers entering repayment rather than the amount of dollars at all. So, for an institution that is the size of one of our average institutions of maybe 40 students, it's a whole lot easier to get to a 30-percent default rate if you only have 30 borrowers entering repayment than if you have hundreds or thousands.

So it's a big factor. There is a flaw in the formula.

Mr. SHAYS. Will you state that over again?

Ms. BARNES. Well, the formula for calculating an institutional cohort default rate is based on the number of borrowers entering repayment.

Mr. SHAYS. Right.

Ms. BARNES. For example, the first year that we had—I have a very small school in the Southwest. The first year that student loans were published—fortunately I've been lower than this ever since. But, for the first year that we have—I believe it's 1987—my institution had a 31.6 default rate. That was based on—I can't remember, how many—at the time, I can't remember how many borrowers, but I think I had eight defaulters, and it was based on a total of $8,000. But I had a reflected default rate of 31.6. Fortunately, we were able to bring that down.

And another relevant point that I think Mr. Towns was making about Pennsylvania: At that time, my institution was having their loans guaranteed—the institution was new to me. That institution was having its loans guaranteed out-of-State. My school happens to be in the State of New Mexico.

Since that time, the rate has consistently gone down, because New Mexico is clearly one of the best guarantee agencies in this country; they do their job. They litigate. They garnish wages. They garnish tax returns. They do what Dr. Longanecker referenced to, but they do it before the student defaults; big difference, a very big difference.

If the Department can do it after it has gone into a default——

Mr. SHAYS. Now, you're talking about the State department or the Federal Department?

Ms. BARNES. I'm talking about the Department of Education. When I said if the Department of Education can collect the loans after they've been in default——

Mr. SHAYS. I'm sorry. You're talking with someone who is dealing with a lot of other issues, so I'm not as close to this as you are.

Ms. BARNES. OK.

Mr. SHAYS. You were boasting about what New Mexico——

Ms. BARNES. The New Mexico Guarantee Student Loan Corp., I apologize.

Mr. SHAYS. Thank you. OK. So you're saying that they go after the loans before they default.

Ms. BARNES. Yes. In fact, they make every attempt to collect the loan, rather than sit back and collect the Federal guarantee. So, therefore, the effort is made. And even though I would like to think we do a good job in my institution in default management, I can't take credit for that, because they do their job so effectively.

Mr. SHAYS. That's very interesting.

Ms. BARNES. So it clearly makes a difference. And I would not disagree with Mr. Towns' recommendation that all the guarantee agencies had similar programs and training, so that we could count on that same type of consistency from State to State. I think you would see a dramatic difference.

Mr. SHAYS. So what I should have asked the previous panels is what States have better default rates; in other words, lower default rates.

Ms. BARNES. I think it's clearly a relevant issue, Mr. Chairman, that you find out, and find out what those States are doing that make their rates so much better than the other States. Having personal experience from multiple guarantors in multiple States, it definitely makes a difference.

As far as the accrediting agency role in the triad, we agree that it is an essential component. However, I feel that the role of the accrediting agency should be returned to what it was initially intended. And that is, to determine educational standards and quality of instruction in the institutions. That role has evolved over the years to become more as a gatekeeper—not only a gatekeeper, but they have standards within their recognition process that require them to do almost identical reviews as the Department of Education.

Two of the elements that an accrediting agency must evaluate schools under are default rates and compliance with all title IV regulations.

So now the accreditor, who used to be able to focus on quality of education, evaluates the institution also in terms of their compliance with all of these other regulations. So there is a redundancy and an overlap which seems to have, I think, weakened what that particular role of that leg of the triad should be.

And at the same time, perhaps the Department—and it sounds like from Dr. Longanecker's testimony that they have already made great strides toward this. But perhaps the Department should establish more regular and comprehensive program reviews of institutions.

I know of institutions who have had from 7 to 17 years between program reviews. It's pretty difficult to determine where there is fraud and abuse or where there are problems with the system if they're not being reviewed any more timely than that.

If reviews occurred for all institutions on a much shorter cycle, even the annual compliance audits that institutions have to undergo could perhaps be eliminated. If you think about a school being reviewed every 2 years, for example, the Department is going to discover where there are problems and be able to take action much, much sooner and save hundreds of thousands of perhaps misspent title IV dollars, rather than if it's 7 or 8 years between reviews of institutions. I expect they will all be at my school next week now that I've made that point.

But I think it's relevant. We're spending—our schools do invest title IV dollars in our students. And those of us who are quality institutions do not have anything to fear from close regulatory scrutiny. And we are the ones that are being hurt by the institutions that are mendacious, that don't intend or never will be affected by even higher regulations and more regulations because they won't comply anyway.

Mr. SHAYS. Please explain that to me; they won't comply anyway because?

Ms. BARNES. Well, if they are a bad institution, if they are an institution that's already practicing fraud and abuse, if you are to pass more regulations for schools to comply with, the only ones that hurt from that are those of us who are trying to do a good job and make——

Mr. SHAYS. All right. I accept that.

Ms. BARNES [continuing]. A conscious effort about quality.

Mr. SHAYS. OK. If you could bring your testimony to a conclusion here then.

Ms. BARNES. I think that the triad, as it exists, has some very good qualities. Certainly the States have a role in terms of eligibility for licensure protection of the consumer and enforcement of State statutes.

I agree that the accrediting agencies should remain as a leg of the triad with a more focused role on educational standards. And those standards—I think if I can make one point today, that it's the standards that measure a quality institution are quality—qualitative outcomes measures that are applicable to the institution and the population that we serve; and the educational experience of the student at our institutions.

One piece of the triad—or, I guess it wouldn't be a triad if we add a leg. But there is a partner in all of this that, at least in our industry, in the cosmetology industry, is very, very important and is not considered in. And that is, the employer. The employer of our graduates. That is who really regulates us.

If we can't place our graduates in those jobs and in those salons down the street; and when you survey applicants to your institution and ask how they found out about you and they say, because they've asked every five salons in town which institution they would hire a graduate from and they say it was this one; those are the kinds of things that make a difference.

And our accrediting agencies have done a lot to encourage, through advisory counsels and outcomes measures and so forth, to increase that relationship to ensure that we are providing these students with an education to put them into taxpaying rolls.

[The prepared statement of Ms. Barnes follows:]

# STATEMENT BY THE AMERICAN ASSOCIATION OF COSMETOLOGY SCHOOLS BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT UNITED STATES HOUSE OF REPRESENTATIVES

**June 6, 1996**

The American Association of Cosmetology Schools (AACS) is a trade association representing approximately 600 proprietary cosmetology schools and the nearly 50,000 students attending those institutions.

The premise of these hearings as outlined in the letter sent to AACS from Chairman Shays is: "The HEA is supposed to provide the framework for a shared responsibility among accrediting agencies, states and the federal government to ensure only quality institutions are allowed to participate. However, evidence suggests that the system is not keeping out schools that fail to provide quality education or training".

AACS does not feel that the triad is working. The primary problem with the triad is that it is forcing quality schools to close, or at least leave the Title IV program. Quality institutions are being forced out of the Title IV program because the triad does not distinguish between quality and non-quality institutions. The current triad is designed to ensure that institutions participating in Title IV meet various administrative, financial, and educational standards. Yet, these are only three elements of quality.

The triad is intended to be a partnership between the state licensing authority, accrediting agencies, and the U.S. Department of Education. Each leg of the triad was to have its own areas of responsibilities and standards. Those institutions that were capable of meeting all of the standards posed by each leg of the triad, were considered to have passed through the gateway to Title IV programs.

The state licensing authority gives a school the privilege to operate in that state. The accrediting agencies were to ensure the institution is offering "quality" educational programming. Certainly, outcome assessments for completion and placement rates are a essential element of accreditation process. The Department of Education assures the school is complying with all regulations in implementing and administering Title IV funds.

Schools which are complying with the rules of their state licensing board, their accrediting agency, and the Department of Education are considered to be quality schools and students attending the schools are eligible for Title IV financial assistance.

There are two major problems which contribute most significantly to the failure of the triad. The first problem is the extreme over-reliance on default rates as a measure of quality, and the second is the deterioration of accrediting commissions' ability to measure educational (as opposed to administrative or financial) quality.

## DEFAULT RATES DO NOT MEASURE QUALITY

Today a quality school is defined by the triad as a school with a low default rate. Under the current statute, any institution with a cohort default rate equal to, or greater than 25%, for three consecutive fiscal years loses its eligibility to participate in Title IV loans and Pell Grants.[1] The net effect being that institutions with high default rates are forced to discontinue Title IV participation -- regardless of the institution's ability to meet all of the other gate keeping standards.

AACS is not aware of a single study that has found any connection between cohort default rates and educational quality. Neither is AACS aware of any study linking high cohort default rates with abuse of Pell Grant funds, or of Title IV loans. The reasons such studies do not exist is obvious: cohort default rates simply do not measure academic quality.

The threshold of 25% for three consecutive years is capricious. It is a number chosen without rational thought or study as to its appropriateness. Setting the threshold at 25% does not reflect the numerous variables among institutions. In establishing a meaningful threshold, Congress ought to consider the student population's demographics, the cost of tuition, the length of time involved to graduate, the nature of the courses offered, i.e. vocational or academic, and guaranty agency's record relative to defaulted loans. AACS would strongly urge the Subcommittee to review proposals to index these factors into the default rates apropos to properly taking into account the variables of each institution.

The legislative history of the Higher Education Act illustrates Congress' incongruous awareness that cohort default rates are not indicators of quality, but of student bodies. Congress has previously exempted historically black colleges and universities from loss of loan eligibility due to high default rates. The rationale for this exemption was that HBCU's served a high percentage of disadvantaged or "at risk" students. The same is true for many trade schools -- particularly those in the inner cities.

If the Congress truly believes that default rates are an indicator of quality -- then why are historically black colleges and universities exempted? Certainly Congress does not mean to imply that HBCU's are of low-quality, or that if they are of low-quality, they should be allowed nevertheless to participate in Title IV programs. Are the students attending HBCU's any less deserving of protection from low-quality institutions than other students?

Even the Department of Education has recognized that default rates are not a true indicator of quality. In the December 1, 1995 Federal Register, the Secretary stated "...previous appeals show that postsecondary institutions most likely to have high FFEL

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[1] Section 512 of P.L. 104-134, the omnibus continuing resolution providing funding for the Department of Education for FY96, eliminates Pell Grant eligibility for institutions that lose their loan eligibility due to high default rates. This provision will go into effect July 1, 1996.

Program[2] cohort default rates are institutions that have higher percentages of low-income students than those institutions with low default rates". As the Secretary admits, defaults reflect the nature of the student body -- not the institution's educational quality.

The most significant problem with default rates is that they are not used as one of several indicators of an institution's quality—but are used as if they were the *only* indicator. It is as if cohort default rates are the quintessence of an institution's quality.

Many quality schools have been certified by the Department of Education, accredited, and licensed by their states. As part of the certification process, the Department has in place a complex set of regulatory tools that it uses to determine which institutions should be eligible for Title IV programs. For example, 34 CFR section 668.16 contains a variety of factors by which the Department determines an institution's administrative capability, including the institution's internal controls in administering Title IV programs, its maintenance of reasonable standards for assessing a student's progress at the institution, and its compliance with statutory and regulatory reporting requirements.

Likewise, 34 CFR section 666.15 sets forth numerous standards of financial responsibility, such as whether the institution is current in its debt payments, its net assets or net worth, and its past performance with respect to Title IV obligations. Additionally, substantive requirements are enforced through the program participation agreement every institution must enter into with the Department under 34 CFR section 668.14 as a prerequisite to Title IV eligibility.

However, if an institution has a "high" default rate--none of this matters. A high default rate trumps all of the other regulatory reviews an institution must undergo and pass to participate in Title IV. It is as though default rates alone are the sole indicator of quality.

Congress cannot expect the triad to work when so much weight and importance is placed on default rates. The purpose of the triad is not to ensure that students repay their loans, it is to ensure that only those institutions that have a minimum level of administrative, financial, and educational standards participate in Title IV programs. There is simply no rational basis for draconian actions such as the loss of Pell Grant eligibility against an institution that satisfies the aforementioned entities carefully devised standards for program integrity.

## Accrediting Commissions Are Not Performing Their Intended Functions

If the triad is to work properly, it should have three equal partners, each with distinct responsibilities. As Chairman Shays indicated in his letter inviting AACS to testify before the Subcommittee, a redundancy in responsibility leads to confusion of responsibility, and ultimately, no responsibility.

The Higher Education Act[3] requires accrediting agencies or commissions to have

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[2] Federal Family Educational Loans Program

[3] Section 496(a)(5)

standards to measure student achievement. The Act clearly states that those standards shall require that an accrediting commission review an institution's:

1. curricula
2. faculty
3. facilities, equipment, and supplies
4. fiscal and administrative capacity as appropriate to the specified scale of operations
5. student support services
6. recruiting and admissions practices, academic calendars, catalogs, publications, grading and advertising
7. program length and tuition and fees in relation to the subject matters taught and the objectives of the degrees or credentials offered
8. measures of program length in clock hours or credit hours
9. success with respect to student achievement in relation to it mission, including, as appropriate, consideration of course completion, State licensing examination, and job placement rates
10. default rates in the student loan programs
11. record of student complaints received by, or available to, the agency or association; and
12. compliance with its program responsibilities under Title IV, including any results of financial or compliance audits, program reviews, and such other information as the Secretary may provide to the agency or association.

Of the 12 listed standards, numbers 10 and 12 pose the greatest problem to an efficient and effective triad. As documented above, default rates are part of the quintessence of educational quality. Accrediting commissions whose role it is to assure educational quality, should not be concerned with an institution's default rate.

The other standard which is causing the most problems is #12, which requires an accrediting agency to review the compliance of an institution with respect to Title IV. This is not the role of accrediting commissions, but of the Department of Education. In fact, the Department which is seemly unable to perform this task satisfactorily, is using the accreditation process as a surrogate. This is distorting the accrediting process. No longer are accrediting commissions concentrating on measuring and ensuring quality of an institution's education. Instead they are concentrating on an institution's Title IV compliance—something completely different.

Accrediting commissions do not have the expertise to perform this function. This requirement is diverting the limited resources of accrediting commissions away from their primary focus of educational quality. While it may not seem overly burdensome to the Subcommittee that accrediting commissions must ensure the compliance with Title IV regulations, it is a tremendous burden if done properly. There is a tome of Title IV regulations which cover virtually every aspect of an institutions administrative and financial operations. For accrediting agencies to adequately monitor an institution's Title IV compliance, attention to the other standards must be curtailed.

It should also be noted that as a result of this standard, the cost of accreditation has increased significantly. As institutions are required to increase their administrative overhead to comply with the regulatory requirements of Title IV (in such areas as certified audits, default appeals, campus security, and staffing requirements) the cost of participation is forcing tuition increases. Ultimately, the student must bear the burden of these costs.

As the Subcommittee reviews the appropriate role of accrediting commissions within the context of the triad, it should note that the delineation of responsibilities has been blurred. There is an appropriate role for accrediting commissions, but they are not to act as the surrogate to the Department.

## THE TRIAD IS FORCING THE CLOSING OF MANY QUALITY PROPRIETARY INSTITUTIONS AND THE "REDLINING" OF EDUCATIONAL ACCESS

Vocational and trade schools, and in particular, proprietary vocational and trade schools, have received much unjust and fallacious characterization as the predominant sector of postsecondary institutions that are ill-equipped to properly administer Title IV programs. Proprietary vocational and trade education is an extremely important segment of our nation's educational system.

The purpose of the Higher Education Act is to assist students who otherwise might not be able to obtain postsecondary education or training because of financial limitations. In fact, the very mission of the U.S. Department of Education is "To Ensure Equal Access to Education and to Promote Educational Excellence Throughout the Nation". When President Lyndon Johnson signed the Higher Education Act into law in 1965, it was viewed as an anti-poverty and civil rights law. It is specifically designed to give non-traditional, and financially needy, students an opportunity to advance their education and training. It is the HEA that gives meaning to the Department's mission statement of equal access to education.

Unfortunately, the implementation of the HEA, and in particular, the manner in which the Department of Education has fulfilled its gate keeping function, has resulted in the redlining of educational access, and thus subverting the goal of the Act itself. One of the key elements of educational access in our inner cities are small proprietary trade schools. Most economically and disadvantaged and non-traditional students live in the inner cities. For many, a proprietary institution may be the only available postsecondary institution that is designed to meet their training needs and is affordable.

It is the net effect of the current regulatory structure that causes the redlining of educational access. When viewed in the context of the totality of the Department of Education's policies, the redlining of educational access is an indisputable and inescapable conclusion. It is a conclusion that is also recognized within the Department itself.

At the AACS Annual Convention held in Las Vegas, Nevada, October 15-18, 1995, a high ranking official from the Department of Education said that his advice to the school owners present was that -- based on sound business practice -- schools should not locate in the inner city. This statement is both *correct* and *alarming*. This attitude, which has been expressed by other Department officials in the past, reflects the clear intent of the Department's leadership to enact policies designed to close inner city schools and thus deny access to education to the student populations they serve.

Inner city student populations have unique characteristics. Their socio-economic conditions make it much more difficult for them to complete educational programs regardless of the type of institutions they attend. Low socio-economic students are more likely to default on student loans, or qualify for low repayment schedules under Income Contingent Repayment.[4] Department polices that target institutions with higher than average default rates, or that require unrealistic completion rates, constitute the de facto redlining of education.

## OUTCOME ASSESSMENTS

Ultimately it is outcomes, i.e., graduation and placement rates, that determine quality of education. An institution that is able to train and educate students sufficiently well to graduate and find employment, are more likely than not to be quality institutions. However, Congress must be careful in establishing outcome assessments standards to be applied nationally. Institutions must be judged on their graduation and placement rates relative to their individual circumstances. Factors such as location, nature of educational program, student body size and demographics, length of program, and where appropriate, state regulatory differences, must be taken into account.

Few if any federal job training programs can compare to the success rate of proprietary institutions. Proprietary institutions often do not easily fit within the stereotypical administratively capable definitions developed by the Department, as a result, they are portrayed as offering low quality education. Yet, if the Congress and the Department were to develop meaningful outcome assessments standards, proprietary institutions would be more appropriately judged as providing a very high quality of training and education.

If the Congress is going to move toward outcome assessments as a better, more appropriate measure of quality of education, much care must be used in determining how the standards are to be developed. For example, Congress must consider the following areas of concern[5]:

- Clearly, completion rates are affected by length and difficulty of programs. Since every state has its own course length, measures cannot compare across all state lines.

[4] The Department of Education has promulgated regulations which will count borrowers with low scheduled repayments under ICR as defaulters if they attend a proprietary institution. AACS strongly opposes this policy. Not only does it violate the Congressional intent for which ICR's were developed, it is inconsistent with the statutory definition of a defaulted loan. The Subcommittee ought to make sure that the Department does not undermine the very purpose of ICR's -- which is to help prevent low-income students from defaulting on their loans.

[5] These concerns apply to cosmetology institutions which are clock hour institutions. Each state establishes the length and curriculum requirements for cosmetology schools. These vary greatly from state to state, ranging from 900 hours to 2200 hours. Furthermore, most states require students graduating from cosmetology schools to pass a state licenser examination. That exam varies from state to state as well. While these issues are specific to cosmetology, they have a broader application to all institutions in developing appropriate and meaningful outcome assessments.

- States have different licensing exams, requiring different passing scores on different exams with varying degrees of difficulty. Therefore, national pass-fail rates cannot be established.
- Some states have only written exams while others also require varying levels of practical performance. Therefore, the same rate cannot apply to all states.
- Some states have substantial waiting periods between graduation and testing which can affect both the show rate and the pass rate.
- Such waiting periods can negatively impact the employment rate within reasonable completion time. Consideration should be given to holding off classification as a completer until the student is tested, and that should not interfere with formulas for calculating completion rates.

## CONCLUSION

It is the experience of AACS that the triad is not working. As it currently being enforced, the triad is resulting in the redlining of education – denying access to inner city students. The triad does not place enough emphasis on educational quality and too much on default rates. There is redundancy of effort between the Department of Education, accrediting commissions, and in many areas, state boards of education, that needs to be eliminated. Ultimately, quality must be measured in terms of outcomes. AACS pledges its support of the Subcommittee in addressing these difficult issues.

Mr. SHAYS. Thank you. Before I go to Mr. Kube, I would like to—you talked about two schools, it's a great illustration, but then you kind of lost me. You were making the comparison that there are two schools owned by the same organization.

I made the assumption they were of equal quality and equally professional. And I assumed that the inner-city students, had lower incomes and bigger challenges, and their job opportunities were less than those in the suburban school.

But this is the thing: You said they couldn't combine. And what bothers me is if they offered the same quality of education, why couldn't those two schools be one school. Why couldn't they then share the default rate?

Ms. BARNES. You're talking about in terms of a branch campus or something of that nature, so that you're still serving the separate geographic markets?

Mr. SHAYS. You told me there were two schools.

Ms. BARNES. Right.

Mr. SHAYS. You were trying to make a point.

Ms. BARNES. Right.

Mr. SHAYS. And it is a valid point as long as I accept certain assumptions. Your point to me, as I was trying to listen to it, was that quality can't be determined based on the default rate, because I have two schools that are of equal quality run by the same organization?

Ms. BARNES. Right.

Mr. SHAYS. If they are of equal quality in the same organization, I can't accept your comment that they couldn't be combined.

Ms. BARNES. If I may, because I don't—I can't quote you the specific regulation, but there are regulations that affect this. The schools have separate entity——

Mr. SHAYS. I will go to Mr. Kube and then we'll come back to that. I'll come back if you want.

Ms. BARNES. OK.

Mr. SHAYS. If you want to just talk and give one more comment?

Ms. BARNES. If I may?

Mr. SHAYS. Sure. Sure.

Ms. BARNES. I have one followup item on your comment, though. The inner-city school is not defaulting because there are no jobs. That campus has equally high placement rates of their students.

Mr. SHAYS. Why are they defaulting?

Ms. BARNES. Well, that's our point. It serves an inner-city, a lower socioeconomic student, a more needy student. They have more outside factors that affect their success. Many of them are single parents; they don't have the support of a traditional family. I mean, there are many, many factors when you move from that.

Mr. SHAYS. So your basic comment would be income level primarily, that they may have less.

Ms. BARNES. That's a factor.

Mr. SHAYS. OK. And the other parts you can't answer.

Mr. Kube.

Mr. KUBE. Thank you. Good afternoon, Mr. Chairman.

Mr. SHAYS. Good afternoon.

Mr. KUBE. My name is Tom Kube. I'm the executive director of the Accrediting Commission of Career Schools and Colleges of

Technology. We've provided full written testimony, for the record; however, I'll summarize my remarks here today.

The commission has been recognized as a gatekeeper for title IV programs of the Higher Education Act since 1967. It currently accredits 868 schools located throughout the country. These schools train 450,000 students. The schools are both degree and non-degree granting. They prepare students for trade and technical careers. Some examples are computer programming, commercial art and medical technology. The commission is private, independent, and nonprofit.

This past February, the Secretary of Education re-recognized the commission for a 4-year term with a commendation. Accountability in the title IV student aid programs is vital. In response to public and congressional concerns, as well as lessons of our own experience, we've taken a number of steps to improve our accreditation and oversight processes.

The commission has reformed its accrediting standards to more rigorously assess outcomes and promote default reduction. The commission has stepped up its efforts to monitor the performance of accredited schools. We visit over 50 percent of our schools each year. Since 1990, we've denied or withdrawn accreditation from 135 schools and successfully defended all 16 of the cases that have been brought and challenged our decisions in court.

We have cooperated with our Federal and State triad partners. In 1994, for example, we responded to 23 information sharing requests.

In the last 5 years, the commission has performed a study of outcomes that we believe will be helpful to the subcommittee. We understand that Members of Congress have expressed frustration about the lack of concrete information and whether the Federal investment in education and training has been achieving results.

The commission has now assembled an outcomes data base which should begin to provide answers to those questions and guidance for future policy.

In 1990, the commission engaged the Center for Education and Training for Employment at Ohio State to independently analyze data on performance of accredited institutions with respect to graduation rates, withdrawal rates, placement rates, and default rates.

The latest report from the center is attached to my written testimony. However, let me highlight a few points.

The commission's accredited schools are graduating at a rate of 70 percent and placing them in training related employment at the rate of 82 percent. The average default rate of the commission's accredited schools is 22.7 percent, the lowest in the last 5 years.

After 39 different school characteristics were analyzed, 6 factors have been found to influence outcomes. The percentage of enrollment receiving Pell grants; the percentage of ability to benefit students; average program length in weeks; whether the school is a main school or a branch campus; total enrollment; and faculty turnover.

These factors could be used as monitoring signals to identify potential problem schools. As for default rates, the analysis has found that default does have some correlation to withdrawal, change of ownership and ability to benefit students. Low default rates also correlate with longer programs. But default is not a proxy for overall school performance.

Too much emphasis has been placed on default rates. Other characteristics have a more significant effect. Some have suggested that tripwire outcome rates should be used to define whether a school is performing adequately. The commission believes that this would be a mistake. It's too simplistic. It would create a safe harbor for schools whose performance should be better. And the apparent exactness of such a test is an illusion. Judgments still have to be made about how to define completion and placement rates.

Outcomes assessment cannot be reduced to a mathematical formula. The commission's approach is both quantitative and qualitative. It begins with examining schools' rates of student completion and placement by each program offered at the school and for the school as a whole.

And I want to emphasize that the commission's visiting teams verify these rates. We don't simply take the school's word for it.

The commission does not use tripwires. The commissioners have backgrounds to make judgments about whether a school's outcome rates are acceptable. If the rates seem low in relation to comparable schools and programs, the school may demonstrate that its performance is still acceptable by pointing to factors outside of its control, such as local economic conditions.

The commission then makes a judgment about the school's outcome performance. It is key to whether a school will keep or lose its accreditation. Since 1988, 4 outcomes have been a ground for denial or removal of accreditation in 60 instances. It should be clear, therefore, that the commission believes that performance based outcome measured I've described are critical. In fact, we believe that they should be applied to all institutions of higher education for two reasons.

First, the goal of a Federal student aid program is expressed in the original Higher Education Act of 1965 is to provide access so that students can better themselves and meet society's needs for an educated and technically trained work force. That goal applies to all institutions participating in those programs. Ensuring that students are completing and meeting the employment objectives is important to determine whether the Federal investment in higher education is paying off, especially in view of the tremendous and continuing increase in the cost of attending our colleges and universities.

Second, the profile of higher education today makes it appropriate to apply performance based measures broadly. The typical student is no longer someone who graduates from a high school in the spring, enrolls in a 4-year college and university that fall, is dependent on his or her family for financial support.

The Congressional Research Service reports that 55 percent of undergraduate students are enrolled in proprietary schools of the type that this commission accredits, community colleges or other so-called non-traditional institutions. Students are older, independent and frequently part-time. Their educational objectives are career oriented. Even the American Council on Education has found that getting a better job is the top reason cited for entering freshmen for attending college. In short, these students are much likely to be attending the commission's accredited schools.

Let me conclude by briefly offering our views on gatekeeping and how it might be improved. To combat fraud and abuse, Congress, in 1992, mandated tougher gatekeeping by the Department, the States, and the accrediting agencies. The commission, along with other accrediting agencies, expended substantial efforts to meet these expectations. We are pleased to see that Dr. Longanecker in his testimony confirmed that the commission and other agencies are fulfilling these responsibilities.

The commission believes that two principles should guide the Congress as it moves toward the next reauthorization. First, accrediting agencies' responsibilities should be focussed on their traditional function of assessing educational quality by using performance based analysis, the outcomes assessment I've described. We have shown that the data and the analysis can be developed for accrediting agencies to do their job.

Second, there should be no different level of oversight and regulation for different types of institutions. Congress and the Department should work toward a sensible set of regulations and rules for all institutions, rather than regulatory relief for a chosen few. We should be focusing on results, rather than trying to categorize institutions. Again, outcomes are critical, especially given the changing face of higher education and spiraling costs.

We look forward to working with you as these hearings move forward. Thank you.

[The prepared statement of Mr. Kube follows:]

TESTIMONY OF THOMAS A. KUBE
ON BEHALF OF
ACCREDITING COMMISSION OF CAREER SCHOOLS
AND COLLEGES OF TECHNOLOGY

My name is Thomas A. Kube. I am Executive Director of the Accrediting Commission of Career Schools and Colleges of Technology ("ACCSCT" or the "Commission"). I have been the Commission's Executive Director since August 1993. Prior to my appointment as Executive Director, I served as the Commission's Associate Executive Director of Operations. Before joining the Commission, I was Vice President and Chief Financial Officer for Arlington Community Residences, a non-profit corporation operating 16 residential vocational training facilities in Northern Virginia, and I managed accrediting functions for the American Automobile Association's national office. I am currently Vice Chair of the Council of National Recognized Accrediting Agencies. I hold an MBA in finance from George Mason University.

ACCSCT

The Commission and its predecessors have been recognized since 1967 by the federal government as reliable authorities as to the quality of the education and training offered by their accredited schools and colleges. The Commission currently accredits 868 schools located in all 50 states, the District of Columbia and Puerto Rico. They educate and train 450,000 students and employ 16,000 faculty. These schools are private, postsecondary degree and non-degree granting institutions that are principally organized to educate students for trade, occupational or technical careers, including civil engineering technology, computer programming, court reporting, data processing, medical and dental technology, commercial art, and automobile and diesel mechanics. Degrees are offered at 277 of these institutions. The Commission's accredited schools offer more than 4,500 programs in over 100 occupational areas, and include such institutions as the ITT Technical Institutes and the Culinary Institute of America. On February 1, 1996, the Secretary of Education re-recognized ACCSCT for a four-year term as a gatekeeper to the student financial assistance programs of Title IV of the Higher Education Act of 1965. In re-recognizing ACCSCT, the Secretary concurred with the recommendation of the National Advisory Committee on Institutional Quality and Integrity that the Commission be commended for its efforts to validate its accreditation process.

ACCSCT is an independent, private, non-profit organization with exclusively educational objectives. It is unaffiliated with any trade association. Six of ACCSCT's Commissioners are public members and have no affiliation with the schools accredited by the Commission. The remainder of the Commissioners are elected by accredited schools through a process administered by the Commission. Commissioners include state higher education officials, faculty at state universities and community colleges, and owners and executives of private career schools. I supervise a professional and administrative staff of 35 who support the Commission by reviewing and processing applications, reports, financial statements and complaints, coordinating site visits, and conducting workshops and seminars. A pool of over 1,000 volunteers assist the Commission and its staff by participating in site visits and preparing team summary reports of the visits.

Recognizing the legitimacy of the public's demand for accountability in the student financial assistance programs, the Commission has adopted and applied rigorous standards to promote educational quality and ethical practices among its accredited institutions. In 1990, the Commission adopted extensive reforms of its accrediting standards and initiated an annual cycle of review and adjustment of standards. These measures have included more rigorous quantative assessment of outcomes (completion, placement and state licensing examination pass rates), promotion of student loan repayment and reduction of defaults, controls on recruitment, requirements for prior approval of changes of ownership, more comprehensive financial reporting requirements, requirements for program advisory committees, and streamlining of appeals processes after adverse actions.

The Commission has also stepped up its efforts to monitor the performance of accredited schools. Since 1993, ACCSCT teams have visited over 50 percent of accredited schools annually. In fact, 60 percent of the schools were visited in the last year. These have included regularly scheduled visits for renewal of accreditation, visits to schools with high cohort default rates, and unannounced visits by rapid response teams where circumstances indicated a need for immediate investigation of compliance with accrediting standards. Since 1990, the Commission has taken adverse action -- denial or withdrawal of accreditation because of non-compliance with accrediting standards -- against 135 schools. It has not been deterred from taking these actions by the threat or expense of litigation; during this period, the Commission has successfully defended all 16 of the actions challenging its decisions in federal and state courts.

While fulfilling its responsibilities as a gatekeeper to the Title IV programs, the Commission has cooperated with its federal and state partners in the Program Integrity Triad by providing extensive information about its accredited schools. For example, in addition to regular and timely notification of final accrediting actions, including denials, withdrawals, and decisions to place institutions on probation, the Commission responded to 23 requests for information in 1994 from the Department of Education, state departments of education, and law enforcement authorities. The

Commission has also cooperated with the Department and the states in matters involving possible violations of Title IV and fraud and abuse.

In the remainder of my testimony, I will focus particularly upon the Commission's use of performance-based measures to assess and promote educational quality. I will describe the ongoing analysis of outcomes data that the Commission has performed in conjunction with the Center on Education and Training for Employment at The Ohio State University. I will explain ACCSCT's approach to outcomes assessment and express its view that there should be greater emphasis on the intelligent application of meaningful performance measures to affect all institutions' participation in the student aid programs. I will also explain why ACCSCT believes that private accrediting agencies have an important role to play in assessing outcomes data and applying the judgment that is necessary to determine whether institutions are making effective use of federal student aid funds. And, I will offer suggestions for re-orienting the role of accrediting agencies as gatekeepers and modifying the statute to better allow accrediting agencies to perform their gatekeeping role.

## PERFORMANCE-BASED MEASURES

Long before the enactment of the Higher Education Amendments of 1992, the Commission adopted and applied accrediting standards requiring schools to achieve reasonable and acceptable levels of completion and placement. In order to improve its own assessment capabilities and the performance of accredited schools, the Commission engaged the Center on Education and Training for Employment at Ohio State in 1990 to undertake an independent, ongoing analysis of data from the annual reports submitted to the Commission by accredited schools. This analysis determines the performance of accredited schools with respect to graduation rates, withdrawal rates, placement rates and default rates. The study also determines whether there are school characteristics that have a significant relationship to these performance measures. The definitions of outcomes measures have been independently reviewed, and data from the annual reports are verified through random site visits. Variables have been identified through multiple regression analysis that have consistent, statistically significant relationships with graduation, withdrawal, training-related placement, and default. These findings are being used to assist the Commission in evaluating and attempting to help improve the performance of accredited schools.

The Center has prepared three reports on the performance of the Commission's accredited schools over a five-year period. The latest report was released in April 1996 and provides for the first time longitudinal data for cohorts of students who would have had sufficient time to complete their programs in the acceptable time frame of 150% of program length. The Center's report is attached to my testimony as Exhibit A, and a summary of the report is attached as Exhibit B.

The new cohort data available in this year's report show the following:

- Graduation rate -- 70%.
- Training-related placement -- 82%.
- Withdrawal rate -- 30%.

In general, the longitudinal nature of the cohort data yields a more careful tracking and counting of students.

The April 1996 report also provides an additional school year of data on outcomes. The report shows that for full-time students:

- 64 % graduated within the acceptable time frame for completion of the program.
- 78% obtained jobs in the fields for which they were trained.
- 20% withdrew from their programs.

As expected, for part-time students, the graduation and training-related employment rates were 10-12% points lower than the rates for full-time students, and the withdrawal rates were 1-2% points higher. The average default rate in the Commission's accredited schools was 22.7%, the lowest rate over the last five years.

A key objective of the analysis of annual report data on outcomes was to determine the characteristics which have consistent, statistically significant relationships with these outcomes measures of school performance. The Center performed a multiple regression analysis to determine the net, independent effect of 39 different characteristics. As a result of this analysis, six factors were identified that influence outcomes:

- Percentage of enrollment receiving Pell Grants.
- Percentage of Ability to Benefit students.
- Average program length in weeks.
- Main or branch campus.
- Total enrollment.
- Faculty turnover.

These characteristics can thus be used as monitoring signals to identify schools that are more likely to have outcomes problems. Since default rates have occupied the attention of policy makers to such a degree in recent years, it should be noted that a school's default rates did have some correlation with its withdrawal rates and with changes of ownership and the number of Ability to Benefit students. Low default rates also correlated with longer programs. However, the analysis has found that default is not a complete or reliable proxy for overall school performance. Accordingly, undue emphasis has been placed on default rates when other characteristics appear to have a more significant effect.

The Commission has been using the results of the outcomes analysis to improve its assessment of outcomes and schools' performance. The Commission's requirements with respect to student achievement are found in Section VII (C) of its Standards of Accreditation. A copy of this standard is attached to my testimony as Exhibit C. Under the Commission's outcomes standard, a school must demonstrate successful student achievement including reasonable completion, placement and, where required, state licensing examination outcomes. Successful student achievement is demonstrated principally by rates of completion, placement in the field for which the education and training have been provided, and passage of state licensing examinations. The Commission analyzes these rates for each program offered and for the school as a whole. The rates are verified through student files, the school's records of employment of its graduates and other means. The Commission's visiting teams have the principal responsibility to conduct this verification.

ACCSCT avoids the use of trip-wires in assessing outcomes. Commissioners have the expertise and background to form judgments as to whether a school's completion, placement and state licensing examination pass rates are low in relation to comparable schools or programs. This judgment is now further informed by the results of the annual report outcomes analysis performed by the Center at Ohio State. In the event that a school's outcomes rates are low, it has the opportunity to demonstrate that the achievement of its students is nonetheless successful by explaining economic conditions, location, student population served, length of program, state requirements and other external factors that may reasonably influence student achievement.

However, if a school with low outcomes rates fails to demonstrate successful student achievement, the Commission will deny accreditation or remove a school from the accredited list. Since 1988, poor outcomes have been a ground for such an adverse action in 60 instances.

In the rulemaking to implement the Higher Education Amendments of 1992 and now in the Advanced Notice of Proposed Rulemaking issued by the Department of Education to develop proposals for regulatory relief for institutions demonstrating a high level of performance, it has been suggested that outcomes trip-wires be used to define acceptable school performance. For example, it has been proposed that the requirement that short-term vocational programs graduate and place 70% of their students should be extended at least to non-degree vocational programs and possibly others.

Based upon its experience, the Commission believes that the use of minimum quantitative trip-wires in the area of student achievement is simplistic and fails to take into account the important factors revealed by the annual report outcomes analysis and reflected in the Commission's accrediting standard on outcomes. While it is important to begin with the best quantifiable data available on outcomes, other factors are relevant and must be considered. Moreover, the use of minimum trip-wires likely will have unintended and pernicious consequences. Trip-wires may well create a safe harbor for schools and would likely have the tendency in practice to become maxima, thus making demands for higher performance more difficult. And, while minimum trip-wires appear to have the benefit of being definite, that appearance is illusory because numerous questions critical to the definition of completion and placement would still require the application of informed judgment. In the Commission's experience, the assessment of student outcomes cannot be reduced to a mathematical formula. The application of knowledgeable and reasoned judgment is inescapable.

As a gatekeeper to the Title IV programs, ACCSCT does believe that there should be greater emphasis on the use of meaningful performance measures to affect institutions' participation in the student aid programs. The Commission believes that standards for student achievement -- the outcomes measures I have described -- are critical and, in fact, should be applied to all institutions of higher education. The goal of the federal student aid programs is to provide access, in the face of a seemingly unending upward spiral of the cost of attending institutions of higher education, so that students can better themselves and meet our society's need for an educated and technically trained workforce. This was the fundamental purpose of the Higher Education Act of 1965, and it applies irrespective of the types of institutions that the students choose to attend.

The traditional model of higher education is simply no longer statistically accurate. The "typical" student is no longer someone who graduates from high school in the Spring, enrolls in a four-year college or university in the Fall of the same year, attends full-time, and is dependent on his or her family for financial support. As Margo Schenet of the Congressional Research Service testified on April 23, 1996, before the House Subcommittee on Postsecondary Education, the most recent available data show that approximately 55% of undergraduate students are enrolled in proprietary schools, community colleges, and other institutions different from four-year colleges and universities. Only 14% attended private, independent colleges and universities. In addition, 52% of undergraduates are independent, 63% are older than "typical," 6% do not have a high school diploma, and 54% attend part-time. These data correspond to the characteristics of students attending ACCSCT-accredited schools: 20% of these students previously attended postsecondary institutions, the majority are 25-34 years old, and 35% are from minority groups.

Moreover, the objectives of "typical" students attending traditional four-year colleges and universities are little different from those of the students attending ACCSCT-accredited schools and other "non-traditional" institutions. Data from the American Council on Education show that "getting a better job" is, in fact, the top reason for attending college cited by entering freshmen. This attitude is unsurprising in view of the rising costs of a traditional college and university education -- costs that have consistently outdistanced inflation.

In sum, we need to refocus our concept of higher education and recognize the increasing convergence of institutions in this field. Outcomes measures should be employed to assess the performance of <u>all</u> institutions of higher education. These measures are among the best tools available to assess whether the federal investment in higher education of all types is achieving results. Rigid trip-wires should not be mandated. Based upon ACCSCT's successful experience, private accrediting agencies are the most capable organizations available to assess outcomes data, identify the factors that influence outcomes, and apply the judgment that is necessary to determine whether institutions are making effective use of the public's funds.

## IMPROVEMENTS IN GATEKEEPING

With a primary purpose of preventing fraud and misuse of student aid funding, Congress made substantial changes to the Higher Education Act in 1992. The Higher Education Amendments of 1992 greatly expanded the gatekeeping responsibilities of accrediting agencies. This legislation and implementing regulations promulgated by the Department of Education established new requirements for accrediting agencies' structure, standards and operations, and new criteria and procedures for the recognition of accrediting agencies by the Secretary of Education. These extensive requirements heavily emphasized the concept of the accountability of accrediting agencies to the public.

ACCSCT believes that accrediting agencies have constructively responded to the demands of the Congress and the public. Since the Higher Education Amendments of 1992 were enacted, the Commission has held virtually no meeting where the requirements of the statute and the regulations were not addressed or where they did not influence the manner in which the Commission discharged its accreditation function. Thus, the Commission separated from its sponsoring association in June 1993 in order to meet the "separate and independent" requirements of the law. It also made extensive changes to accrediting standards and procedures to address the twelve substantive areas that the statute and regulations state that standards must assess. It further modified its procedures, among other things, to review substantive changes and to conduct unannounced visits at all of its accredited schools during their period of accreditation. Other accrediting agencies have expended similar extensive efforts to meet the statutory and regulatory requirements for accountability.

The Department of Education has confirmed the efficacy of accrediting agencies' performance. As I have previously noted, ACCSCT was re-recognized for a four-year term with a commendation earlier this year. More broadly, David Longanecker, the Assistant Secretary for Postsecondary Education, testified on April 23, 1996, before the House Subcommittee on Postsecondary Education that:

> "Prior to the 1992 amendments, there were concerns that the agencies were not ensuring that the institutions they accredit were fulfilling their responsibility to provide a high-quality education to their students. The Department shared similar concerns. Since then, we have tried to engage the agencies and stress the importance of their role with regard to ensuring educational quality. The agencies have responded by working to develop meaningful standards to assess educational programs....We have witnessed substantial change in behavior on the part of the accrediting agencies, and we remain firm in our belief that these

> private organizations are better suited to assess educational capability than is the Federal Government."

ACCSCT is gratified by, and agrees with, Assistant Secretary Longanecker's assessment of the performance of accrediting agencies. If accrediting agencies were not to serve as gatekeepers to the Title IV programs, some means would have to be devised to assess educational quality at institutions seeking to participate in the student aid programs. That could only mean an expanded role for government -- federal or state -- in the formation of judgments about educational quality. There is simply no evidence available to support the notion that governmental bodies are better suited to perform this task. Private accreditors, consisting of individuals with in-depth knowledge about and expertise in the institutions they review, should remain the gatekeepers to the student aid programs.

As the Congress moves toward the reauthorization of the student aid programs, ACCSCT believes that improvements to the gatekeeping system can and should be made. We believe that sufficient progress has been made in eliminating and preventing instances of fraud and abuse that accrediting agencies' responsibilities should be refocused to their traditional function of identifying and assessing educational quality. Performance based measures, *i.e.*, the outcomes assessment that I have described, should be the key element of this shift of focus. I have described how the Commission believes that outcomes assessment can be best performed. I would also add that the Commission believes that business and industry should be more meaningfully involved in the evaluation of educational quality. For that reason, ACCSCT applauds the hearing that this Subcommittee recently held on federal job training programs and particularly the testimony of Bruce Carswell of GTE Corporation. We believe that the principles that he laid out can be extended beyond job training programs to higher education in general.

ACCSCT also believes that different levels of oversight for "outstanding" and "at-risk" institutions or for degree and non-degree schools are fundamentally misconceived. There is no sound way, grounded in the purposes of the student financial aid programs, to define in advance the institutions that should be subject to regulatory favor and disfavor. The selection of such institutions would be prone to bias and discrimination and adversely affect students. Again, if the foundation of the student aid programs is to provide access so that students can better themselves and meet the needs for a trained and educated workforce, the Congress and the Department of Education should be working toward broad reform for all institutions participating in the Title IV programs rather than attempting to target regulatory relief for a chosen few. Emphasizing accrediting agencies' responsibility to assess student achievement at all institutions through outcomes measures should guide these reform efforts. As Chairman McKeon stated recently, we should be focusing on results rather than seeking to categorize institutions.

Finally, ACCSCT wishes to suggest improvements in the recognition process conducted by the Department of Education for accrediting agencies. Currently, under the statute and regulations, Department staff review extensive petitions for recognition filed by accrediting agencies and offer an analysis of their compliance with the recognition requirements to the National Advisory Committee on Institutional Quality and Integrity, a committee established by statute to advise the Secretary on recognition of accrediting agencies. It is composed of 15 members appointed by the Secretary who are to be representatives of, or knowledgeable concerning, education and training beyond secondary education. It is to include representatives of "all sectors and types of institutions of higher education." Although the Secretary makes the actual decision on recognition, the recommendations of the National Advisory Committee are extremely influential and almost always followed. The Committee, however, contains only one representative of a proprietary institution of higher education. The other 14 members include six college and university presidents, one vice chancellor of a community college system, two individuals currently or recently affiliated with presidents' associations and a university student. This is simply not reflective of the diversity of higher education today or of the types of institutions that most students are now attending beyond the secondary level. Although ACCSCT believes that its petition for recognition received fair consideration in this process and is pleased with its outcome, we believe that the Congress should more specifically mandate a proportionate representation of the different types of institutions of higher education that exist today. This will ensure not only that the breadth of higher education is accurately represented, but also that accrediting agencies are better held accountable by those with a wider and more relevant perspective.

The Commission appreciates the invitation to present this information to the Subcommittee on these important subjects. I would be happy to respond to any questions the members of the Subcommittee may have. ACCSCT would also be pleased to provide additional information as the Subcommittee proceeds with its review of gatekeeping to the Title IV programs.

EXHIBIT A

# ANALYSIS OF ANNUAL REPORT DATA FOR SCHOOL YEARS 1990 TO 1994

Prepared for

Accrediting Commission of Career
Schools and Colleges of Technology

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April 1996

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## FOREWORD

The Center on Education and Training for Employment is pleased to forward this report to the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT). This is the third report on the performance of the schools and colleges accredited by the Commission. One of the methods the Commission uses to carry out its responsibilities is an annual report from each school or college. The information in this report enables the Commission to monitor operation and performance of these institutions.

The data from the annual reports filed by all the accredited schools and colleges for the 1990 through the 1994 school years formed the basis for the present report. Preliminary analyses had been conducted with the reports for the prior three years. We hope that the results of these analyses can provide guides for future activities of the Accrediting Commission to improve the capacity of the schools and colleges it accredits to serve their students.

This report was prepared by Dr. Morgan Lewis, a Research Scientist with CETE, with the assistance of Mr. Weidong Wang, a former Research Associate of CETE, who performed the many computer runs necessary for the analysis.

Dr. Lewis has asked me to express his appreciation to those who contributed to the preparation of this report. First to the Accrediting Commission which funded the analysis and verification of the annual report data. Second, the staff of the Accrediting Commission, particularly Mr. Bruce Jenks, who has primary responsible for the collection and processing of the annual report data upon which the report is based, and acts as liaison with CETE. Third, the members of the Accrediting Commission, themselves, who contributed many helpful suggestions and insights regarding definitions, analyses, and interpretations of the findings, while allowing Dr. Lewis full control over the final contents of this report.

I should add that while the Accrediting Commission provided the funding for the preparation of this report, its findings and conclusions are those of Dr. Lewis and not necessarily those of the Accrediting Commission, or our Center.

Ray D. Ryan
Executive Director
Center on Education and
Training for Employment

## EXECUTIVE SUMMARY

This is the third report of the performance of schools and colleges accredited by the Accrediting Commission of Career Schools and Colleges of Technology during the five school years from 1990 through 1994. This report updates a previous report by adding an additional school year of data. The five years of cross-sectional data are based on the total number of students who graduated, withdrew, and obtained employment during the school year. These we refer to as the *annual total* data.

This report differs from its two predecessors in that it also presents new longitudinal data on program completion and placement in related employment for defined groups of students. These we refer to as the *cohort* data. Cohort are groups of students who started their programs at points one and one-half times longer than the scheduled length of their programs. The results from students who met the cohort definition during the 1994 school year are presented in this report.

The measures of the performance for both the annual total and cohort data were derived from the information in annual reports filed with the Accrediting Commission. For the annual report data, these measures are graduation, withdrawal, and training-related placement of the schools, calculated separately for full-time and part-time enrollments. Because of students who continue from one school year to another, in the annual total data withdrawal rates are not simply the reverse of graduation rates. For the cohort data, the measures are percentage trained and percentage placed in related employment. The cohort data includes students who withdrew because they obtained related employment in both of these measures.

In the annual total data, almost two-thirds (63 to 65 percent) of the full-time students leaving the accredited schools and colleges graduated. About one-fifth (20 to 22 percent) of the students enrolled each year withdrew without completing their programs. A consistent three-fourths of graduates (74 to 78 percent) found employment related to the skills they had studied; this figure is based on graduates who were available for employment. Each year 8 or 9 percent of graduates did not seek employment because they continued their education, entered the military, or had other documented reasons for not seeking jobs.

For part-time students, the graduation and training-related employment rates were 10 to 12 percentage points lower than the rates for full-time students. Withdrawal rates for part-time students were 1 to 2 percentage points higher than the rates for full-time students. The default rates on Stafford loans for the students who had left the schools two years prior to the year analyzed fluctuated around 25 percent.

The cohort data for the 1994 school year yielded outcomes higher than those from the annual total data for all three outcomes. The cohort measure comparable to the graduation rate is percentage trained, and that was 70 percent, 5 percentage points higher than the annual total figure. Part of the reason the cohort figure is higher is that those who withdrew for related employment are included as completing their programs.

The percentage placed in related employment in the cohort data is 82 percent, four points higher than the annual total results. Here again part of the higher figure is due to those who withdrew for related employment.

The biggest difference between the annual total and cohort data is with regard to withdrawal. The annual total data estimated withdrawal at a fairly constant 20 to 22 percent. In the cohort data, the rate in 1994 was 30 percent. We think the higher cohort figure is due to a more careful tracking of those who entered programs in one school year but did not complete their programs that year. They informed their schools that they intended to return the next school year but did not. As a result, they were not counted as withdrawing in either school year. The cohort data, because it is longitudinal, counts these withdrawals more accurately than the cross-sectional, annual total data.

Both the annual total and cohort outcome measures were related to 39 measures of the characteristics of the students and the schools, using multiple regression analysis. This analysis determines the net, independent effect of each school characteristic on the outcomes, holding the effect of all the other characteristics constant. The school characteristics listed below were found to have consistent, statistically significant relationships with school performance in both the annual total and cohort data. Most of these relationships, however, were found for full-time enrollments. The outcomes for part-time enrollment have fewer systematic relationships with school characteristics.

- **Percentage of enrollment receiving Pell grants.**

  This variable reflects the percentage of students from disadvantaged backgrounds served by a school. As the percentage of enrollment receiving Pells increase, graduation/percentage trained rates decline and withdrawal rates increase. The results for the Pell variable are consistent with other findings on the problems of educating students from disadvantaged backgrounds. Results from other studies suggest that schools accredited by the Commission may graduate more students from disadvantaged circumstances than other postsecondary institutions.

- **Percentage of students classified as Ability to Benefit (ATB).**

  This variable indicates the percentage of students served by a school who did not complete high school or obtain a General Educational Development certificate. As the percentage of ATB increases, withdrawal and default rates increase. The effect of the percentage of ATB was lower in 1993 and 1994 than in prior years. This may be because the schools and colleges are enrolling fewer ATB students.

- **Average program length in weeks.**

  This variable indicates the average length of programs offered by a school. As program length increases, graduation/percentage trained rates decrease and withdrawal rates increase. In 1994, the difference in the graduation rates between the shortest and longest programs was 30 percentage points. As program length increases, however, default rates decrease. It may be that students who complete longer programs earn more money and are better able to pay off their loans. An alternative explanation is that longer programs are more costly and may draw their students from families with more financial resources.

- **Main or branch campus.**

  For four of the five years of annual total data and in the 1994 cohort data graduation/percentage trained rates were higher for schools that report they are the main campuses. We think it is likely that main campuses are likely to have more resources and more experience faculty that contribute to higher quality programs.

- **Total enrollment.**

  Graduation rates decrease and withdrawal rates increase as the total enrollment of schools increase. It appears that schools with enrollments over 600 have a more difficult time graduating as many of their students as smaller institutions, when all other factors are held constant.

- **Faculty turnover.**

  Turnover among faculty is associated with lower graduation rates and higher withdrawal rates. Turnover among part-time faculty is related to outcomes more than turnover among full-time faculty. It certainly is harder for teachers to establish supportive relationships with students when there are frequent changes. High turnover may also make it difficult to establish linkage with employers that often results in employment

The cumulative effect of these characteristics can be quite substantial. A main campus school with an enrollment of 600 or less that had few Pell recipients and offered short programs could be expected to have a graduation rate 20 to 30 points higher than a branch campus school with an enrollment over 600, the average percentage of Pell recipients, and long programs. The percentage of Pell grant recipients, ATB students, and faculty turnover may all contribute to problems with retention and graduation. Large enrollments together with high percentages of Pell and ATB students, and high faculty turnover would be an especially worrisome combination, however, such a combination is rarely found in practice.

The analyses in all three reports have identified those characteristics of schools that have a consistent relationship with school performance. The statistical method used to identify these characteristics was multiple regression analysis. This method relates several measures of school operations (inputs) to selected measures of school performance (outcomes). Schools want to graduate their students, *i.e.*, retain them until their programs are completed, and place them in good jobs that are related to the fields in which they were trained. Schools also want students who borrowed money for their tuition to pay back their loans. These desired outcomes led to the four indicators of school performance examined in this study: graduation, withdrawal, training-related placement, and default.

The schools that produce these outcomes differ on many dimensions, such as the size of their enrollments, the prior education of their students, the turnover of faculty, whether they are main or branch campuses, and so on. These characteristics of schools can be considered indicators of the inputs used to produce the desired outcomes. Multiple regression indicates which characteristics of schools have statistically significant relationships with the four outcomes. In the following sections we explain how we defined the measures of school performance and characteristices used in this report.

## Measures of School Performance

As noted above, annual reports are submitted to the Accrediting Commission on a school year basis, defined as July 1 through June 30. The information in the reports is verified annually by site visits to a sample of reporting schools. The numbers reported in the various categories—new enrollments, continuing students, re-entries, graduation, and withdrawals—are the totals for the year. The cohort information that traces a defined group of students from initial entry until exit, either through graduation or permanent withdrawal, was collected for the first time for the 1994 school year.

For the annual total data, graduation rates, withdrawal rates, and training-related placement rates were calculated for each school by aggregating information provided for each program offered by a school and calculating overall school rates. Separate rates were calculated for full-time and part-time enrollments. The default rates used in the 1990 and 1991 analyses were obtained from reports prepared by the U.S. Department of Education. The rates used in the 1992, 1993, and 1994 analyses were obtained from the annual reports submitted by the schools for those year. It should be noted that these rates are always for the students who left school two years prior to the year in which they are reported.

### Outcome Definitions Used with Annual Total Data

*Graduation rate.* The first of the three reports prepared by the Center on Education and Training for Employment (CETE) discussed how we tested various ways of calculating graduation rates and selected the method we used. The primary problem in defining graduation, lies with how to deal with continuing students, those who neither graduate nor withdraw in a given school year. This is the definition we decided to use:

$$\frac{\text{Number graduating}}{\text{Number graduating} + \text{Number withdrawing}}$$

This definition disregards the problem of continuing students for the reporting year. Some of these students will graduate and some will withdraw in the next school year and will be included in the rate when they do so.

*Withdrawal rates*. Withdrawal rates present less of an analytic problem: a withdrawal is a withdrawal regardless of when it occurs. Withdrawal rates were calculated by dividing the total number withdrawing during a school year by the total number enrolled during that school year. This definition, however, like that for graduation, is not based on a defined group of entering students.

Because of continuing students and the definition of graduation rates adopted to allow for them, for the annual total data, withdrawal rates are not simply the reverse of graduation rates. Since continuing students are not included in the calculation of graduation rates, graduation plus withdrawal rates do not sum to 100 percent. In each school year we have analyzed, about 40-45 percent of full-time and part-time students neither graduate nor withdraw. Instead they start during one school year and continue their studies into the next year. Consequently, not all the variables found to have a significant relationship with graduation have a similar reverse relationship with withdrawal.

*Training-related placement*. Training-related placement (TRP) is a critical measure of the performance of schools whose primary mission is to teach specific occupation skills. In the past decade, research has established that obtaining employment related to training is essential if program completers are to realize increased earnings in the labor market. The final report of the National Assessment of Vocational Education (Boesel *et al.* 1994) summarized the importance of obtaining related employment as follows:

> The strongest, most consistent finding throughout the literature is that improved earnings do accrue in situations where vocational training is directly related to job tasks. (p. 137)

To calculate TRP, we adjusted the number graduating by eliminating those who were unavailable for employment because they were continuing their education, entering the military, or had other documented reasons why they were not seeking employment, such as illness or pregnancy. The number excluded for these reasons has been consistent over the three years, averaging 8 to 9 percent of the total number of graduates.

The mean numbers excluded from the calculation of TRP are shown in Table 1.1. The mean is the average value for all reporting schools. The standard deviation is an indicator of the variability, or how the separate schools are distributed from lowest to highest value, for each of the variables. The large standard deviations reflect the wide variation in the number of graduates, which in 1994 varied from 0 to 1,664.

TABLE 1.1

FULL-TIME GRADUATES EXCLUDED FROM TRAINING RELATED PLACEMENT AS UNAVAILABLE FOR EMPLOYMENT, SCHOOL YEARS 1990 TO 1994

| Reason for Exclusion | 1990 | | 1991 | | 1992 | | 1993 | | 1994 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Mean | SD | Mean | SD | Mean | SD | Mean | SD | Mean | SD |
| Further education | 6.2 | 17.5 | 6.7 | 23.4 | 7.2 | 18.5 | 6.5 | 14.8 | 6.9 | 25.1 |
| Military service | .7 | 1.8 | .7 | 1.9 | .6 | 3.4 | .5 | 1.5 | .4 | 1.4 |
| Other documented reasons | 8.1 | 22.6 | 7.8 | 20.4 | 7.8 | 17.0 | 8.6 | 20.4 | 6.6 | 14.9 |
| Total graduates | 183.2 | 212.2 | 171.9 | 196.3 | 177.0 | 193.2 | 172.2 | 178.1 | 166.6 | 180.8 |
| Number of schools | 1037 | | 1062 | | 1017 | | 906 | | 868 | |

The due date for the 1994 annual reports was three months later than the reports from prior years. These three months were added to allow a more accurate estimate of the students who obtained related employment following completion of their programs.

## Definitions for Cohort Data

*Percentage trained.* Because 1994 was the first year for which cohort data were collected, only three totals from the completion and placement data were coded and provided to CETE: the number that started a program, the percentage trained, and the percentage placed. Percentage trained is not entirely the same as graduation because it includes a small number of students who withdrew from the program prior to graduation because they obtained employment in the fields in which they were being trained. We know from the annual total data that those who withdraw for related employment are typically only 2 or 3 percent of the number who graduate in a given year.

The definition used to calculate percentage trained in the cohort data was as follows:

$$\frac{\text{Grads within 150\% of program length + Withdrawn employed in field}}{\text{Number that started program}}$$

*Percentage placed.* The percentage placed in related employment calculated for the cohort data also includes those students who withdrew for related employment. In the percentage placed, however, the number who withdrew appears in both the numerator and denominator of the definition:

$$\frac{\text{Withdrawn employed in field + Grads employed in field}}{\text{Withdrawn employed in field + [Grad within 150\% of program length - (Further education + Military service + Other unavailable for employment)]}}$$

### Default Rate

Default rate was used both as an outcome variable and as an explanatory variable in the analyses. It was used as an outcome variable to determine if there are school characteristics that predict what the default rate of the school will be. It was also used as an explanatory variable to determine if the default rate of schools is related to school performance as measured by graduation, withdrawal, and TRP. Obviously, default could not have a direct, causal relationship with these outcomes because it occurs after them. Default rate could, however, be an indirect measure of the qualifications of the students recruited by the school or the quality of the instruction these students are provided.

Default rate, for example, in each of the five years for which we have data has had a high one-to-one correlation with the percentage of students classified as ATB ($r$ = .42 in the 1994 data). This coefficient indicates a strong tendency for default rates at schools to increase as the percentage of students classified as ATB at those schools increases. The multiple regression analysis tests whether this relationship remains when variables measuring many other school characteristics are entered into the equation.

The default rates are calculated by the U.S. Department of Education. For schools with 30 or more former students in default for the fiscal years that ended two years prior to the time of calculation. The Department does not calculate rates for schools with less than 30 students in default, because rates based on small numbers can vary widely. It is very unlikely, however, that the schools for which the Department did not calculate rates have no defaults. Consequently, we have substituted the mean calculated for schools with reported default rates for those schools for which default rates were not reported. Schools that actually reported zero default rates were used in the calculation of the mean that was used for schools that did not report rates.

## Measures of School Characteristics

The annual report filed with the Accrediting Commission includes questions about prior education of students, sources of student aid, staffing, facilities, complaints or legal actions, and other aspects of the school's operation. Many of these questions were converted into measures that could be entered into a multiple regression equation. These measures were of two types, categorical and continuous variables.

### Categorical Variables

A categorical variable indicates whether a characteristic is present or not. Values of 1 and 0 are assigned arbitrarily to indicate the presence or absence of a characteristic. The variables used in this analysis were coded so that the 1 value was always assigned to the "Yes" answer. There are certain "Yes" answers, however, that were considered likely to be associated with less positive outcomes. The following variables usually have negative relationships with positive outcomes (graduation and TRP) and positive relationships with negative outcomes (withdrawal and default):

— change in ownership,
— physical moves to a new location,
— pending legal actions,
— judgments or settlements during the past year,
— complaints under review,
— program review or audits.

Some other characteristics usually have positive relationships with positive outcomes and negative relationships with negative outcomes. These variables include:

— accreditation by a body in addition to ACCSCT
— linkage programs with public or private funding sources for funding occupational training,
— articulation agreements with other institutions,
— having separate facilities,
— being the main rather than branch campus of a school.

When reviewing the results presented in this report, it is important to keep in mind that a negative sign on a regression coefficient does not always indicate a relationship that schools should try to avoid. Both the nature of the characteristic and the nature of the outcome must be considered. If the outcome is undesirable, withdrawal or default, and the school characteristic is desirable, e.g., dual accreditation, a significant negative coefficient indicates a condition a school should try to achieve. The negative coefficient indicates that schools that have the characteristic tend to have lower rates of the undesirable outcome. In the reverse condition when the outcome is positive, graduation or TRP, and the school characteristic is undesirable, e.g., complaints under review, a negative coefficient once again indicates a desirable condition. In this case, the negative coefficient indicates that schools that do not have the undesirable characteristic have higher rates of the desirable outcome.

**Continuous Variables**

Continuous variables can have a wide range of values. Most of the continuous variables used in this analysis are percentages or rates calculated by dividing a characteristic of interest by a base number that enables comparisons to be made across schools. For example, the actual number of students at a school who are classified as Ability to Benefit (ATB) has little meaning in itself. When the number of ATB is converted to a percentage of all enrolled students, comparisons can be made across schools.

These are the continuous variables that were used for the analyses presented in this report:

Percentage of full-time enrollment receiving the following kinds of financial aid—
Stafford loans
Supplemental loans to students
Pell grants

Percentage of full-time enrollment—
With other postsecondary education[2]
With high school diploma
With General Educational Development (GED) certificates
Classified as Ability To Benefit (ATB)

Percentage of part-time enrollment—
With other postsecondary education
With high school diploma
With General Educational Development (GED) certificates
Classified as Ability To Benefit (ATB)

Average length of programs in weeks, weighted by number of students in each program[3].

Number of full-time equivalent instructional staff

Student/faulty ratio, calculated by dividing student full-time equivalent enrollment by the number of full-time equivalent instructors.

Staff turnover rate, calculated by dividing number of instructors that departed during the year by total number of instructors employed during the year. Calculated separately for full- and part-time staff.

Ratio of number of full-time staff to part-time staff employed during the year

Total full-time enrollment.
Total part-time enrollment.

The enrollment variables were used as continuous variables in the one-to-one correlational analyses. For the multiple regression analyses, however, it was necessary to convert enrollment into a categorical variable. Enrollment was used as the denominator in the calculation of many of the rates used in the analysis. This leads to a technical problem in regression analysis called *multicollinearity*. When independent variables have substantial intercorrleation, multiple regression can yield misleading results.

To deal with this problem and still yield estimates of the effects of enrollment on the outcomes, total full-time enrollment was converted to a set of variables with the following categories:

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[2] The percentage of students with prior postsecondary education is reported, but because of the technical requirements of multiple regression, not used as independent variable.

[3] Another measure of program length was also calculated: weighted average program clock hours. Preliminary analyses found that 90 schools did not provide clock hours data so this variable was not used.

Schools with total enrollment of 300 or less
Schools with enrollments of 301 to 600
Schools with enrollments of 601 to 900
Schools with enrollments of 901 or more[4]

These categories are interpreted in a way similar to the interpretation of the single categorical variables discussed above. The regression coefficient for a single categorical variable reflects the effects of the presence of that variable and is interpreted with reference to the absence of that variable. With a set of variables, such as that created for total enrollment, the regression coefficients are interpreted with reference to the one category in the set that is not entered into the equation. In the regressions presented in chapter 3, the category not entered was enrollments of 901 or more. Schools in the categories with lower enrollments are thus interpreted in comparison to schools in the largest enrollment category.

Two other variables were also created to facilitate the analysis. A comparison of the ATB and default rate variables in the 1990 data found some schools with very high percentages of ATB students had very low default rates and vice-versa. The simple correlation of percent ATB and default rates reflects only the linear (straight-line) component of this relationship. To test if the curved (quadratic) components in the relationships between ATB and the outcome variables were significant, the variable $ATB^2$ was created by squaring the ATB variable.

The second variable was created to determine if there is an interaction between the percentage of students at a school that received Pell grants and the percentage of ATB students at that school. Separately these variables reflect the presence in a school of students from low income families (Pell) and those who have not done well in school in the past (ATB). There is considerable evidence in educational research that low family income and poor school performance tend to go together. The interaction variable was created by multiplying the percent of students receiving Pell at a school by the percent of ATB students at that school. The variable resulting from this multiplication tests if these two variables have a joint effect on the outcome variables independent of their separate effects.

Since these are unusual variables, a note on their presentation in the tables in Chapter 2 is necessary. The multiplication use to create these two variables yielded very large values. Regression coefficients are interpreted as the rate of change in dependent variables for a unit change in the independent variables. With such large values in the independent variables, the rates of change in the dependent variables are quite small, albeit, sometimes statistically significant. To present the regression coefficients in the tables without the required zeros after the decimal point, they are multiplied by 100.

There are some variables which have been developed or added to the annual report form in recent years for which we do not five years of data:

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[4] In preliminary analyses of the 1990 data the largest enrollment category was divided into 901 to 1200 and 1200 or more. These analyses indicated that these two categories did not differ significantly and only 3 percent of the schools were in the 901 to 1200 category. Consequently, the two largest categories were combined for subsequent analyses.

Unemployment rate of the area where the school is located

Percentage of students who received English as a Second Language (ESL) training

Ratio of part-time to full-time students

School operating under a Show Cause Order or on Reporting

Average years on staff of Director of Education, Director of Placement/Placement Administrator

Average tenure of instructors

Because these variables were not examined all five years, we have less confidence in the results they yielded. The regression results for these variables are not presented in this report. The general direction of the findings are reported if there were statistically significant relationships with school outcomes.

In the next chapter we present the summary statistics for all of the variables defined above. The chapter also includes an analysis of school outcomes by size of the full-time enrollments and by the average length of the programs offered by the schools. Chapter 3 presents the main results from the multiple regression analyses of the annual total data for the past five years. Chapter 4 compares the results obtained from the annual total data to those obtained from the cohort data. Chapter 5 summarizes the major findings of the report and discusses the implications of these findings.

# CHAPTER 2

## SUMMARY STATISTICS

This chapter presents summary measures of the performance and characteristics of the accredited schools for the five school years from 1990 through 1994. The primary measures, presented in Table 2.1, are means and standard deviations. As was noted in Chapter 1, the standard deviation is a measure of the variability in the measures. Some of the standard deviations are quite high, reflecting a wide range of values across the schools on those measures. In a few cases, *e.g.*, total enrollment, they are higher than the mean. This reflects the variation across the schools in the number of students reported. For full-time students, the range was from 0 to 2,987.

The outcome measures, however, do not vary as widely, because they are all percentages with a total range of 0 to 100. For the 1993 school outcome measures we calculated another indicator of variation in performance, interquartile ranges (IQR) and compared these values to those of the theoretical normal curve. These comparisons indicated that the distributions for the outcome measures are very close to those of a normal curve. In other words, the performance of the accredited schools was distributed along a continuum from highest to lowest in a manner that is very similar to the normal bell-shaped curve. This was true of all four of the measures of school performance.

The number of schools providing usable annual report data for the 1994 school year was 873, which is 47 fewer than in 1993. The number reporting in 1994 is a drop of 189 schools from the peak number of 1062 that reported in 1991. The number of schools reporting part-time enrollments has always been less than half of the number reporting full-time students, and the number of schools with part-time enrollments has dropped at a slightly faster rate than full-time schools.

Average full-time enrollment was one of the variables that showed the largest change from prior years. For the four years before 1994, average full-time enrollment has been quite consistent, with one small dip of about 10 students in 1991. This year's figure was 32 students below the lowest previous average. The average for part-time students was almost the same as last year, but both 1993 and 1994 part-time enrollments were about 20 fewer than the rates in earlier years.

Graduation and withdrawal rates in 1994 for both full-time and part-time students were similar to past years. Training-related placement rates for both full-time and part-time graduates were 2 percentage points higher than their best prior years. At least part of this increase is due to the later due date for the annual reports. This provided an additional three month for graduates to obtain related employment. Default rates were 1.3 percentage points lower in 1994 than in 1993, and 3.6 points lower than their peak in 1992

The percentage of Ability-To-Benefit (ATB) students continued its decline in 1994. Each year since 1990 the percentage of ATB students has declined about 1 to 3 percentage points. The percentage of ATB students in 1994 was 8.8, about half as many as in 1990.

## TABLE 2.1

## SUMMARY STATISTICS 1990 TO 1994
## ANNUAL REPORTS TO ACCREDITING COMMISSION

| | | 1990 | | 1991 | | 1992 | | 1993 | | 1994 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Mean | SD | Mean | SD | Mean | SD | Mean | SD | Mean | SD |
| <u>Outcomes</u> | | | | | | | | | | | |
| Graduation, | full-time | 62.7 | 20.2 | 63.5 | 18.9 | 64.2 | 19.5 | 64.9 | 19.2 | 64.0 | 20.3 |
| | part-time | 52.0 | 28.0 | 52.8 | 28.3 | 51.9 | 28.0 | 54.2 | 29.0 | 54.5 | 29.7 |
| Withdrawal, | full-time | 21.9 | 11.2 | 21.6 | 10.8 | 20.7 | 10.7 | 20.4 | 11.0 | 20.1 | 10.7 |
| | part-time | 22.8 | 15.3 | 23.2 | 15.9 | 22.1 | 15.4 | 21.1 | 15.8 | 21.7 | 16.6 |
| Related placement, | full-time | 75.5 | 19.4 | 74.5 | 17.5 | 74.0 | 18.4 | 75.5 | 16.6 | 77.8 | 18.5 |
| | part-time | 65.5 | 30.8 | 61.6 | 31.5 | 61.5 | 31.2 | 63.4 | 31.4 | 67.4 | 31.7 |
| Default rate[a] | | 23.4 | 16.0 | 22.9 | 17.5 | 26.3 | 15.7 | 24.0 | 12.2 | 22.7 | 11.5 |
| <u>School Characteristics</u> | | | | | | | | | | | |
| Change in ownership (% No) | | 94.0 | 23.7 | 96.6 | 18.1 | 96.0 | 19.6 | 95.2 | 21.4 | 96.8 | 17.6 |
| School move (% No) | | 89.4 | 30.8 | 91.9 | 27.3 | 91.2 | 28.3 | 93.8 | 24.1 | 94.6 | 22.6 |
| Actions pending (% No) | | 91.6 | 27.8 | 93.2 | 25.2 | 91.7 | 27.5 | 91.1 | 28.5 | 89.3 | 30.9 |
| Judgments (% No) | | 94.5 | 27.8 | 95.0 | 21.8 | 93.5 | 24.6 | 93.0 | 25.4 | 93.5 | 24.7 |
| Complaints (% No) | | 95.5 | 20.8 | 96.2 | 19.0 | 95.2 | 21.3 | 96.5 | 18.3 | 96.3 | 19.1 |
| Program reviews (% No) | | 61.7 | 48.6 | 64.2 | 48.0 | 63.8 | 48.1 | 60.4 | 48.9 | 63.6 | 48.1 |
| Other accreditation (% Yes) | | 15.5 | 36.2 | 13.8 | 34.6 | 14.1 | 34.9 | 14.5 | 35.2 | 14.9 | 35.6 |
| Linkage (% Yes) | | 32.5 | 46.9 | 33.4 | 47.2 | 38.0 | 48.6 | 42.5 | 49.5 | 47.0 | 49.9 |
| Articulation (% Yes) | | 13.6 | 34.3 | 13.9 | 34.6 | 15.6 | 36.3 | 17.2 | 37.8 | 18.2 | 38.6 |
| Separate facilities (% Yes) | | 18.4 | 38.8 | 15.5 | 36.2 | 16.2 | 36.9 | 16.7 | 37.4 | 15.8 | 36.5 |
| Main campus (% Yes) | | 76.1 | 42.7 | 78.6 | 41.0 | 83.7 | 37.0 | 81.4 | 38.9 | 80.1 | 40.0 |
| Total enrollment, | full-time | 419.0 | 520.3 | 409.9 | 464.7 | 419.6 | 463.8 | 418.6 | 468.4 | 377.5 | 424.3 |
| | part-time | 124.6 | 172.6 | 120.8 | 187.7 | 118.6 | 199.4 | 97.5 | 143.2 | 96.8 | 176.8 |
| % Schools with full-time enrollment of | | | | | | | | | | | |
| 300 or less | | 60.0 | 49.0 | 54.4 | 49.8 | 53.2 | 49.9 | 49.9 | 50.0 | 50.8 | 50.0 |
| 301 to 600 | | 22.4 | 41.7 | 23.2 | 42.2 | 23.9 | 42.7 | 22.8 | 42.0 | 21.8 | 41.9 |
| 601 to 900 | | 9.2 | 28.9 | 12.2 | 32.8 | 11.0 | 31.3 | 13.4 | 34.0 | 12.5 | 33.0 |
| 901 or more | | 8.4 | NA | 10.2 | NA | 11.9 | NA | 13.9 | NA | 13.0 | NA |
| % Ability to benefit, | full-time | 16.9 | 19.6 | 14.6 | 21.5 | 13.1 | 16.8 | 10.3 | 14.3 | 8.8 | 12.8 |
| | part-time | 13.8 | 18.3 | 14.4 | 21.4 | 11.1 | 16.7 | 8.9 | 16.1 | 6.4 | 10.7 |
| % GED, | full-time | 11.5 | 9.4 | 11.7 | 9.6 | 11.9 | 14.3 | 11.2 | 8.5 | 11.6 | 9.7 |
| | part-time | 10.2 | 10.5 | 10.5 | 11.0 | 10.6 | 12.0 | 11.3 | 13.4 | 10.2 | 12.1 |
| % H. S. Diploma, | full-time | 54.5 | 21.7 | 57.4 | 20.4 | 56.1 | 20.7 | 59.4 | 19.4 | 59.7 | 22.8 |
| | part-time | 56.1 | 23.3 | 54.0 | 24.2 | 55.1 | 24.0 | 57.6 | 24.7 | 59.7 | 28.0 |
| % Prior postsecondary, | full-time | 17.1 | NA | 16.3 | NA | 18.9 | 20.9 | 19.0 | 21.1 | 19.9 | 21.7 |
| | part-time | 19.9 | NA | 21.1 | NA | 23.2 | 25.9 | 22.3 | 26.4 | 23.7 | 26.9 |
| % of Total Enrollment receiving— | | | | | | | | | | | |
| Pell grants | | 49.1 | 32.3 | 50.3 | 32.2 | 55.3 | 30.9 | 55.2 | 30.9 | 48.7 | 31.7 |
| Stafford loan | | 60.0 | 30.1 | 56.9 | 32.6 | 55.0 | 31.7 | 47.8 | 32.2 | 45.7 | 34.8 |
| Supplemental loans | | 22.9 | 26.2 | 19.0 | 25.5 | 18.4 | 24.6 | 18.6 | 24.8 | 21.0 | 26.6 |
| Student/faculty ratio | | 26.9 | 25.3 | 31.6 | 38.1 | 31.8 | 33.0 | 26.6 | 30.0 | 24.9 | 20.2 |

TABLE 2.1

SUMMARY STATISTICS 1990 TO 1994
ANNUAL REPORTS TO ACCREDITING COMMISSION

| | | 1990 | | 1991 | | 1992 | | 1993 | | 1994 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Mean | SD | Mean | SD | Mean | SD | Mean | SD | Mean | SD |
| Instructional staff, | full-time equivalent | 15.2 | 17.0 | 15.2 | 18.6 | 15.6 | 15.7 | 14.7 | 22.0 | 16.0 | 19.0 |
| Faculty turnover, | full-time | 22.4 | 19.1 | 21.8 | 22.1 | 18.7 | 19.8 | 19.9 | 20.3 | 19.9 | 20.2 |
| | part-time | 17.6 | 25.6 | 20.8 | 28.5 | 19.3 | 26.3 | 21.9 | 28.3 | 20.8 | 26.9 |
| Ratio full/part-time staff | | 2.9 | 4.8 | 3.1 | 4.5 | 2.7 | 4.5 | 2.1 | 4.9 | 1.9 | 4.0 |
| Average program length, in weeks | | 34.0 | 24.7 | 40.9 | 41.2 | 37.8 | 26.9 | 42.7 | 26.3 | 46.8 | 27.9 |
| New Measures | | | | | | | | | | | |
| Area Unemployment (%) | | | | | | | | 7.8 | 4.3 | 6.8 | 3.7 |
| % ESL students | | | | | | | | 1.8 | 26.7 | .7 | 7.3 |
| % part-time to full-time students | | | | | | 24.0 | 143.4 | 21.7 | 121.4 | 17.8 | 56.8 |
| Years key directors | | | | | | | | 10.3 | 10.5 | 10.5 | 10.4 |
| Average tenure (years) instructors | | | | | | | | 4.6 | 3.9 | 4.3 | 3.5 |
| Show cause (% No) | | | | | | | | 88.0 | 32.5 | 90.8 | 29.0 |
| Number of schools, | full-time | 1037 | | 1062 | | 1017 | | 920 | | 873 | |
| | part-time | 409 | | 441 | | 406 | | 354 | | 325 | |

NA = Not available in these runs.
[a] Most recent available at time of analysis.

The percentage of students receiving Pell grants showed a major drop, 6.5 percentage points, in 1994. From 1990 to 1992 the percentage of Pell recipients increased 6 percentage points. There was no change between 1992 and 1993, and now the percentage has returned to its 1990 level.

The previous two CETE reports have indicated that as the percentage of ATB students increases so do default rates, and as the percentage of Pell recipients increases graduation rates decline. Both of these variables are indicators of the percentage of students from disadvantaged backgrounds and reflect the difficulties of achieving success with these students. The 1994 findings suggest that schools may be conducting more rigorous screening of ATB and Pell applicants.

The average length of programs continues to increase. The average program in 1994 was four weeks longer than in 1993. Each year, except for 1992, the average length of program has increased over the prior year.

In the last two years, schools reported a higher proportion of part-time staff. For the first three years for which we have data, the ratio of full- to part-time staff was about 3 to 1. In 1993 and 1994, it was approximately 2 to 1. The number of full-time equivalent staff, however, has not declined. The average number of full-time equivalents in 1994 was 16, the highest in the five years, and the ratio of students to faculty was 24.9, the lowest in five years.

## School Performance by Enrollment and Program Length

The tables in this section present a direct comparison of the performance of school with differing full-time enrollments and program lengths. These tables repeat analyses conducted for the first time with the 1993 data. The 1994 results are very similar to found for 1993.

For the enrollment comparison, we divided the schools into four groups, and for the program length comparison, we divided the schools into five groups. We then calculated the average outcomes for schools in each of these groups. The results are presented in Tables 2.2 and 2.3.

TABLE 2.2

1994 SCHOOL OUTCOMES BY SIZE CATEGORIES OF FULL-TIME ENROLLMENT

| | Full-time Enrollment | | | | |
|---|---|---|---|---|---|
| Outcome | 300 or less | 301-600 | 601-900 | 901 or more | All Schools |
| Graduation rate | | | | | |
| Mean | 67.8 | 60.1 | 60.6 | 56.7 | 64.2 |
| SD | 21.4 | 19.7 | 15.2 | 14.6 | 20.2 |
| Withdrawal rate | | | | | |
| Mean | 18.0 | 22.10 | 22.8 | 24.7 | 20.1 |
| SD | 11.0 | 10.5 | 8.6 | 8.8 | 10.7 |
| Related placement | | | | | |
| Mean | 79.4 | 76.3 | 76.3 | 75.3 | 78.0 |
| SD | 18.7 | 19.0 | 16.3 | 14.3 | 18.2 |
| Default rate | | | | | |
| Mean | 22.1 | 24.1 | 23.6 | 22.2 | 22.7 |
| SD | 11.6 | 11.8 | 11.3 | 11.3 | 11.6 |
| Number | 478 | 181 | 96 | 87 | 842 |

School with full-time enrollment of 300 or less clearly have more success retaining and graduating their students than larger schools. The differences are most pronounced between the smallest and largest schools, but there are even differences of 4 to 7 percentage points between the 300 or less and the 301 to 600 schools. The smallest schools also place more of their students in related employment than the larger schools.

Program length has an even stronger influence on graduation and withdrawal than size of enrollment. Table 2.3 presents schools outcomes for five categories of average program length. Recall that average program length is based on the length of each program offered by a school weighted by the number of full-time students enrolled in each program. Schools in the shortest category have graduation rates 29 percentage points higher and withdrawal rates 9 percentage points lower than schools in the longest category. These differences are slightly less than those found in 1993, but the overall pattern is identical.

TABLE 2.3

1994 SCHOOL OUTCOMES BY
AVERAGE LENGTH OF PROGRAMS IN WEEKS

| | Average Program Weeks | | | | | |
|---|---|---|---|---|---|---|
| Outcome | 1-19 | 20-29 | 30-39 | 40-60 | 60 or more | All Schools |
| Graduation rate | | | | | | |
| Mean | 80.6 | 70.7 | 68.4 | 61.1 | 51.3 | 64.2 |
| SD | 18.1 | 19.7 | 14.5 | 17.7 | 20.6 | 20.2 |
| Withdrawal rate | | | | | | |
| Mean | 13.7 | 17.7 | 20.1 | 22.0 | 22.6 | 20.1 |
| SD | 11.5 | 11.8 | 9.3 | 10.3 | 10.0 | 10.7 |
| Related placement | | | | | | |
| Mean | 81.4 | 78.7 | 78.4 | 78.8 | 74.4 | 78.0 |
| SD | 16.6 | 18.2 | 14.1 | 17.3 | 22.8 | 18.2 |
| Default rate | | | | | | |
| Mean | 24.2 | 26.5 | 26.2 | 21.6 | 17.4 | 22.7 |
| SD | 12.0 | 13.9 | 11.7 | 10.7 | 8.4 | 11.6 |
| Number | 102 | 105 | 211 | 225 | 199 | 842 |

On training-related placement there is a difference of 7 percentage points between the schools with the shortest and longest average programs. There is no difference in related placement among the three program lengths between the shortest and longest.

On three of the four measures, longer programs have less desirable outcomes. As in 1993, however, schools with the longest average programs have the lowest default rates. We think the two possible explanations we advanced in 1993 are still valid. The first is that students who complete longer programs may obtain higher paying jobs and be better able to repay their loans. The second is that longer programs are more expensive and student loans pay a smaller proportion of total costs. Consequently, students in longer programs may be from families with higher incomes which are less likely to default on loans.

# CHAPTER 3

## MULTIPLE REGRESSION ANALYSIS OF ANNUAL TOTAL DATA

This chapter presents the results of multiple regression analyses of the annual total variables defined in Chapter 1. Five years of these data are available and this chapter summarizes those variables that have been found to have statistically significant associations with schools outcomes in at least three of those five years. The full regression results showing the results for all the variables used in the analyses are presented in Appendix Tables 3.5 to 3.8. The results for the 1994 annual total data are compared to those found for the cohort data in Chapter 4.

A multiple regression coefficient (*R*) reflects the degree of association between an outcome variable and the best possible combination of the explanatory variables. The square of this coefficient ($R^2$) indicates the proportion of variability in the outcome that can be attributed to the explanatory variables. The closer the *R* approaches a value of 1.00, the better the independent variables explain variations in the outcome variable. The *R* must be over .70, however, before half the variability is explained. The adjusted $R^2$ controls for spuriously high *R*s based on a small number of observations. Since many observations were used in these analyses, the adjustment reduces the $R^2$ very little.

Before discussing the multiple regression results, however, we summarize the one-to-one correlations between the explanatory variables (school characteristics) and the outcome variables (school performance) for full-time enrollment[1]. One-to-one correlation coefficients (*r*) are interpreted in much the same manner as multiple *R*s: the closer the coefficient comes to 1.00, the highest possible correlation, the more similar are the rates of variations in the two variables. It is not necessary that the measures of the two variables be similar, but changes in one variable must be accompanied by similar changes in the same direction in the other variable if there is to be a positive correlation.

The school characteristics that usually have one-to-one correlations of .20 or higher with school performance are presented in Table 3.1. We used the .20 level as a cutoff because is it highly significant statistically, and also begins to have practical significance as a school characteristic that should be given attention. (The full tables listing all the correlations of the school characteristics with the outcome variables are presented in Appendix Tables 3.1 to 3.4.)

It is important to note that correlation does not necessarily mean causation. Similar rates of variation in two variables may or may not reflect the effect of one of the variables on the other. To repeat an analogy used in previous reports: If we were to correlate the shoe size of men with their height, we would find a significant correlation. Taller men tend to have larger feet than shorter men. This does not mean that large feet cause men to grow taller or that height causes large feet. What causes both of these characteristics are the genetic components of

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1 The correlations for part-time enrollments tend to be in same directions, but usually lower than the correlations for full-time enrollments. In general, school characteristics are less related to the outcomes of part-time students than they are for full-time students.

individuals as these components interact with the nutrition available in the environment. Both shoe size and height are only reflections of basic causes. In a similar manner, many of the variables used in this analysis are only reflections of more basic relationships between school and student characteristics and school outcomes.

All of the correlations with graduation rates are negative indicating that as programs become longer, the percentage of students receiving Pell grants increases, and the number of full-time students increases, graduation rates decrease.

**TABLE 3.1**

**CORRELATIONS OF .20 OR MORE BETWEEN SCHOOL OUTCOMES AND SCHOOL CHARACTERISTICS FOR FULL-TIME ENROLLMENTS, SCHOOL YEARS 1990 TO 1994**

| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| | Correlation Coefficients | | | | |
| With Graduation Rate | | | | | |
| Program length in weeks | -.29 | -.27 | -.34 | -.47 | -.43 |
| % Pell | -.28 | -.27 | -.31 | -.34 | -.24 |
| Total enrollment | -.20 | -.19 | -.22 | -.22 | -.16 |
| With Withdrawal Rate | | | | | |
| Default rate of school | .29 | .31 | .28 | .25 | .20 |
| % Pell | .27 | .26 | .35 | .38 | .32 |
| % Ability to benefit | .25 | .26 | .21 | .15 | .10 |
| Total enrollment | .22 | .22 | .25 | .21 | .21 |
| Enrollment 300 or less | -.21 | -.25 | -.27 | -.23 | -.22 |
| With Default Rates | | | | | |
| % Ability to benefit | .51 | .41 | .51 | .48 | .42 |
| % High school graduate | -.29 | -.20 | -.19 | -.10 | -.05 |
| Withdrawal rate | .29 | .31 | .28 | .25 | .20 |
| Faculty turnover, full-time | .26 | .12 | .22 | .10 | .10 |
| Program length in weeks | -.20 | -.07 | -.30 | -.28 | -.20 |

Note: All correlations but two significant, $p < .01$; -.07 $p < .02$, - .05 $p > .10$

The first four correlation with withdrawal rates indicate that as these characteristics of schools increase, withdrawal rates increase also. The coefficient for the Ability-To-Benefit (ATB) variable has been declining, especially in the last two years. We noted in Chapter 2 that the percentage of ATB students has also been declining. If there is more careful screening of ATB students, this could explain the drop in this coefficient.

The negative coefficient for schools with enrollments of 300 or less means that these schools have significantly lower withdrawal rates than larger schools. This relationship was also evident in Table 2.2

As in the previous years, no school characteristic in 1994 had a correlation of .20 or more with training-related placement rates (TRP). We think this means that completing a program is the important factor in obtaining related employment and tends to obscure the effects of school characteristics.

The percentage of students classified as ATB has a positive correlation with default rate, and the percentage of students with high school diplomas has a negative correlation. In 1993 and 1994 the relationship between the percentage of students with high school diplomas and default rate has weakened considerably. The relationship between the percentage of ATB and default has, however, remained strong. Some possible reasons why ATB has such a robust relationship with default are discussed in Chapter 5.

As indicated in Table 2.3, program length in weeks has a negative relationships with default; schools with the longer programs tend to have lower default rates.

The multiple regression results presented in the following tables differ from simple correlation. One-to-one correlation indicates how much change in one variable is associated with change in one other variable. Multiple regression indicates the *independent* relationship of each explanatory variable entered into an equation with the outcome variable, while controlling for the intercorrelation of all the variables with each other.

Appendix Tables 3.5 to 3.8 present the regression analysis of the full-time enrollment data. The entries in the tables in the rows opposite the explanatory variables are partial regression coefficients. These coefficients are interpreted as the rate of change in the outcome (dependent) variable for a unit change in an explanatory (independent) variable when all other variables in the equation are held constant.

When interpreting the meaning of a partial regression coefficient, one first has to ask, "Is it statistically significant?" If the coefficient for an explanatory variable is not significant, the explanatory variable does not have an independent relationship with the outcome variable greater than would be expected by chance. Significance is indicated in the tables by asterisks: one asterisk indicates a result that would be likely to occur by chance 5 times out of 100, two asterisks indicate a result likely to occur 1 time out of 100, and three asterisks indicate a result likely to occur 1 time out of 1,000. All of the partial regression coefficients in the tables are interpreted as rates of change in the outcome variables for unit changes in the explanatory variables. All of the outcome variables are percentages. The units of the explanatory variables, however, differ widely from categorical variables that can take only two values, 0 or 1, to continuous variables, such as the percent of enrollment receiving Pell grants, that can vary from 0 to 100.

The categorical variables, it will be recalled, were always coded so that *Yes* answers which indicated that a school had specified characteristics were assigned a value of 1 and *No* answers, indicating the absence of those characteristics, were assigned a value of 0. Positive regression coefficients are thus interpreted as the amount these outcomes increase when the school characteristics are present, and negative coefficients are interpreted as the amount these outcomes decrease when these characteristics are not present. Two of the outcomes, however, graduation and TRP are desirable, and two, withdrawal and default, are undesirable. Thus the signs on the coefficients must be interpreted in conjunction with the desirability of the outcome. Regression coefficients for continuous variables are interpreted in the same way as categorical variables—the rate of change in the outcome variable for a unit change in the explanatory variable—but the units in which the explanatory variables are measured must be considered.

It is very difficult to identify general patterns in the overwhelming number of figures in the appendix tables. To make the discussion of these results easier to follow, we focus on those variables for full-time enrollment that had statistically significant relationships with the outcome variables three out of the five school years. Years in which there was not a significant relationship between the independent and outcome variables are indicated by NS.

The full-time variables had more significant relationships than the part-time variables. This underscores the observation made earlier in connection with the discussion of one-to-one correlations: outcomes for part-time students have fewer and weaker relationships with school characteristics than outcomes for full-time students.

## Graduation Rates

Table 3.2 summarizes the variables that we found to have statistically significant relationships with graduation rates for at least three of the five years we examined.

TABLE 3.2

VARIABLES INFLUENCING GRADUATION RATES
THREE OR MORE SCHOOL YEARS

| | 1990 | 1991 | 1992 | 1994 | 1995 |
|---|---|---|---|---|---|
| **Categorical variables** | | | | | |
| Enrollments | | | | | |
| 300 or less | +11.4 | +10.2 | +13.0 | +8.2 | +12.4 |
| 301 to 600 | +5.6 | +5.7 | +8.8 | +6.1 | +6.7 |
| Main campus | +4.3 | +4.0 | +4.7 | NS | +4.3 |
| Dual accreditation | +4.6 | +3.8 | +3.1 | +3.1 | +4.5 |
| **Continuous variables**[a] | | | | | |
| % Pell | -1.4 | -1.7 | -1.9 | -1.4 | -1.0 |
| % Stafford | NS | +.8 | +.8 | +.6 | NS |
| % SLS | NS | -.8 | -.8 | NS | .8 |
| Average weeks | -2.6 | -1.8 | -2.4 | -3.5 | -2.8 |
| Faculty turnover | | | | | |
| Part-time | NS | -.5 | -.8 | -.4 | NS |

Note: The figures represent the net, independent effects in positive or negative percentage points of the variables listed on graduation rate.
NS = Not significant this school year.
[a] Change in graduation rate for a change of 10 units in the variables listed.

**Total Enrollment Categories**

As discussed in Chapter 1, we converted the total enrollment variable into a set of categorical variables to enter it into the regression equations. When entered in this way, the categories shown in the table are interpreted in comparison to the largest enrollment category—901 or more students. For all five years, schools with enrollments of 300 or less and from 301 to 600 consistently had higher graduation rates than schools with enrollments of 901 or more. Schools with enrollments of 601 to 900, however, do not have significantly higher rates than the largest school category.

It bears repeating that the estimates of the effects of the variables listed in the table are independent of the other variables listed in the Appendix Tables that also influence graduation rates. Stated another way, in 1994 when the effect of other school characteristics were controlled, schools with enrollments of 300 or less had graduation rates 12 percentage points higher than schools with enrollments of 901 or more, and schools with enrollments of 301 to 600 had graduation rates 7 points higher. The values of these coefficients have been quite consistent over the five years.

### Main or Branch Campus

For the three school years prior to 1993, main campuses had graduation rates 4 percentage points higher than branch campuses. This relationship was similar in 1993, but it did not reach the .05 level of statistical significance[2]. In 1994, the main campus variable was once again significant and at about the same level as in previous years. We have speculated that the higher rates at main campuses may be due to superior facilities, equipment, and instruction, closer ties with employers, and more established operating procedures.

### Other Accreditation

Information on whether schools had accreditation other than the Commission was examined. Schools were asked first if they held or were a candidate for accreditation by a recognized agency other than the Commission. If they answered "yes," they were asked to give the name of the agency. About 15 percent of schools have reported other accreditation each of the five years, and these schools have consistently had graduation rates about 3 to 5 percentage points higher than schools without other accreditation.

### Percent Receiving Financial Aid

The financial aid variables indicate the percentage of enrollment in a school that received the aid indicated. They range from 0 percent to 100 percent and on average across all schools about half of all students have received Pell grants and Stafford loans during the past five years, and about one-fifth received SLS. The percentage receiving Stafford loans was 7 points lower in 1993 than in 1992 and dropped another 2 points in 1994. The percentage receiving Pell increased from 49 percent in 1990 to 55 percent in 1992, stayed at that level in 1993, and in 1994 dropped to its 1990 level.

The regression coefficients indicate that for a 10 point increase in the percentage of enrollment that receives Pell grants, the percentage of enrollment that graduates decreases about 1 to 2 percentage points, when other variables in the equation are held constant. The 1994 coefficient is slightly lower than past results.

The two other financial aid variables in Table 3.2 have yielded erratic results. Neither of them was significant in 1990, both were significant the next two years, at the same level of effect, but in opposite directions. In 1993, Stafford was significant at about the same level, but Supplemental Loans to Students (SLS) was not. In 1994, SLS was significant, Stafford was not, and SLS had a positive, not negative effect, on graduation. These may simply be statistical

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[2] (The probability of the relationship in 1993 was $p. = .14$.)

flukes caused by a relatively small number of schools where the relationships among these variables are different than in most schools. The erratic results, and the decline in the numbers receiving Stafford loans and Pell grants may also reflect changing patterns in financial aid policies as schools attempt to minimize default rates.

### Average Program Length in Weeks

When all other variables are held constant, shorter programs, as measured in weeks, have a higher graduation rate than longer programs. For every 10 week increase in program length, graduation rates decrease by about two to three and one-half percentage points. The largest effect was found in 1993.

### Faculty Turnover

Several questions were asked about the staffing patterns in schools, and explanatory variables were created from these questions. Separate variables were created for full-time and part-time staff. Turnover among part-time faculty was the only one of these variables to show a relationship with graduation for three of the five years. Turnover was defined as the number leaving divided by the total number employed during the school year. Turnover among full- and part-time faculty has been about 20 percent, one-fifth of all employed, for the five years.

## Withdrawal Rates

About 40 percent of full-time students who enroll during a given school year do not graduate or withdraw that year; they continue their program into the next school year. Because of this 40 percent, it was necessary to establish a definition of graduation that did not penalize schools for continuing students. The definition adopted was the number of students graduating divided by the number graduating plus the number withdrawing.

Withdrawal rates were defined as the number withdrawing divided by the number enrolled in a school year. Because the two rates are based on different denominators, the withdrawal rate is not the reverse of the graduation rate. Many of the variables that influence graduation also influence withdrawal, but they are not identical. Table 3.3 lists those variables found to have a significant effect on withdrawal three of the five years.

TABLE 3.3

VARIABLES INFLUENCING WITHDRAWAL
THREE OR MORE SCHOOL YEARS

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| Categorical variables | | | | | |
| Enrollments | | | | | |
| 300 or less | -4.4 | -6.1 | -8.3 | -6.1 | -1.4 |
| 301 to 600 | NS | -3.0 | -5.3 | -4.2 | NS |
| Other accreditation | NS | -2.0 | -1.7 | -2.4 | -2.8 |
| Separate facilities | -1.9 | -1.6 | -1.9 | NS | NS |
| Continuous variables[a] | | | | | |
| % ATB | +1.7 | +1.7 | +2.5 | +1.3 | NS |
| % Pell | +.6 | +.8 | +1.1 | +.7 | +.6 |
| Faculty turnover | | | | | |
| Full-time | +.2 | +.3 | +.4 | NS | +5.4 |
| Part-time | +.1 | +.4 | +.5 | +.4 | NS |
| Average weeks | +1.1 | +.8 | +.6 | +1.1 | +.8 |
| Default rate | +1.2 | +1.0 | +.9 | +1.7 | +1.3 |

Note: The figures represent the net, independent effects in positive or negative percentage points of the variables listed on withdrawal rate.
NS = Not significant this school year.
[a] Change in withdrawal rate for a change of 10 units in the variables listed.

The variables that have consistent significant influence on both graduation and withdrawal rates are the following:

- Enrollments of 300 or less and of 301 to 600
- Other accreditation
- Percent enrollment receiving Pell grants
- Turnover among part-time faculty
- Program length in weeks

The relationships of these variables with withdrawal are the reverse of their relationships with graduation. For most, their coefficients for withdrawal are about half the size of those for graduation. The lower estimates of the effects are partially due to the restricted range of the withdrawal variable. The mean withdrawal rate is about one-third of the mean graduation rate. In 1994, the coefficient for schools with enrollments of 300 or less was much lower than in prior years, and the coefficient for schools of 301 to 600 was not significant.

There are four variables that did not reflect a consistent influence on graduation that do have such an effect on withdrawal. One is turnover among full-time faculty. Prior to 1993, this effect was parallel to, and approximately of the same magnitude as, turnover among part-time faculty. In 1993, the full-time variable was not significant, but in 1994 it was once again significant, at a much higher level of effect, while part-time turnover was not significant. We have no explanation as to why full-time turnover should have such a strong effect in 1994. The rate in 1994, 20 percent, was identical to 1993 when it was not significant.

**Ability to Benefit**

The main effect of the ATB variable, to be discussed later, was found for default rate. Table 3.3 indicates that prior to 1994, for every 10 point increase in the percentage of ATB students, withdrawal rates increase by 1.3 to 2.5 percentage points. In 1994, ATB was not significant. The failure to find a relationship may reflect a higher degree of selectivity in the admission of ATB students.

**Default Rate**

The percent of students who default on their Stafford loans obviously cannot be a cause of withdrawal. Default occurs after withdrawal. We included it as an explanatory variable because we thought it might reflect certain characteristics of schools not captured by other variables in our analysis. And for withdrawal rates, it does. Default rate has a consistent, relationship with withdrawal independent of all the other school characteristics examined.

## Training-Related Placement

As noted in Chapter 1, higher earnings following skill training are obtained primarily by graduates who obtain employment related to their training. We have labeled the variable that measures the percent of graduates who obtain such jobs, Training-Related Placement (TRP). Over the five school years analyzed, three-fourths of the graduates available for employment have found jobs in related fields. The rates in 1994, due in part to a longer follow-up period, are the highest in the five years. Unfortunately, TRP is the outcome with the fewest consistent relationships with school characteristics. Those relationships that do exist are presented in Table 3.4.

TABLE 3.4

VARIABLES INFLUENCING TRAINING-RELATED PLACEMENT
THREE OR MORE SCHOOL YEARS

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| **Categorical variables** | | | | | |
| Main campus | +5.9 | +3.9 | +2.8 | NS | NS |
| Enrollment<br>300 or less | NS | 4.8 | NS | 5.5 | 9.6 |
| **Continuous variables**[a] | | | | | |
| % Stafford | +.5 | +.6 | NS | +.5 | NS |
| % Part-time students | NA | NA | -.3 | -.2 | -.3 |

Note: The figures represent the net, independent effects in positive or negative percentage points of the variables listed on training-related placements rates.

NS = Not significant this school year.

NA = Not available this school year.

[a] Change in training-related placement rates for a change of 10 units in the variables listed.

Until 1993, programs that were offered on main campuses had higher rates of TRP than programs offered on branch campuses. Main campus was also associated with higher graduation rates until 1993. In 1994, main campus was again associated with higher graduation rates, but not with higher TRP.

Previous tables have indicated that schools with enrollments of 300 or less retain and graduate more of their students. Table 3.4 indicates that the small schools also have better success in placing them in related jobs. The relationship has not been significant for all five years, and in 1994, the estimate of the effect is almost twice as large as previous significant coefficients.The Stafford loan variable, which has a shifting relationship with graduation rates has a similar significant-nonsignificant pattern with TRP. The percentage of part-time students has had a small but significant negative relationship with TRP the three years we have tested it.

### Default Rates

Default rates receive more public attention than any of the other variables examined in this report. There is a data problem in analyzing this outcome, because of the time delay in the publication of default rates. Students must leave school and the grace period for repayment must pass before data can be collected. Consequently, our analysis is always dealing with rates that are based on students who left their schools and colleges two years prior to the period covered by the annual reports from the schools. Table 3.5 presents the variables that have consistently had statistically significant relationships with the default rates from the students who left school two years prior to these school years.

TABLE 3.5

VARIABLES INFLUENCING DEFAULT
TWO OR MORE SCHOOL YEARS

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| **Continuous variables**[a] | | | | | |
| % ATB | +4.9 | +7.4 | +5.6 | +2.3 | +3.1 |
| % GED | +1.2 | +1.2 | NS | +1.3 | NS |
| Average weeks | -1.2 | -.4 | -.7 | -.8 | -.4 |
| Withdrawal rate | +1.7 | +2.4 | +1.3 | +2.0 | +1.3 |

Note: The figures represent the net, independent effects in positive or negative percentage points of the variables listed on default rates.
NS = Not significant this school year.
[a] Change in default rates for a change of 10 units in the variables listed.

Program length is associated with default rates, just as it was with graduation and withdrawal, but these regression coefficients are negative meaning as program length increases default rates decrease. As we noted in discussing Table 2.3, this could be due to higher earnings among graduates of longer programs or due to longer programs enrolling more students from higher income families.

Just as default rates have an independent relationship with withdrawal, withdrawal rates have an independent relationship with default. Even when other characteristics are held constant, schools with high withdrawal rates have high default rates.

### Ability to Benefit

We noted earlier that the ATB variable had its strongest relationship with default rates. The one-to-one correlation, presented in Table 3.1, between ATB and default in 1994 was $r$ = .42. For the three years of data, this was by a large margin the highest correlation between an outcome and a school characteristic. In 1993 and 1994, however, the correlation between average length of programs and graduation rate, a negative correlation, has been the same as that between percentage of ATB students and default rates.

Prior to 1993, the regression analysis indicated that default increased at the rate of half a percentage point or more for every 1 point increase in the percentage of ATB students enrolled at a school. In 1993 and 1994, the effects of ATB on default were much less than previously, even though the one-to-one correlations were as high as in the first three years.

In 1993 we thought the explanation for the drop in the independent effect of ATB was because the curved component of the ATB-default relationship was not significant. We discussed in Chapter 1 why $ATB^2$ was created to determine if a curved (quadratic) function more adequately represented the relationship between ATB and default rates than a straight-line, linear function.

In 1990, 1991, and 1993 the $ATB^2$ variable had a highly significant relationship with default. The magnitude of the quadratic effect, however, is not large[3]. Nor did the addition of the $ATB^2$ variable yield a significant increase in the explanatory power of the full regression equation. With $ATB^2$ entered, the percentage of explained variance was only 1 point higher than when it was not included.

The major effect of entering the quadratic component ($ATB^2$) as a separate variable was to increase the estimate of the effect of the linear component of the ATB-default rate relationship. This is because the quadratic variable has a negative relationship with default rates while the linear variable has a positive relationship. In the linear component, as the percent of ATB students at a school increases, so do default rates. In the quadratic component, as ATB increases default rates decrease. The negative quadratic component indicates the relationship of ATB to default is best described by a "U" shaped curve.

The absence of a quadratic component does not explain the lower effect in 1994. The $ATB^2$ variable is once again significant, but the effect of ATB on default is much less than in 1990-1992. The declining impact of ATB on default may lie with the declining percentages of ATB students mentioned in Chapter 2. The percentage of ATB in 1994 was almost half that in 1990, and it seems likely that those who are being admitted are more carefully screened. If there is greater selectivity regarding ATB students, this may explain the declining effect of the ATB variable on default rates.

Many of the variables we had thought likely to be associated with poorer school performance, such as legal action pending and complaints under review, have not proved to have a statistically significant relationship with default for three of the five years. Most years one or two of them is significant, but there is no consistent pattern.

We think variables that reflect negative characteristics are not related to outcomes because few schools report such characteristics. Typically, less than 10 percent of schools reports legal action pending and less than 5 percent report complaints under review or changes in ownership. If a few schools that report such conditions have very high or very low outcome measures, these few schools can have a distorting effect on the regressions. Consequently, in our discussion we have emphasized those variables that have yielded consistent results over the five school years.

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[3] The partial regression coefficient shown in Appendix Table 3.8 is multiplied by 100, hence the actual coefficient has two zeros between the decimal point and the value shown.

## CHAPTER 4

## COHORT DATA FOR THE 1994 SCHOOL YEAR

As discussed in Chapter 1, in 1994 the Accrediting Commission collected new data on school performance based on new definitions of program performance. These definitions related program completion and placement in related occupations to the number who entered a program. The number entering were given a period one and one-half times (150 percent) the normal length of the program for completion. Completion, withdrawal, and placement in employment related to training were calculated for all who had had the 150 percent time period for completion.

The definitions of percentage trained used with the cohort differed from the definition of graduation used with the annual total data in two ways. First, students who withdrew from programs because they had obtained related employment were included in the percentage trained. Second, the base for calculating percentage graduated in the annual total data was the sum of the number who graduated plus the number who withdrew during the school year. In other words, the graduation rate was based on all those *leaving* programs during a school year. With the cohort data, the base for calculating the percentage trained was the number who *started* programs.

The definitions for Training-Related Placement (TRP) used with the annual total data was almost identical with the definition of percentage placed used with the cohort data. The one difference is that students who withdrew from programs because they had obtained related employment were included in the percentage trained. The inclusion of these withdrawals should not increase either the percentage trained or the percentage placed very much. We know from the annual total data that the number who withdraw for related employment is typically only 1 to 2 percent of the total number of graduates. In future years the actual number withdrawing for related employment will be included in the cohort data so the definitions for the annual total and cohort data will be more comparable.

The major difference between the annual total and cohort definitions involve withdrawal rates. In the annual total data withdrawals are defined as the number withdrawing during the school year divided by the total number enrolled during that year. In these data, percentage graduating plus percentage withdrawing does not equal 100. Each year a large percentage of students neither graduate nor withdraw. They enter a program in one school year and complete it, or withdraw, during the next school year.

In the cohort data, all students entering a program at the same time, the cohort, are used to calculate both the percentage trained and the percentage withdrawing. Consequently, the withdrawal rate is 100 percent minus the percentage trained.

This chapter presents the analyses of the first year of cohort data and compares the results of these analyses to those obtained using the comparable definitions from the annual total data. The presentation is kept as comparable to that in Chapter 2 and 3 as possible. First the summary outcome data are presented, then the simple one-to-one correlations between school characteristics and the outcomes, and then the multiple regression analysis.

## Summary Statistics

Even though the definition of graduation used with the annual total data differed from the definition of percentage trained used with the cohort data and the time periods for the two sets of data were different, the two yielded fairly comparable results, which are presented in Table 4.1. The cohort rate is 5.6 percentage points higher than the annual total rate, and part of the higher rate is due to the inclusion of those who withdrew for related employment in the percentage trained.

TABLE 4.1

SCHOOL OUTCOMES CALCULATED FOR ANNUAL TOTAL AND COHORT DATA
1994 SCHOOL YEAR

| Outcomes | Annual Total | | Cohort | |
|---|---|---|---|---|
| | Mean | SD | Mean | SD |
| Graduation/Percentage trained[a] | 64.0 | 20.3 | 69.6 | 17.0 |
| Withdrawal | 20.1 | 10.7 | 30.4 | NA |
| Related placement/ Percentage placed[a] | 77.2 | 18.5 | 81.8 | 13.4 |
| Observations | 870 | | 839 | |

[a] Outcomes for cohort data include students who withdrew because they obtained related employment

Although the two rates are similar, and part of their difference can be readily explained, it should not be assumed that the two rates would be as similar for any one school. The one-to-one correlation between the two rates is $r = .59$, a highly significant relationship, but indicating that two-thirds of the variation in one *cannot* be predicted by the variation in the other.

It should not be assumed that the level of this correlation is reflecting a flaw or error in either of the definitions. It merely indicates the two definitions are measuring school performance in two different ways. The annual total data provides a picture of one year of school operation. The cohort data provides longitudinal tracing of the experience of students who enter programs at defined points of time. Many of the students reported in the cohort data in 1994 entered their program in the 1993 school year or earlier.

The same caution is appropriate for the similarity between the separate percentage placed rates from the annual total and cohort data. They two are quite comparable, with the cohort rate just 4 percentage points higher. Once again, part of the higher cohort rate is due to the inclusion of those who withdrew for related employment. Despite the similarity in the means, the two correlate at $r = .52$, once again highly significant, but far below the level where one measure could substitute for the other.

As expected, the largest difference between the annual total and cohort data was in withdrawal rates. The annual total definition appears to have underestimated withdrawal by about 10 percentage points. The rate for the cohort data is 10.3 points higher than that for the annual total data.

We think the difference in the annual total and cohort rates is due to students who withdraw without informing their schools. These students start their programs in one school year, but do not complete them that year. They inform their schools that they intend to return the next school year so they are not counted as withdrawing during the year they initially enroll. They do not return the next school year so they are not counted as part of the enrollment nor as withdrawing.

Overall, the definitions that have been used for the past five years of annual total data have yielded lower results for all three outcomes than those obtained from the longitudinal cohort data. The relatively modest correlations between the definitions indicates that there can be sizable differences in the results from the two sets of data for any one school.

## One-to-One Correlations

In this section we present the one-to-one correlations between the two outcome measures from the cohort data with school characteristics. We also show the corresponding correlations from the annual total data. These correlations are similar to those presented in Table 3.1. In Table 3.1, however, we presented only those correlations that are usually .20 or above. To include more correlations in Table 4.2 we lowered the criterion. Table 4.2 presents all correlations that were significant at the .01 probability level for both the annual total and cohort data. Consequently, many of the coefficients in the table are less than .20.

TABLE 4.2

CORRELATIONS BETWEEN SCHOOL OUTCOMES AND CHARACTERISTICS SIGNIFICANT AT THE .01 PROBABILITY LEVEL IN 1994 ANNUAL TOTAL AND COHORT DATA

| | Correlation Coefficients | |
|---|---|---|
| Outcomes and Characteristics | Annual Total | Cohort |
| Graduation/Percentage Trained[a] | | |
| Enrollment 300 or less | .21 | .22 |
| Total full-time enrollment | -.16 | -.21 |
| % Enrollment Receiving Stafford Loan | -.14 | -.23 |
| Pell Grant | -.24 | -.29 |
| Instruction staff, FTE | -.16 | -.18 |
| Faculty Turnover, part-time | -.14 | -.17 |
| Average week of programs | -.43 | -.38 |
| Related Placement/Percentage Placed[a] | | |
| Enrollment 300 or less | .09 | .11 |
| Years Key Staff | .13 | .09 |
| Average Tenure Faculty | .14 | .11 |
| Observations | 870 | 823 |

We noted above the relative modest correlations between the outcomes obtained from the annual total and cohort definitions. Even though the outcomes have only modest correlation with each other, they tend to have similar correlations with school characteristics. Both definitions indicate that schools with enrollments of 300 or less, with short programs, low percentages of Stafford and Pell grant recipients, and low faculty turnover tend to have higher graduation/percentage trained rates than schools with the opposite characteristics. The factors associated with higher related placement rates are low enrollments and key staff and instructors who have several years of service to the school.

## Multiple Regression Results

Multiple regressions were run for the cohort outcomes using the same school characteristic variables used with the annual total outcomes. In general, the school characteristics variables tended to have weaker relationships with school outcomes than in the annual total data. It was not expected that the regression results would be identical, because of the different time periods covered by the two data sets. Stated more technically, the partial regression coefficients for the cohort outcomes were lower than for the annual total outcomes.

The adjusted $R^2$s indicate the percentage of variation in the outcomes that can be explained by the best possible combination of school characteristics. For the cohort data the $R^2$s for percentages trained and placed were .27 and .12. For the annual total data, the $R^2$s for the comparable outcomes were .37 and .19.

The full regression results are presented in Appendix Table 4.1 and the coefficients that were significant at the .10 probability level are shown in Table 4.3. As with Table 4.2, we used a more liberal criterion of significance than we did with the annual total data in order to include more characteristics in the table.

TABLE 4.3

VARIABLES WITH SIGNIFICANT PARTIAL REGRESSION COEFFICIENTS IN BOTH ANNUAL TOTAL AND COHORT DATA, 1994 SCHOOL YEAR

| | Correlation Coefficients | |
|---|---|---|
| Outcomes and Variables with Significant Influence | Annual Total | Cohort |
| Graduation/Percentage Trained[a] | | .22 |
| Categorical variables | | |
| Enrollment 300 or less | 12.4 | [b]4.1 |
| Main campus | 4.3 | [b]2.6 |
| Continuous variables[c] | | |
| % Pell | -1.0 | [b]-.5 |
| Faculty turnover, full-time | [b]-5.4 | -5.3 |
| Average week of programs | 2.8 | -2.0 |
| Related Placement/Percentage Placed[a] | | |
| Continuous variables[c] | | |
| Average weeks | .8 | .4 |
| Default rate | 1.2 | 1.1 |

Note: The figures represent the net, independent effects in positive or negative percentage points of the variables tested on the outcomes.
[a] Outcomes for cohort data include students who withdrew because they obtained related employment.
[b] Variable significant probability <.10.
[c] Change in outcomes for a change of 10 units in the variable listed.

Five school characteristics variables had significant impact on percentage trained and two characteristics had significant impact on percentage placed. These variables are shown in Table 4.3 together with the comparable coefficients from the annual total data. The impact of enrollment of 300 or less on percentage trained in the cohort data is one-third of its impact in the annual total data. The impact of main campus on percentage trained is 60 percent of the impact of this variable on graduation. Percentage of Pell recipients and length of program show similar weaker impacts on graduation in the cohort data.

For two of the variables the impact is virtually identical in the cohort and annual total data: turnover of full-time faculty on graduation/percentage trained and default rate on related placement/percentage placed.

One possible explanation for the weaker impacts of the school characteristics in the cohort data is similar to that offered for the modest correlations between the annual total and cohort outcomes. For students in programs of more than one year, the cohort data are based on more than one year of school experience. During those years the characteristics of the schools that have associations with outcomes may have changed. For example, the school may have become more restrictive in the admission of Pell recipients. Or it may have started to offer more shorter or longer programs. Each of these changes could have altered the relationships between these variables and the school outcome measures and resulted in lower regression coefficients.

# CHAPTER 5

# CONCLUSIONS

This chapter focuses on the results in which we have the most confidence in the annual total data. These are the results that have proved to be statistically significant in three or more of the five years in which they were analyzed. It also compares these results to comparable results obtained from the first year of cohort data. The cohort data traces the outcomes of defined groups of students who have had a time period one and one-half times the scheduled length of their programs in which to complete these programs. First we summarize the major outcomes and present some comparison results from other studies. We then discuss effects of selected student characteristics on these outcomes, and then turn to the effects of school characteristics.

## Outcomes

The definitions of graduation and withdrawal we used with the annual total data indicated almost two-thirds (63 to 65 percent) of students *leaving* accredited schools and college graduated, and about one-fifth of *total enrollment* (20 to 22 percent) withdrew. The comparable figures from the cohort data were 70 percent trained and 30 percent withdrew. The cohort data includes students who withdrew because they obtained related employment in the percentage trained and percentage placed.

These rates differ because the graduation rate is based on the number of students *leaving* school, either through graduation or withdrawal, and the percentage trained rate is based on the number *starting* programs. The definition of graduation used with the annual total data was developed to allow for the students who neither graduated nor withdrew within one school year. In comparison to the rates found for the cohort data, the definitions used with the annual total data underestimated both graduation and withdrawal.

Grubb's (1993) analyses of the High School and Beyond longitudinal survey yielded dropout rates from postsecondary education of 42 to 51 percent in the middle years of the 1980s. The High School and Beyond data include students from community colleges (vocational and academic), public vocational-technical schools, and proprietary schools.

A follow-up of a cohort of proprietary students in Minnesota (Moore and Smith 1992) found a graduation rate of two-thirds, very close to that obtained using both the annual total and cohort data. Moore (1992) reviewed six studies of proprietary schools and found in five of the six that proprietary school students were more likely to complete their programs than students in public postsecondary institutions. A direct comparison of public and private postsecondary institutions (Swanson 1986) also indicated that proprietary institutions were more likely to retain their students until graduation.

The data that are available suggest that schools accredited by the Commission are graduating more of their students than similar public institutions. They are doing so even though they are serving proportionally more high school dropouts, minorities, and economically disadvantaged (Byce and Schmitt 1992).

Comparisons on training-related placement (TRP) are not as plagued by problems of definition. Although they obtain data in different ways, most institutions define TRP as the number of program completers who obtain related employment divided by the number of completers available for employment. As was presented in Table 1.1, the graduates excluded from this calculation—the number unavailable for employment—has been a consistent 8 to 9 percent.

The percentage of graduates available for employment who obtained jobs related to the skills they had studied has also been quite consistent. Each year about three-fourths (75 percent) obtained related employment. Using the cohort data, this figure increased to 79 percent. The higher figure for the cohort data is due in part to the inclusion of students who withdrew because they obtained related employment and in part to a longer period for follow up.

We conducted a new literature search to identify any new follow-up studies of postsecondary students entered into the literature since 1993. We had previously found five state studies that reported related employment rates that ranged from 82 to 96 percent for graduates of public vocational-technical institutions in the mid-1980s[1]. One additional state study (Montana 1990) found a far lower related placement rate, 61 percent.

There is no new data to cause us to change the conclusion we reached in the second of these reports: The schools accredited by the Commission appear to be placing in related employment slightly fewer of their program completers than similar public institutions. If, however, more of the students of the accredited schools actually complete their programs, and if these completers have larger proportions of high school dropouts, minorities, and economically disadvantaged, these slightly lower rates are certainly understandable. Because of the higher graduation rates in Commission-accredited schools, the percentage of their *entering* students who eventually obtaining related employment appears to be higher than for similar public institutions.

As noted in the second report, default rates in Commission-accredited schools also compare favorably to similar postsecondary institutions. In 1990, the General Accounting Office compared the rates among private schools accredited by seven different bodies. This study found the lowest rate, 24 percent, among schools with multiple accreditation. For the past four years, the rate among schools accredited by the Commission has ranged from 22 to 26 percent, virtually identical to the best rate among accredited training schools.

### Student Characteristics

With the addition of the 1994 data, there were two indicators of student characteristics that met our criteria of consistent, statistically significant association with measures of school performance:

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[1] Illinois 1987, New Hampshire 1988, Ohio 1988, Washington 1990, and Wisconsin 1988.

- Percentage of enrollment receiving Pell grants
- Percentage of students classified as ATB

In the prior reports we also included percentage of enrollment receiving Stafford loans and Supplemental Loans to Students, but these variable were not as consistently significant in 1993 and 1994 so they have been dropped.

Percent Receiving Pell Grants

The effect of the Pell variable is straightforward. As percentage of enrollment receiving the grant increases, graduation rates decrease and withdrawal rates increase. This relationship is found in both the annual total and cohort data, but the magnitude of the effect is about half as strong in the cohort data.

The caveat presented in the first report on the interpretation of this finding bears repeating. The results do *not* mean that receiving Pell grants make it less likely that students will graduate. Pell grants are made only to students whose own or family income is below the level defined by the federal government as poverty. High percentage of Pell recipients indicates a high percentage of students from poverty families. Students from such families traditionally are the most difficult to serve in educational settings. As the percentage of students living in poverty increases, graduation rates decrease.

The implication of this finding for the Accrediting Commission is that it can act to identify schools with increased likelihood of problems retaining and graduating students. Those schools where 75 percent or more of the students receive Pell grant should be monitored to ensure their students are making adequate progress toward their occupational objectives. If the students are not making progress, attempts should be made to identify the reasons, and, where possible, to provide assistance with the problems being encountered.

Ability to Benefit

ATB had a significant relationship with withdrawal and a strong impact on default. In 1993 and 1994, the one-to-one correlations between ATB and withdrawal and ATB and default were similar to prior years. The estimates of the independent effect of ATB on these outcomes, however, were lower than prior years. The effects of ATB on default were about half their size in 1990-1992.

We think at least two things may be acting to weaken this association. First there are fewer schools with unusual ATB/default relationships. The general trend is that as ATB increase withdrawal and default rates increase. In past years, there have been a number of schools that had reported reversed relationships, high ATB and low default, or low ATB and high default. The number of these schools has been decreasing.

When we say there were fewer such schools, it should be recalled we are comparing school characteristics with default rates for students who left school two years earlier. There is a two year lag in the reporting of default rates.

Our second explanation for the weakening relationship is we suspect that schools are becoming more cautious with regard to ATB enrollments because of the risk of losing eligibility for federal grants and guaranteed loans. This may be what underlies the drop in the effect of ATB on default. If it does, as newer default data become available, the ATB/default relationship should decrease.

Until we have more recent data, however, we continue to feel that the percent of ATB students should be one of the factors monitored by the Accrediting Commission. For at least the next few years, a high percentage of ATB students (25 percent of more) could be used to identify schools that are likely to have default problems in the future.

## School Characteristics

These are the school characteristics that consistently have a significant impact on school performance:

- Total enrollment, particularly schools with 300 or fewer full-time students
- Length of program in weeks
- Other accreditation
- Turnover of faculty, particularly part-time faculty
- Main campus

All of these variable have had a significant effect on graduation for the five years of the annual total data, and four of them (other accreditation excepted) were also found to be significant in the cohort data.

### Total Enrollment

Schools with enrollments of 300 full-time students or less make up half of all school accredited by the Commission. On three of the four measures of school performance, these schools have the best outcomes: they have the highest graduation and TRP rates and the lowest withdrawal rates. Their default rates, however, do not differ significantly from larger schools.

An examination of the intercorrelation of school characteristics indicates that larger schools offer longer programs with higher student-faculty ratios. The part-time instructors of larger schools have more turnover and key directors have fewer years on staff than is true of smaller schools. Larger schools are also more likely than smaller schools to be involved in legal actions and complaint procedures and to have undergone audits or reviews. On the positive side, larger schools are more likely to have accreditation other than from the Commission and to have separate instructional facilities.

These characteristics of larger schools make it harder for them to perform as well as smaller schools. A school with enrollments of 900 or more, offering longer programs, with high percentages of ATB and Pell recipients, and above average turnover of instructors exhibits a combination that is especially likely to have lower graduation and higher default rates which warrants close monitoring.

### Average Program Length

Schools that offer short programs, average length less than 20 weeks, have markedly higher graduation and lower withdrawal rates than school offering longer programs. Schools with short programs also have slightly higher TRP rates, but program length does not have nearly as much influence on this measure. For default, it is the schools with the longest programs that have the lowest rates. These relationships have been found for all five years of annual total data and in the cohort data.

### Other Accreditation

In 1994 as in past years, accreditation by a body other than the Commission was found to have a strong association with graduation and withdrawal rates, but not with TRP. A significant relationship percentage trained was not found for other accreditation in the cohort data.

### Faculty Turnover

Faculty turnover, particularly among part-time instructors, is associated with lower graduation rates and higher withdrawal rates in both the annual total and cohort data. We noted in the first report that while the effects of the turnover variables are not large, the addition or departure of a few instructors can have a large impact upon the turnover rate. This is because these rates are based on small numbers of faculty members. The number of full-time equivalents has remained at a constant 15, plus or minus one, over the five years, but the proportion of part-time instructors has been increasing. It is turnover among part-time faculty that has the strongest independent relationship with graduation in the annual total data.

Turnover rates may be a proxy measure of program quality. Recruit and hiring faculty diverts attention from improving the relevancy and quality of programs. With high turnover, it is likely that considerable instructional time is "filled" rather than productively used.

### Main Campus

Main campus was included in this list of key characteristics in the first report, but dropped in the second. It reappears because it was found to have a significant relationship with graduation in the annual total data and with percentage trained in the cohort data. Its emergence as a significant variable in both data bases warrants its inclusion. We continue to think it is likely that schools located on main campuses tend to offer programs with more resources and experienced faculty which explains their relationship with program completion.

### Other Variables

This discussion has emphasized the variables that we believe have a consistent, predictable influence on school performance. We have also tested some new variables that have been added to the annual report such as the percentage of students receiving instruction in English as a Second Language (ESL), and whether or not the school was operating under a show cause order. These variables have not proved to have consistent, significant relationships with school outcomes so there results have not been reported.

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# APPENDIX TABLES

## APPENDIX TABLE 3.1

### CORRELATION OF GRADUATION RATE WITH SCHOOL CHARACTERISTIC MEASURES FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| | Outcome Measure—Graduation Rate Product-Moment Correlation Coefficients | | | | |
|---|---|---|---|---|---|
| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
| Categorical | | | | | |
| Change in ownership | .00 | .02 | .03 | *.07 | -.00 |
| School move | -.00 | .03 | .06 | -.02 | -.00 |
| Actions pending | **-.10 | .00 | **.10 | **-.11 | *-.08 |
| Judgments or settlements | *-.07 | .01 | .04 | *-.07 | ***-.11 |
| Complaints under review | **-.09 | .02 | .05 | **-.09 | -.04 |
| Program reviews or audits | *-.07 | -.03 | .06 | -.02 | -.04 |
| School cause or reporting | NA | NA | NA | -.06 | **-.10 |
| Other accreditation | .03 | -.00 | .02 | .01 | .03 |
| Linkage programs | .02 | .02 | .02 | .06 | *.07 |
| Articulation | -.02 | -.05 | -.04 | *-.08 | *-.08 |
| Separate facilities | .01 | .02 | .05 | .06 | -.02 |
| Main campus | **.08 | ***.10 | *.07 | *.08 | **.11 |
| Schools with total enrollment | | | | | |
| 300 or less | ***.16 | ***.21 | ***.22 | ***.22 | ***-.21 |
| 301 to 600 | -.03 | *-.07 | -.04 | -.03 | -.04 |
| 601 to 900 | *-.06 | ***-.11 | ***-.11 | ***-.11 | *-.08 |
| Continuous | | | | | |
| Total enrollment | ***-.20 | ***-.19 | ***-.22 | ***-.22 | ***-.16 |
| % Ability to benefit | *-.08 | ***-.13 | ***-.08 | -.01 | .04 |
| % GED | -.05 | -.02 | .00 | *-.07 | -.01 |
| % High school diploma | .03 | -.02 | *-.07 | -.04 | .01 |
| % Postsecondary | NA | NA | ***.14 | -.01 | .02 |
| % ESL training | NA | NA | NA | .01 | -.04 |
| % Part-time students | NA | NA | **-.10 | *-.08 | -.02 |
| % Enrollment receiving | | | | | |
| Pell grants | ***-.28 | ***-.27 | ***-.31 | ***-.34 | ***-.24 |
| Stafford loans | *-.07 | -.05 | -.06 | ***-.14 | ***-.14 |
| Supplemental loans | -.00 | -.06 | **-.10 | ***-.11 | -.04 |
| Instructional staff, FTE | ***-.14 | -.06 | ***-.16 | **-.10 | ***-.16 |
| Faculty turnover, full-time | -.00 | -.00 | -.06 | -.01 | -.05 |
| Faculty turnover, part-time | *-.10 | *-.10 | ***-.18 | ***-.14 | ***-.14 |
| Student/faculty ratio | -.02 | *-.07 | -.03 | -.05 | .03 |
| Years key directors | NA | NA | NA | ***.13 | ***.13 |
| Instructor tenure | NA | NA | NA | .05 | **.11 |
| Area unemployment | NA | NA | NA | .02 | *.07 |
| Ratio full/part-time staff | .06 | -.02 | -.04 | -.05 | -.03 |
| Average weeks of program | ***-.29 | ***-.27 | ***-.34 | ***-.47 | ***-.43 |
| Default rate | *-.08 | **.16 | *-.10 | **-.08 | -.06 |
| Number | 1037 | 1060 | 987 | 920 | 873 |

NA = Not available for this school year.
*p. = <.05 **p. = <.01 ***p. = <.001

## APPENDIX TABLE 3.2

## CORRELATION OF WITHDRAWAL RATE WITH SCHOOL CHARACTERISTIC MEASURES FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| School Characteristics | Outcome Measure—Withdrawal Rate Product-Moment Correlation Coefficients 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| Categorical | | | | | |
| Change in ownership | .02 | -.02 | -.04 | -.05 | .00 |
| School move | *-.08 | -.02 | -.04 | .02 | *-07 |
| Actions pending | ***-.14 | -.06 | **-.08 | ***.11 | ***-12 |
| Judgments or settlements | **-.09 | -.05 | -.04 | .06 | ***-13 |
| Complaints under review | -.05 | -.06 | *-.07 | *.08 | -.04 |
| Program reviews or audits | **-.10 | -.05 | -.06 | *07 | **-.09 |
| School cause or reporting | NA | NA | NA | ***.12 | |
| Other accreditation | -.02 | .01 | -.01 | -.03 | -.03 |
| Linkage programs | -.02 | -.02 | -.02 | -.06 | .00 |
| Articulation | -.02 | .00 | -.01 | .03 | -.06 |
| Separate facilities | -.02 | -.02 | -.04 | -.06 | -.01 |
| Main campus | -.06 | -.07 | -.04 | -.06 | -.05 |
| Schools with total enrollment | | | | | |
| 300 or less | ***-.21 | ***-.25 | ***-.27 | ***-.23 | ***-.22 |
| 301 to 600 | .07 | ***.10 | .06 | .05 | .06 |
| 601 to 900 | ***.13 | ***.10 | ***.15 | ***.12 | ***.14 |
| Continuous | | | | | |
| Total enrollment | ***.22 | ***.22 | ***.25 | ***.21 | ***.21 |
| % Ability to benefit | ***.25 | ***.26 | ***.21 | ***.15 | **.10 |
| % GED | ***.12 | ***.08 | -.01 | ***.13 | *.07 |
| % High school diploma | **-.10 | ***-.12 | .01 | .01 | .02 |
| % Postsecondary | NA | NA | -.02 | ***-.16 | **-.11 |
| % ESL training | NA | NA | NA | -.01 | *.07 |
| % Part-time students | NA | NA | .04 | ***.12 | *-.07 |
| % Enrollment receiving | | | | | |
| Pell grants | ***.27 | ***.26 | ***.35 | ***.38 | ***.33 |
| Stafford loans | *-.07 | ***.11 | *.07 | ***.15 | ***.18 |
| Supplemental loans | .01 | .02 | .03 | .03 | .03 |
| Instructional staff, FTE | ***.11 | .06 | ***.13 | .05 | ***.14 |
| Faculty turnover, full-time | ***.11 | *.06 | ***.15 | .06 | ***.14 |
| Faculty turnover, part-time | ***.19 | ***.15 | ***.22 | ***.16 | ***.14 |
| Student/faculty ratio | **.10 | ***.12 | **.09 | *.08 | *.07 |
| Years key directors | NA | NA | NA | ***-.11 | **.-10 |
| Instructor tenure | NA | NA | NA | -.04 | **-.09 |
| Area unemployment | NA | NA | NA | -.04 | -.04 |
| Ratio full/part-time staff | .04 | .00 | -.03 | .02 | -.04 |
| Average weeks of program | ***.12 | ***.13 | ***.14 | ***.24 | .04 |
| Default rate | ***.29 | ***.31 | ***.28 | ***.25 | ***.21 |
| Number | 1037 | 1060 | 987 | 920 | 873 |

NA = Not available for this school year.
*p. = <.05 **p. = <.01 ***p. = <.001

## APPENDIX TABLE 3.3

## CORRELATION OF TRAINING-RELATED PLACEMENT RATE WITH SCHOOL CHARACTERISTIC MEASURES FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| | Outcome Measure—Placement Rate Product-Moment Correlation Coefficients | | | | |
|---|---|---|---|---|---|
| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
| Categorical | | | | | |
| Change in ownership | .02 | .01 | .01 | -.03 | .02 |
| School move | -.01 | .06 | -.02 | -.04 | .01 |
| Actions pending | -.02 | .04 | .04 | -.03 | .01 |
| Judgments or settlements | -.02 | -.01 | .01 | .01 | .03 |
| Complaints under review | **-.10 | .02 | .05 | -.04 | -.03 |
| Program reviews or audits | -.02 | -.02 | -.01 | -.04 | -.02 |
| School cause or reporting | NA | NA | NA | *-.08 | .06 |
| Other accreditation | .04 | .05 | .03 | .01 | .01 |
| Linkage programs | -.02 | -.02 | -.07 | .04 | -.06 |
| Articulation | -.01 | -.05 | -.05 | *-.07 | -.03 |
| Separate facilities | -.05 | .03 | .01 | .03 | -.01 |
| Main campus | ***.12 | **.09 | .06 | .02 | **.09 |
| Schools with total enrollment | | | | | |
| 300 or less | ***.14 | ***.11 | **.10 | ***.13 | **.09 |
| 301 to 600 | -.01 | -.05 | -.04 | -.05 | .01 |
| 601 to 900 | **-.10 | -.02 | -.02 | -.05 | -.00 |
| Continuous | | | | | |
| Total enrollment | ***-.13 | ***-.12 | ***-.12 | ***-.13 | ***-.07 |
| % Ability to benefit | -.03 | -.01 | -.02 | .01 | -.00 |
| % GED | -.03 | -.03 | -.04 | .01 | .06 |
| % High school diploma | .09** | .01 | .03 | -.05 | .03 |
| % Postsecondary | NA | NA | .01 | .04 | .00 |
| % ESL training | NA | NA | NA | .02 | ***-.20 |
| % Part-time students | NA | NA | ***-.17 | ***-.13 | -.05 |
| % Enrollment receiving | | | | | |
| Pell grants | .01 | .05 | .02 | .06 | .06 |
| Stafford loans | .05 | *.07 | .01 | .05 | ***.14 |
| Supplemental loans | -.04 | -.04 | -.03 | -.01 | .09 |
| Instructional staff, FTE | ***-.14 | **-.10 | ***-.13 | *-.08 | -.05 |
| Faculty turnover, full-time | **-.08 | -.04 | -.01 | **-.10 | -.04 |
| Faculty turnover, part-time | -.07 | -.02 | **-.09 | **-.11 | -.04 |
| Student/faculty ratio | -.03 | .01 | -.04 | -.02 | -.03 |
| Years key directors | NA | NA | NA | **.10 | ***.13 |
| Instructor tenure | NA | NA | NA | .05 | ***.14 |
| Area unemployment | NA | NA | NA | ***-.11 | ***-.15 |
| Ratio full/part-time staff | .00 | *-.09 | -.04 | -.03 | .02 |
| Average weeks of program | .06 | -.03 | ***-.12 | **-.08 | *-.07 |
| Default rate | -.06 | .02 | .01 | .05 | .06 |
| Number | 1037 | 1060 | 987 | 920 | 873 |

NA = Not available for this school year.
*p. = <.05 **p. = <.01 ***p. = <.001

## APPENDIX TABLE 3.4

## CORRELATION OF DEFAULT RATE WITH SCHOOL CHARACTERISTIC MEASURES FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| | Outcome Measure—Default Rate Product-Moment Correlation Coefficients | | | | |
|---|---|---|---|---|---|
| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
| Categorical | | | | | |
| Change in ownership | ***-.13 | **-.09 | -.02 | -.02 | .00 |
| School move | -.00 | -.01 | ***-.15 | .04 | .03 |
| Actions pending | .02 | -.02 | .05 | -.02 | .03 |
| Judgments or settlements | .04 | -.01 | .03 | -.01 | .04 |
| Complaints under review | -.01 | -.02 | .01 | .04 | .02 |
| Program reviews or audits | .04 | ***-.12 | ***.13 | .08 | .05 |
| School cause or reporting | NA | NA | NA | .07 | -.02 |
| | | | | | |
| Other accreditation | -.04 | .02 | .02 | .00 | -.01 |
| Linkage programs | *-.07 | ***-.10 | **-.10 | -.07 | *-.07 |
| Articulation | *-.08 | **-.09 | ***-.19 | -.20 | ***.11 |
| Separate facilities | .03 | .01 | -.06 | -.04 | .02 |
| Main campus | ***-.14 | **-.08 | -.05 | 0.01 | .03 |
| | | | | | |
| Schools with total enrollment | | | | | |
| 300 or less | ***-.11 | ***1.14 | -.05 | -.02 | *.07 |
| 301 to 600 | .06 | *.07 | .03 | .05 | .05 |
| 601 to 900 | .05 | .05 | .07 | .02 | .05 |
| | | | | | |
| Continuous | | | | | |
| Total enrollment | *.08 | **.09 | ***-.19 | -.04 | .03 |
| % Ability to benefit | ***.51 | ***.41 | ***.51 | .48 | ***.42 |
| % GED | ***.14 | ***.11 | .04 | .13 | ***.13 |
| % High school diploma | ***-.29 | ***-.20 | ***-.19 | -.10 | -.05 |
| % Postsecondary | NA | NA | ***-.26 | ***-.28 | ***-.25 |
| % ESL training | NA | NA | NA | -.01 | -.01 |
| % Part-time students | NA | NA | -.03 | .01 | -.05 |
| | | | | | |
| % Enrollment receiving | | | | | |
| Pell grants | ***.11 | ***.20 | ***.20 | ***.20 | ***.21 |
| Stafford loans | ***-.18 | ***-.19 | *-.08 | ***-.13 | ***.19 |
| Supplemental loans | -.05 | -.05 | ***-.27 | ***-.22 | ***-.21 |
| | | | | | |
| Instructional staff, FTE | -.02 | -.05 | ***-.18 | ***-.18 | ***-.15 |
| Faculty turnover, full-time | ***.26 | ***.12 | ***.21 | **.10 | **.09 |
| Faculty turnover, part-time | ***.15 | .07 | **.09 | .05 | .05 |
| Student/faculty ratio | ***.18 | **.09 | **.10 | ***.13 | ***.26 |
| Years key directors | NA | NA | NA | ***-.12 | **.10 |
| Instructor tenure | NA | NA | NA | **-.10 | ***-.13 |
| Area unemployment | NA | NA | NA | *.08 | .06 |
| Ratio full/part-time staff | -.04 | -.06 | **-.09 | *-.08. | -.05 |
| Average weeks of program | ***-.20 | *-.07 | ***-.30 | ***-.28 | ***-.20 |
| Number | 1079 | 1057 | 987 | 920 | 873 |

NA = Not available for this school year.
*p. = <.05 **p. = <.01 ***p. = <.001

## APPENDIX TABLE 3.5

## MULTIPLE REGRESSION ANALYSIS OF GRADUATION RATE FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| | Partial Regression Coefficients | | | | |
| Categorical | | | | | |
| Change in ownership | -2.83 | 1.58 | 2.20 | *5.08 | 2.46 |
| School move | -1.05 | 1.08 | 2.76 | *-4.38 | -3.26 |
| Actions pending | -2.69 | -3.25 | 1.89 | -.06 | -.70 |
| Judgments or settlements | .76 | .06 | -.73 | 1.34 | .07 |
| Complaints under review | **-7.95 | -.75 | .51 | 3.27 | -1.26 |
| Program reviews or audits | -7.02 | *-2.64 | .44 | 1.49 | -.55 |
| Other accreditation | **4.60 | *3.77 | *3.14 | *3.12 | **4.46 |
| Linkage programs | .31 | .36 | .52 | .78 | .57 |
| Articulation | .17 | -2.73 | .03 | -1.09 | .06 |
| Separate facilities | *3.27 | 2.61 | *3.29 | 1.46 | 1.44 |
| Main campus | **4.25 | **3.95 | *4.68 | 2.03 | **4.26 |
| Enrollments of | | | | | |
| 300 or less | ***11.43 | ***10.17 | ***13.03 | ***8.23 | ***12.35 |
| 301 to 600 | *5.61 | *5.71 | ***8.82 | **6.10 | **6.68 |
| 601 to 900 | 4.26 | 1.90 | *4.80 | 2.29 | 3.88 |
| Continuous | | | | | |
| % Ability to benefit | -.06 | -.08 | -.31 | -.04 | .23 |
| % GED | -.06 | .03 | .06 | -.09 | .04 |
| % High school diploma | -.04 | -.06 | *-.07 | -.02 | .04 |
| % Enrollment receiving | | | | | |
| Pell grants | ***-.14 | ***-.17 | ***-.19 | ***-.14 | ***-.10 |
| Stafford loans | .03 | ***-.08 | **.08 | **-.06 | -.01 |
| Supplemental loans | -.01 | **-.08 | **-.08 | -.04 | **.08 |
| % Part-time students | NA | NA | ***-.02 | -.00 | *.02 |
| Ability to benefit squared (times 100) | .03 | -.11 | .28 | .17 | -.03 |
| ATB times Pell (times 100) | *-.19 | .05 | .10 | -.15 | **-.44 |
| Instructional staff, FTE | -.04 | **.11 | .03 | .01 | -01 |
| Faculty turnover, full-time | -.01 | -.02 | -.01 | -.02 | -5.40 |
| Faculty turnover, part-time | -.01 | *-.05 | ***-.08 | *-.04 | -3.32 |
| Student/faculty ratio | -.01 | -.01 | .01 | -.01 | *.08 |
| Ratio full/part-time staff | .10 | .01 | .17 | .14 | -.16 |
| Average weeks of program | ***-.26 | ***-.18 | ***-.24 | ***-.35 | ***-.28 |
| Default rate[a] | -.05 | *.10 | -.09 | ***-.18 | -.10 |
| Intercept | ***57.02 | ***70.43 | ***67.1 | ***81.9 | 62.8 |
| Multiple $R^2$ | ***.25 | ***.22 | ***.31 | ***.39 | ***.39 |
| Adjusted $R^2$ | ***.23 | ***.19 | ***.29 | ***.37 | ***.37 |
| Observations | 1017 | 1054 | 986 | 905 | 869 |

NA = Not available for this school year.

*p. = <.05 **p. = <.01 ***p. = <.001

[a] Default rate used as an independent variable in regressions for graduation, withdrawal, and training-related placement rate. Withdrawal rate used as independent variable in regression for default.

## APPENDIX TABLE 3.6

## MULTIPLE REGRESSION ANALYSIS OF WITHDRAWAL RATE FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| | Partial Regression Coefficients | | | | |
| Categorical | | | | | |
| Change in ownership | *2.73 | -.29 | -1.38 | -1.74 | -.36 |
| School move | *2.10 | -.12 | .41 | 1.27 | **4.38 |
| Actions pending | *2.81 | .17 | -.00 | .66 | .98 |
| Judgments or settlements | 1.52 | -1.03 | .54 | -1.19 | -1.76 |
| Complaints under review | 1.04 | -1.02 | -1.19 | .55 | .42 |
| Program reviews or audits | 1.91 | .18 | -.66 | -.16 | 1.03 |
| Other accreditation | -1.16 | *-1.97 | *-1.68 | **-2.36 | **-2.83 |
| Linkage programs | -.01 | .37 | -.85 | -.73 | -.35 |
| Articulation | -.54 | 1.21 | .05 | .97 | .31 |
| Separate facilities | *-1.91 | *-1.61 | *-1.93 | -1.32 | -1.42 |
| Main campus | -.64 | -1.00 | -.63 | -.74 | *-2.06 |
| Enrollments of | | | | | |
| 300 or less | **-4.43 | ***-6.07 | ***-8.31 | ***-6.11 | -1.44 |
| 301 to 600 | -1.23 | *-2.99 | *-5.27 | ***-4.22 | -1.42 |
| 601 to 900 | .35 | -1.72 | -2.19 | -1.82 | 2.12 |
| Continuous | | | | | |
| % Ability to benefit | **.17 | **.17 | ***.25 | *.13 | .04 |
| % GED | *.08 | .03 | -.01 | *.09 | -.03 |
| % High school diploma | .02 | .00 | *.03 | .02 | -.04 |
| % Enrollment receiving | | | | | |
| Pell grants | ***.06 | ***.08 | ***.11 | ***.07 | ***.06 |
| Stafford loans | .03 | -.02 | **-.03 | -.00 | **.04 |
| Supplemental loans | .00 | .01 | .03 | -.01 | **-.05 |
| % Part-time students | NA | NA | *-.01 | **-.01 | -.01 |
| Ability to benefit squared (times 100) | **-.19 *.10 | .05 | **.26 | *-.24 | -.20 |
| ATB times Pell (times 100) | | .07 | -.03 | .09 | *1.59 |
| Instructional staff, FTE | .00 | *.05 | -.02 | -.01 | .03 |
| Faculty turnover, full-time | **.02 | *.03 | *.04 | .02 | **5.39 |
| Faculty turnover, part-time | *.01 | ***.04 | ***.05 | **.04 | 1.54 |
| Student/faculty ratio | .02 | .01 | -.00 | .01 | -.00 |
| Ratio full/part-time staff | .06 | -.05 | -.10 | -.12 | -.04 |
| Average weeks of program | ***.11 | ***.08 | ***.06 | ***.11 | ***.08 |
| Default rate[a] | ***.12 | ***.10 | ***.09 | ***.17 | ***.13 |
| Intercept | ***22.01 | ***18.71 | ***16.09 | ***10.88 | ***14.53 |
| Multiple $R^2$ | ***.27 | ***.27 | ***.31 | ***.34 | ***.29 |
| Adjusted $R^2$ | ***.25 | ***.24 | ***.29 | ***.31 | ***.26 |
| Observations | 1017 | 1057 | 996 | 905 | 869 |

NA = Not available for this school year.
*p. = < .05 **p. = < .01 ***p. = < .001
[a] Default rate used as an independent variable in regressions for graduation, withdrawal, and training-related placement rate. Withdrawal rate used as independent variable in regression for default.

## APPENDIX TABLE 3.7

## MULTIPLE REGRESSION ANALYSIS OF TRAINING RELATED PLACEMENT RATE FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| | Partial Regression Coefficients | | | | |
| Categorical | | | | | |
| Change in ownership | 1.34 | .69 | 1.40 | -1.49 | -2.50 |
| School move | -1.18 | 3.98 | -1.27 | -2.95 | -.71 |
| Actions pending | ***-7.57 | .51 | 1.21 | 1.00 | 2.00 |
| Judgments or settlements | 2.91 | -.31 | -2.01 | 3.34 | .34 |
| Complaints under review | *-6.31 | 1.06 | 3.12 | -.63 | 3.90 |
| Program reviews or audits | -.19 | -.70 | -1.86 | -1.74 | -.34 |
| Other accreditation | *2.96 | 2.97 | *3.68 | 1.52 | .43 |
| Linkage programs | .88 | -1.00 | *-3.11 | 2.07 | -.13 |
| Articulation | -1.09 | -1.99 | -.19 | *-3.14* | .62 |
| Separate facilities | -.71 | 1.71 | 1.56 | 1.29 | .36 |
| Main campus | ***5.90 | **3.89 | *2.79 | .40 | .72 |
| Enrollments of | | | | | |
| 300 or less | 5.12 | *4.83 | -.45 | **5.45** | ***9.56 |
| 301 to 600 | 3.80 | 1.70 | -1.43 | 1.47 | **6.24 |
| 601 to 900 | 4.36 | 7.49 | .48 | .63 | *5.32 |
| Continuous | | | | | |
| % Ability to benefit | .16 | .10 | -.03 | .09 | .22 |
| % GED | .01 | -.05 | .01 | -.03 | .05 |
| % High school diploma | .02 | -.01 | .03 | -.04 | .01 |
| % Enrollment receiving | | | | | |
| Pell grants | -.03 | .01 | 0.01 | .03 | .02 |
| Stafford loans | *.05 | **.06 | .03 | *.05 | .05 |
| Supplemental loans | -.04 | -.04 | -.01 | .01 | .04 |
| % Part-time students | NA | NA | ***-.03 | ***-.02 | **-.03 |
| Ability to benefit squared (times 100) | .18 | .24 | -.24 | -.21 | -.12 |
| ATB times Pell (times 100) | .06 | .01 | *.22 | .03 | *-.33 |
| Instructional staff, FTE | -.12 | -.01 | **-.15 | -.02 | .05 |
| Faculty turnover, full-time | .01 | -.02 | .01 | *-.07 | -4.60 |
| Faculty turnover, part-time | .00 | -.02 | *-.06 | -.03 | -3.01 |
| Student/faculty ratio | .00 | .02 | -.02 | .00 | -.00 |
| Ratio full/part-time staff | .18 | -.21 | -.03 | -.03 | |
| Average weeks of program | .05 | -.01 | **-.08 | -.03 | -.05 |
| Default rate[a] | -.04 | .01 | -.05 | .10 | ***.17 |
| Intercept | ***55.38 | ***62.09 | ***76.81 | ***73.38 | ***66.16 |
| Multiple $R^2$ | ***.09 | ***.06 | ***.07 | ***.12 | ***.23 |
| Adjusted $R^2$ | ***.06 | ***.03 | ***.04 | ***.08 | ***.19 |
| Observations | 1017 | 1054 | 986 | 905 | 869 |

NA = Not available for this school year.

*p. = <.05 **p. = <.01 ***p. = <.001

[a] Default rate used as an independent variable in regressions for graduation, withdrawal, and training-related placement rate. Withdrawal rate used as independent variable in regression for default.

## APPENDIX TABLE 3.8

## MULTIPLE REGRESSION ANALYSIS OF DEFAULT RATE FOR FULL-TIME ENROLLMENTS SCHOOL YEARS 1990 TO 1994

| School Characteristics | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|
| | Partial Regression Coefficients | | | | |
| Categorical | | | | | |
| Change in ownership | *-3.48 | **-8.34 | 2.45 | -.69 | -.00 |
| School move | .27 | .97 | **-3.61 | .47 | -2.79 |
| Actions pending | -.99 | -.00 | 1.29 | .03 | -.70 |
| Judgments or settlements | .37 | 1.11 | .93 | -.34 | .56 |
| Complaints under review | 1.78 | .48 | -1.89 | *3.89 | .96 |
| Program reviews or audits | .44 | **-2.77 | 1.44 | *1.47 | .37 |
| Other accreditation | -.79 | 1.07 | 1.58 | 1.58 | -.37 |
| Linkage programs | -1.38 | **-2.60 | *-1.56 | -1.01 | .77 |
| Articulation | .94 | .26 | -1.32 | -1.98 | .24 |
| Separate facilities | .19 | -.18 | *-2.05 | -1.35 | .05 |
| Main campus | -1.29 | -.96 | .19 | 1.30 | .91 |
| Enrollments of | | | | | |
| 300 or less | -1.65 | *-4.85 | -2.94 | 2.29 | -.01 |
| 301 to 600 | -1.78 | -2.55 | -.60 | 2.34 | -.06 |
| 601 to 900 | -1.91 | -1.42 | .51 | 1.57 | .01 |
| Continuous | | | | | |
| % Ability to benefit | ***.49 | ***.74 | ***.56 | **.23 | ***.31 |
| % GED | **.12 | *.12 | .00 | **.13 | .01 |
| % High school diploma | -.01 | -.00 | -.03 | .03 | -.04 |
| % Enrollment receiving | | | | | |
| Pell grants | -.00 | .02 | **.05 | .01 | ***.08 |
| Stafford loans | -.04 | ***.10 | .00 | -.02 | ***.06 |
| Supplemental loans | .03 | *-.06 | ***-.07 | -.00 | -.00 |
| % Part-time students | NA | NA | .00 | .00 | -.00 |
| Ability to benefit squared (times 100) | ***-.32 | ***-.65 | ***-.56 | .07 | *-.31 |
| ATB times Pell (times 100) | .00 | .11 | .01 | **.18 | .03 |
| Instructional staff, FTE | -.05 | -.05 | **-.10 | **.05 | **-.06 |
| Faculty turnover, full-time | .01 | -.00 | ***.08 | .00 | .16 |
| Faculty turnover, part-time | .00 | .03 | .01 | .01 | 1.74 |
| Student/faculty ratio | .02 | .00 | -.01 | .02 | ***.07 |
| Ratio full/part-time staff | -.15 | -.17 | -.12 | .02 | -.02 |
| Average weeks of program | ***-.12 | ***-.04 | ***-.07 | ***.08 | **-.04 |
| Withdrawal rate[a] | ***.17 | ***.24 | ***.13 | ***.20 | ***.14 |
| Intercept | ***15.52 | ***17.89 | ***25.58 | ***15.83 | ***14.0 |
| Multiple $R^2$ | ***.35 | ***.32 | ***.41 | ***.37 | ***.34 |
| Adjusted $R^2$ | ***.33 | ***.30 | ***.39 | ***.34 | ***.31 |
| Observations | 1017 | 1057 | 966 | 905 | 869 |

NA = Not available for this school year.
*p. = <.05 **p. = <.01 ***p. = <.001
[a] Default rate used as an independent variable in regressions for graduation, withdrawal, and training-related placement rate. Withdrawal rate used as independent variable in regression for default.

## APPENDIX TABLE 4.1

## MULTIPLE REGRESSION ANALYSIS OF SCHOOL OUTCOMES FOR COHORT DATA 1994 SCHOOL YEAR

| School Characteristics | Percentage Trained | Percentage Placed |
|---|---|---|
| Categorical | | |
| Change in ownership | .52 | -1.20 |
| School move | *-5.35 | -.72 |
| Actions pending | -.85 | -.25 |
| Judgments or settlements | .93 | -1.92 |
| Complaints under review | -1.44 | 2.53 |
| Program reviews or audits | -.75 | *-2.17 |
| Other accreditation | 1.35 | .68 |
| Linkage programs | *2.41 | -.21 |
| Articulation | -.71 | 1.29 |
| Separate facilities | 1.11 | 1.24 |
| Main campus | 2.58 | -1.84 |
| Enrollments of | | |
| 300 or less | 4.12 | 1.53 |
| 301 to 600 | 2.51 | 1.32 |
| 601 to 900 | -1.44 | -.84 |
| Continuous | | |
| % Ability to benefit | .06 | .16 |
| % GED | .12 | .03 |
| % High school diploma | .03 | .03 |
| % Enrollment receiving | | |
| Pell grants | .03 | .01 |
| Stafford loans | **.07 | -.02 |
| Supplemental loans | .04 | .04 |
| % Part-time students | -.01 | .01 |
| Ability to benefit squared (times 100) | .30 | -.13 |
| ATB times Pell (times 100) | **-.39 | .19 |
| Instructional staff, FTE | .02 | .05 |
| Faculty turnover, full-time | *-5.33 | -2.77 |
| Faculty turnover, part-time | **-5.55 | -.59 |
| Student/faculty ratio | -.01 | -.03 |
| Ratio full/part-time staff | .09 | .18 |
| Average weeks of program | ***-.20 | *.04 |
| Default rate | *.13 | *.11 |
| Intercept | ***83.13 | 79.83 |
| Multiple $R^2$ | ***.31 | ***.12 |
| Adjusted $R^2$ | ***.27 | ***.08 |
| Operations | 822 | 822 |

NA = Not available for this school year.
*p. = <.05 **p. = <.01 ***p. = <.001

**EXHIBIT B**

# Student Outcomes At Private, Accredited Career Schools and Colleges of Technology School Years 1990 through 1994

Prepared for

*Accrediting Commission of Career Schools and College of Technology*

Morgan V. Lewis

Center on Education and Training for Employment
The Ohio State University
1900 Kenny Road
Columbus, Ohio 43210-1090

April 1996

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# Foreword

The Center on Education and Training for Employment is pleased to forward this report to the Accrediting Commission of Career School and Colleges of Technology (ACCSCT). This is the third report on the performance of the schools and colleges accredited by the Commission. One of the methods the Commission uses to carry out its responsibilities is an annual report from each school or college. The information in this report enables the Commission to monitor operation and performance of these institutions.

The data from the annual reports filed by all the accredited schools and colleges for the 1990 through the 1994 school years formed the basis for the present report. Preliminary analyses had been conducted with the reports for the prior three years. We hope that the results of these analyses can provide guides for future activities of the Commission to improve the capacity of the school and colleges it accredits to serve their students.

This report was prepared by Dr. Morgan Lewis, A Research Scientist with CETE, with the assistance of Mr. Weidong Wang, a former Research Associate of CETE, who performed the many computer runs necessary for the analysis. Ms. Kathleen Kush prepared the charts and formatted the text.

Dr. Lewis has asked me to express his appreciation to those who contributed to the preparation of this report. First to the Commission which funded the analysis and verification of the annual report data. Second, the staff of the Commission, particularly Mr. Bruce Jenks and Ms. Marjorie Hackett, who have primary responsibility for the collection and processing of the annual report data upon which the report is based. Third, the members of the Commission, themselves, who contributed many helpful suggestions and insights regarding definitions, analyses, and interpretations of the findings, while allowing Dr. Lewis full control over the final contents of this report.

I should add that while the Commission provided the funding for the preparation of this report, its findings and conclusions are those of Dr. Lewis and not necessarily those of the Commission, or our Center.

Ray D. Ryan
Executive Director
Center on Education and Training
for Employment

# Executive Summary

This is the third report of the performance of schools and colleges accredited by the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT) prepared by the Center on Education and Training for Employment of The Ohio State University. This report updates a previous report by adding an additional school year of data. The five years of cross-sectional data are based on the total number of students who graduated, withdrew, and obtained employment during the school year. These we refer to as the annual total data.

This report differs from its two predecessors in that it also presents new longitudinal data on program completion and placement in related employment for defined groups of students. These we refer to as the cohort data. Cohorts are groups of students who during the 1994 school year would have had time periods one and one-half times the scheduled lengths of their programs in which to complete them. The results from students who met the cohort definition during the 1994 school year are presented.

The most recent information on default rates on Stafford loans, as calculated by the US Department of Education, was used as an additional outcome measure.

In the annual total data, almost two-thirds (63 to 65 percent) of the full-time students leaving the accredited schools and colleges graduated. About one-fifth (20 to 22 percent) of the students enrolled each year withdrew without completing their programs. A consistent three-fourths of graduates who were available for employment obtained jobs related to the skills they had studied.

For part-time students, the graduation and training-related employment rates were 10 to 12 percentage points lower than the rates for full-time students. Withdrawal rates for part-time students were 1 to 2 percentage points higher than the rates for full-time students. The default rates on Stafford loans for the students who had left the schools two years prior to the year analyzed fluctuated around 25 percent.

The cohort data for the 1994 school year yielded outcomes higher than those from the annual total data for all three outcomes. The cohort measure comparable to the graduation rate is percentage trained, and that was 70 percent, 6 percentage points higher than the annual total figure. Part of the reason the cohort figure is higher is that those who withdrew for related employment are included as completing their programs.

The percentage placed in related employment in the cohort data is 82 percent, five points higher than the annual total results. Here again part of the higher figure is due to those who withdrew for related employment.

The biggest difference between the annual total and cohort data is with regard to withdrawal. The annual total data estimated withdrawal at a fairly constant 20 to 22 percent. In the cohort data, the rate in 1994 was 30 percent. We think the higher cohort figure is due to a more detailed tracking of those who entered programs in one school year, did not complete their programs that year, and did not return the next year. The longitudinal nature of the cohort data yields a more careful counting of such students.

Both the annual total and cohort outcome measures were related to 39 measures of the characteristics of the students and the schools, using multiple regression analysis. This analysis determines the net, independent effect of each school characteristic on the outcomes, holding the effect of all the other characteristics constant. The school characteristics listed below were found to have consistent, statistically significant relationships with school performance in both the annual total and cohort data. Most of these relationships, however, were found for full-time enrollments. The outcomes for part-time enrollment have fewer systematic relationships with school characteristics.

- Percentage of enrollment receiving Pell grants.
- Percentage of students classified as Ability to Benefit (ATB).
- Average program length in weeks.
- Main or branch campus.
- Total enrollment.
- Faculty turnover.

The cumulative effect of these characteristics can be quite substantial. A main campus school with an enrollment of 600 or less that had few Pell recipients, low turnover of faculty, and offering shorter programs could be expected to have a graduation rate 20 to 30 points higher than a branch campus school with an enrollment over 600, the average percentage of Pell recipients, and longer programs. The percentage of Pell grant recipients, ATB students, and faculty turnover could be used as monitoring signals to identify schools that are more likely to have problems with retention and graduation, and default.

Comparisons of these findings with available studies of postsecondary technical training imply that ACCSCT schools and colleges graduate a higher percentage of their students than comparable institutions.

# Introduction

Accreditation indicates that educational institutions meet established standards of quality with regard to their facilities, faculty, curriculum, and instruction. After initial accreditation, the performance of institutions must be monitored to ensure that they continue to meet the standards.

One of the methods used by the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT) to monitor the performance of the institutions it accredits are annual reports. These reports provide a summary of the characteristics of the institutions and their operations for each school year.

The annual reports filed with the Commission for the past five school years (July 1989 through June 1994) are the basis for this report. The Center on Education and Training for Employment of The Ohio State University analyzed the data from the annual reports. These analyses identified several characteristics of the accredited schools and colleges that are consistently related to their performance. Performance was measured by these three rates:

- Graduation
- Withdrawal
- Placement in training-related employment

The ways in which these rates were calculated are presented at the end of the report in Technical Notes. In addition to these rates, the analyses examined the default rate on Stafford loans for students who had left the accredited schools and colleges two years prior to the year of the annual report.

For the 1994 school year, in addition to the annual reports, the Commission collected data on cohorts of students. Cohorts were defined as students who had started their programs at a point where during the 1994 school year they would have had one and one-half times the scheduled lengths of their programs in which to complete them. Further discussion of the cohort definition is presented in Technical Notes.

The statistical technique of multiple regression analysis was used to relate the measures of school performance to characteristics such as total enrollment, percentage of students receiving financial aid, and average length of programs. This technique estimated the unique relationship of each of the characteristics for which we had measures to the four indicators of school performance.

It is important to note that this analysis shows only relationships, not cause and effect. Program length, for example, has a substantial relationship with graduation: schools with shorter programs graduate more of their students than schools with longer programs. It is not program length, however, that causes students to withdraw. Program length merely reflects the longer time period during which factors such as costs, alternative opportunities, and illness impact student decisions to discontinue their studies.

This report has five main sections. The first describes the ACCSCT schools and colleges, the second presents their performance, as indicated by the four outcome measures, during the past five years.

The third section summarizes the results of the multiple regression analysis. This section emphasizes those characteristics that have been found to have statistically significant relationships with school performance for three or more of the five years for which we have data. The fourth section compares the outcome measures from the annual total data to similar, but not identical, measures for students who met the cohort definition during the 1994 school year. The fifth main section compares the findings for ACCSCT schools and colleges to studies of similar postsecondary institutions.

## ACCSCT Schools and Colleges

For the 1994 school year, 873 schools and colleges with full-time enrollments filed annual reports with ACCSCT. This is a drop of almost 200 from the peak of 1,062 that filed reports in 1991. Less than half as many schools and colleges reported part-time enrollments. Figure 1 shows the trends in number of schools reporting full-time and part-time enrollment for the five school years.

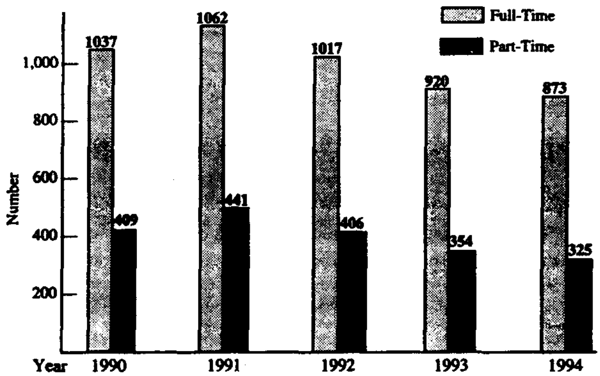



**Figure 1. Number of schools and colleges reporting full-time and part-time enrollment**

Figure 2 presents the trends in average full- and part-time enrollments during the five years. Prior to 1994, the average full-time enrollment had been quite steady. In 1994, it dropped 10 percent. Part-time enrollment had experienced an even larger percentage drop in 1993, but the 1994 average was almost identical to 1993. Total full-time enrollment in 1994 was 390,269 and part-time enrollment was 36,760.

Figure 2 also shows the average number of full-time equivalent instructors for the five years. This figure has varied very little. Because the number of students has dropped, the ratio of students to faculty was the lowest in 1994 of all the five years.

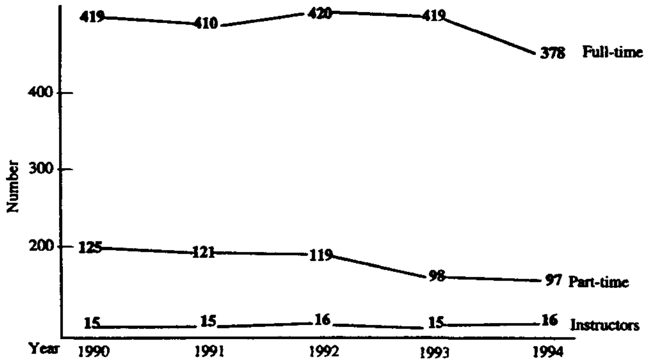



**Figure 2. Average full-time and part-time enrollments and average number of full-time equivalent (FTE) instructors**

The trends in four selected characteristics of ACCSCT schools and colleges are displayed in Figure 3. The top line indicates that over three-fourths of the reporting institutions are the main campuses. The line second from the top shows that half of the institutions have enrollments of 300 or less. The percentage of schools of this size has declined over the five years.

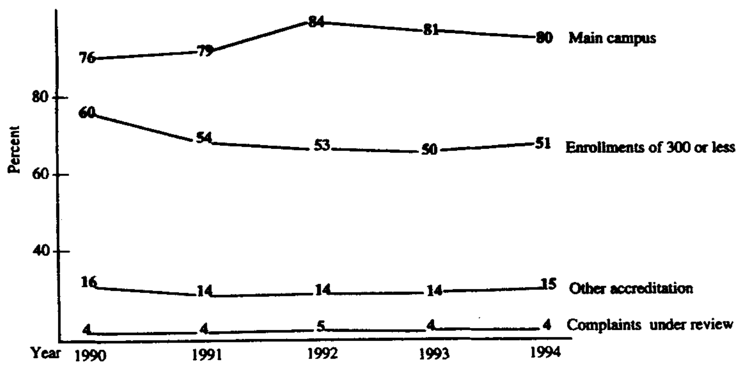



**Figure 3. Selected characteristics of accredited schools and colleges**

The third line from the top in Figure 3 show the percentage of schools and colleges that have other accreditation in addition to that from ACCSCT. This percentage has changed very little in the five years.

The bottom line in Figure 3 indicates the percentage of schools and colleges that had complaints under review by ACCSCT or some other accrediting body or government agency during each of the school years. This percentage has always been quite low and stable.

Prior education of students is the topic of Figure 4. Over the past five years there has been a marked drop in the percentage of Ability-to-Benefit (ATB) students. In 1994, only 9 percent of full-time enrollees were ATB, about half the percentage that enrolled in 1990. General Educational Development (GED) enrollments have been steady while the percentages of high school graduates and students with prior postsecondary education have increased. The trends among part-time students have been the same as those for full-time.

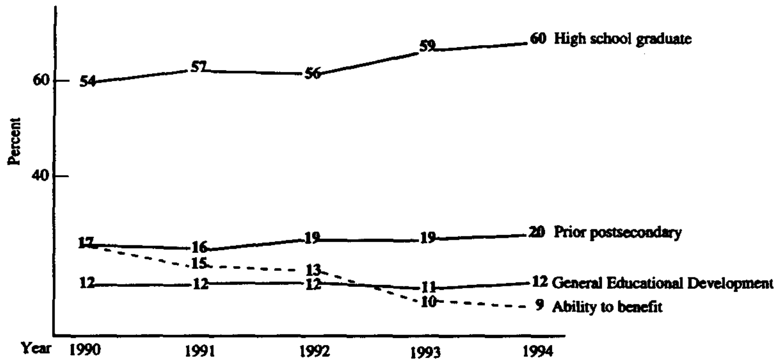



**Figure 4. Highest level of prior education of full-time students**

ACCSCT schools and colleges offer over 4,000 programs in more than 100 different occupational areas. The programs cover a wide variety of fields, but a relatively few types of programs account for a large percentage of all graduates. In 1994, Commission accredited schools and colleges graduated 144,575 full-time students and 11,652 part-time students. Figure 5 presents the five program categories with the largest number of graduates. (Different scales are used in Figure 5 for the number of graduates and number of programs.)

Medical assistant programs, by a large margin, produced the most graduates (21,019). The number was almost double that of the next program area, electronics specialist (11,388). There were far fewer programs in the third area, truck driver, but they produced almost as many graduates as the electronic specialist area. The shorter length of the truck driver programs allows for more graduates within a school year compared to the longer length of medical assisting programs. The five program categories shown in Figure 5 accounted for 53,982 full-time graduates, over one-third of all the students graduates in 1994.

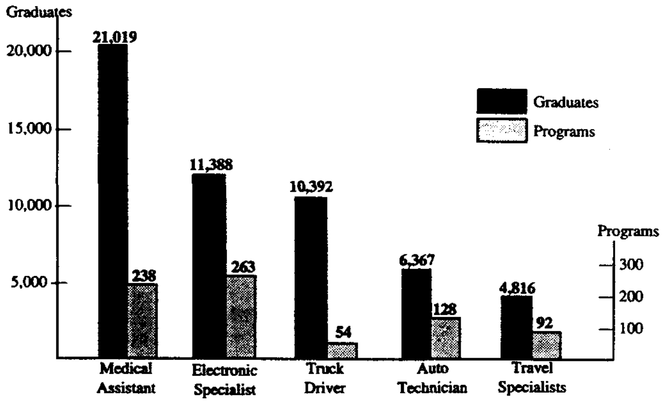



**Figure 5. Five program areas with the largest number of graduates in the 1994 school year**

## Outcomes

The performance of the accredited schools and colleges has been very consistent over the five years examined. Figure 6 presents, from top to bottom, the trends for the four outcome measures: training-related placement, graduation, default and withdrawal rates for full-time students. All of these have been very constant. The slight increase for training-related placement (TRP) in 1994 may be attributed to the longer follow-up period, since annual reports were due three months later in 1994 than they had been in previous years.

In the annual total data, graduation rates indicate the number graduating as a percentage of the total number leaving their schools, either through graduation or withdrawal. For each of the five years, slightly less than two-thirds of the full-time students graduated. Among part-time students, the rates were slightly more than one-half.

Results from the cohort data, presented later (Figure 11), indicate that in 1994, 70 percent of the students who started their programs completed them within one and one-half times the scheduled lengths of the programs. The measures used with the annual total data were developed for cross-sectional data which present pictures of the schools for each school year. The measures used with the cohort data are longitudinal. The cohort data track the same students from enrollment to completion or withdrawal, during the defined time periods. The comparison of the two rates for 1994 suggests that the annual total measure somewhat underestimates actual graduation rates.

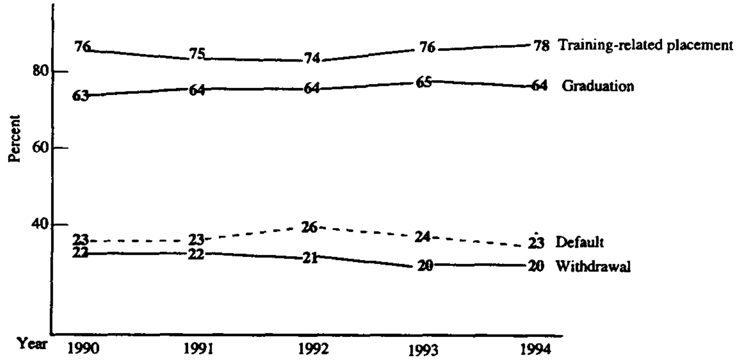



**Figure 6. Trends for outcome measures**

The measure of withdrawal used with the annual total data also appear to underestimate the actual rate. In the annual total data, withdrawal is the number withdrawing as a percentage of the total number enrolled. In the cohort data, withdrawals are those who do not complete their programs or withdraw because they obtain related employment within one and one-half times the scheduled lengths of the programs.

In 1994, the annual total definition yielded a withdrawal rate of 20 percent. The cohort data (Figure 11) yielded a rate of 30 percent. We think the higher percentage in the cohort data reflects a more accurate tracking of withdrawals. This greater accuracy is most likely to occur with students who enroll in one academic year but do not complete their program that year. They plan to return the following year but do not do so. As a result, they may not be counted as withdrawing in the annual totals reported for either year. The cohort definition tracks such students across years and is more likely to include them.

Training-related placement (TRP) indicates the number of graduates who obtained jobs that were related to the fields they had studied as a percentage of all graduates who sought employment. Each of the five years, three-quarters or more of the full-time graduates obtained related employment. The corresponding rates for part-time graduates were 10 to 13 percentage points lower.

The definitions of TRP used with the annual total and cohort data are almost identical. The one difference is that students who withdrew because they obtained related employment are included in the cohort definition. This is at least part of the reason that in 1994 TRP for the cohort data was 82 percent (Figure 11), four points higher than the rate for the annual total data.

Default rates are based on the students who left their schools and colleges two years prior to the years being analyzed. Default rates have been fairly consistent across the five years we have examined. They have varied within a range of 3 percentage points from a low of 23 to a high of 26 percent. Schools that have high rates in one year tend to have high rates in other years. Those that have low rates in one year tend to have low rates in other years.

In the next section, we examine school characteristics that have been found to have a statistically significant relationship with the four outcomes (graduation, withdrawal, TRP, and default). Multiple regression yields estimates of the independent effect on the outcomes of each school characteristic for which we have a measure while controlling for the effects of all other measured characteristics.

As an introduction to the multiple regression results, we present a two-way cross-tabulation of the relationship of full-time enrollment to the four school outcomes. The results in Figures 7 through 10 show how the outcomes differed among schools in four different size categories in school years 1993 and 1994.

The results for the two school years are nearly identical. Figures 7 and 8 show that as enrollment increased graduation rates decreased and withdrawal rates increased. The differences in these rates across the enrollment categories were very similar in 1993 and 1994. The schools in the lowest enrollment category, 300 or less, had higher TRP rates in both years (Figure 9), but there was little difference among the three other size categories. Default rates tended to be slightly lower in schools in the largest and smallest enrollment categories than those in the middle two categories (Figure 10).

The cross-tabulations in Figures 7-10 control for only one school characteristic. The multiple regression results in the next section can be thought of as very complex cross-tabulations that control for the effect of 36 characteristics while indicating the independent effect of one.

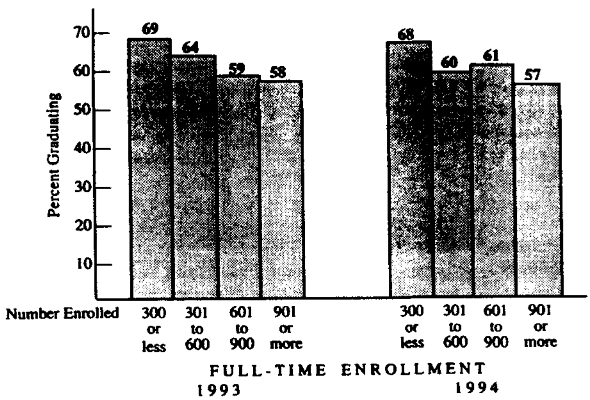



**Figure 7. Graduation by school enrollment in 1993 and 1994 school years**

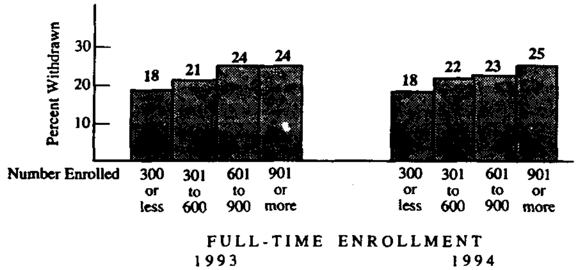



**Figure 8. Withdrawal by school enrollment in 1993 and 1994 school years**

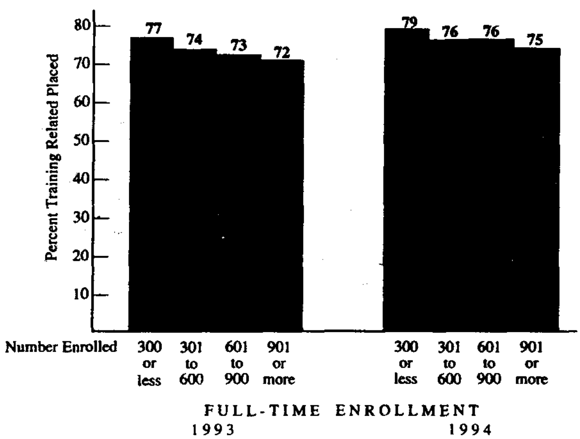



**Figure 9. Training-related placement by school enrollment in 1993 and 1994 school years**

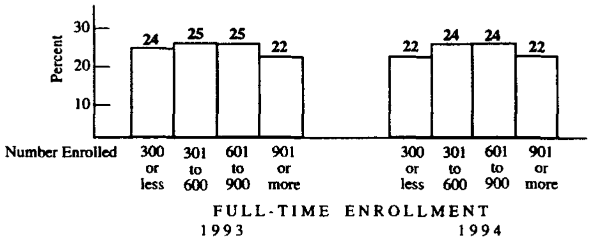



**Figure 10. Default rate by school enrollment in 1993 and 1994 school years**

## Multiple Regression Results

The figures in this section present the school characteristics that have had statistically significant relationships with the outcomes for three or more of the five years for which we have data. The height of the trend lines in the figures reflect the size of the net effects of the characteristics, and these effects can be negative as well as positive. Negative effects are shown by lines that go below the zero point on the vertical axis. No figures are entered on the trend lines for years when a school characteristic did not have a significant relationship with an outcome. A trend line that does not extend the full width of the figure indicates that the characteristic was not significant in the years that are not shown.

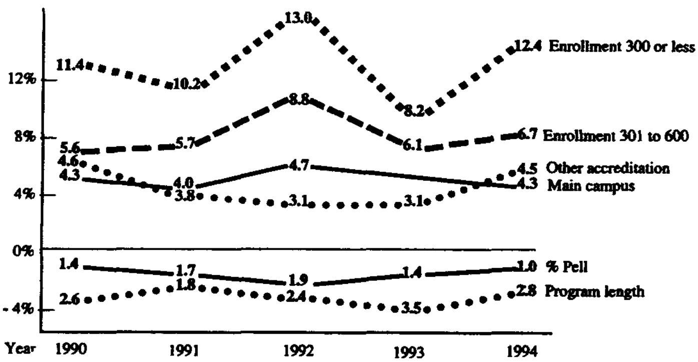
The measures of school characteristics shown in the figures are of two kind: categorical and continuous. Categorical variables reflect either or conditions. A school is a main or a branch campus. A school has accreditation by an agency in addition to the Commission or it does not. Categorical variables are interpreted in comparison to the opposite condition.

Continuous variables can have many values. Most of the continuous variables reflect the percentage of students with certain characteristics, such as having received different types of financial aid. These percentages are based on the total enrollment of the individual schools. Continuous variables are interpreted as the rate of change in the outcome measure for a unit change in the measure of a school characteristic. The trend lines for the continuous variables show how much the outcomes change when the school characteristics change 10 units.

### Characteristics Related to Graduation

Figure 11 presents six school characteristics that have consistently been found to have major impact upon the graduation rates calculated from the annual total data.

***Enrollment.*** The top two lines in Figure 11 reflect enrollment groupings of 300 or less and 301 to 600. These groupings are categorical variables of a special sort. They are interpreted in comparison to schools in the largest enrollment group—901 or more students. For all five years, schools with enrollments of 300 or less have had graduation rates 8 to 13 percentage points higher than schools with enrollments of 901 or more. Schools with enrollments of 301 to 600 have had graduation rates 5 to 9 percentage points higher than schools with enrollments of 901 or more. Schools with enrollments of 601 to 900, however, did not have significantly higher rates than those in the largest enrollment group.




NOTE: Years without data entries on the trend lines indicate that the characteristics did not have statistically significant net effects on the outcome in the missing years.

**Figure 11. Net effect of selected school characteristics on graduation rate**

It bears repeating that these estimates of the effects of size of enrollment are independent of the other variables that also influence graduation rates. Stated another way, in 1994 when the effect of other school characteristics, such as the percent of Pell recipients and the average length of programs, were controlled, schools with enrollments of 300 or less had graduation rates that averaged 12 percentage points higher than schools with enrollments of 901 or more.

***Main or branch campus.*** Four of the five school years main campuses had graduation rates 4 percentage points higher than branch campuses. There is no entry on the trend line for 1993 indicating that this characteristic was not statistically significant that year. These findings suggest a combination of factors, such as facilities, equipment, and instruction, are likely to increase the holding power of a main campus in comparison to a branch.

***Other accreditation.*** Each of the five years, about one-sixth of the schools reported they had or were a candidate for accreditation in addition to that from the Commission. Schools that reported such additional accreditation had graduation rates about 3 to 4.5 percentage points higher than schools accredited solely by the Commission. Holding more than one accreditation is a consistent indicator of higher graduation rates.

***Percent receiving Pell grants.*** The financial aid variables indicate the percentage of enrollment at a school that received different types of aid. These variables range from 0 to 100 percent. Across all schools, half of all students received Pell grants. The percentage increased from 1990 to 1992, held steady in 1993, and dropped to its 1990 level in 1994.

The trend line in Figure 11 indicates that for a 10 point increase in the percentage of enrollment that received Pell grants, the percentage of graduates decreased 1 to almost 2 percentage points.

The results for the Pell variable do not mean that receiving Pell grants make it less likely that students will graduate. Pell grants are available only to those students whose own or family income is below the level defined by the federal government as poverty. High percentage of Pell recipients at a school reflect a high percentage of students from poverty families. Students from such families traditionally are the most difficult to serve in educational settings.

***Average program length.*** The trend in average program length (measured in weeks) has been to longer programs. In 1994, the average length at Commission schools was almost 47 weeks, in comparison to 34 weeks in 1990, a 38 percent increase. When other characteristics are held constant, schools with shorter programs have higher graduation rates than schools with longer programs. For every 10 week increase in program length, graduation rates decrease by about 2 to 3.5 percentage points.

***Other characteristics.*** In addition to the six school characteristics shown in Figure 11, three others had statistically significant relationships with graduation rates three of the five years: percentage of enrollment receiving Stafford loans, percentage receiving Supplemental Loans to Students, and turnover among part-time faculty. They are not shown in the figure because their influence has always been less than a change of 1 percentage point in graduation rate for a 10 point change in the variables.

**Characteristics Related to Withdrawal**

All students who enroll during a given school year do not graduate or withdraw during that school year. Each of the years for which we have data, about 40 to 45 percent of both full-time and part-time enrollment neither graduated nor withdrew. Because of these continuing students, it was necessary when analyzing the annual total data to establish a definition of graduation that did not penalize schools for continuing students.

The definition adopted was the number of students graduating divided by the number graduating plus the number withdrawing. Withdrawal rates were defined as the number withdrawing divided by the number enrolled in a school year. Since these definitions differ, withdrawal is not just the opposite of graduation. Some of the variables that influence graduation also influence withdrawal, but they are not identical. Table 1 presents six characteristics found to have significant relationships with withdrawal three of the five years.

**Table 1. Net effect of selected school characteristics on withdrawal rates**

| | Percentages | | | | |
|---|---|---|---|---|---|
| **Characteristic** | **1990** | **1991** | **1992** | **1993** | **1994** |
| Default rate | 1.2 | 1.0 | 0.9 | 1.7 | 1.3 |
| Ability to benefit | 1.7 | 1.7 | 2.5 | 1.3 | |
| Separate facilities | -1.9 | -1.8 | -1.9 | | |
| Other accreditation | | -2.0 | -1.7 | -2.4 | -2.8 |
| Enrollment 301 to 600 | | -3.0 | -5.3 | -4.2 | |
| Enrollment 300 or less | -4.4 | -6.1 | -8.3 | -8.1 | -1.4 |

Because of the difficulty in presenting the results for withdrawal in graphic form, the net effect of the variables on withdrawal are presented in tabular form in Table 1. It is noteworthy that three of the six characteristics in Table 1 were also included in Figure 11: enrollments of 300 or less, enrollments of 301 to 600, and other accreditation. In Figure 11, however, these lines were above the zero point on the vertical axis. This indicated that these variables had a positive relationship with graduation rate. In Table 1, these characteristics indicate a negative relationship. Withdrawal rates were lower in schools that had the characteristics charted than they were in schools with the opposite characteristics. As in all the charts in this section, these lines show the independent effect of the characteristics, holding all other characteristics for which we had measures constant.

Note that in Table 1 there are some missing data. The years for which there are no data, the characteristics did not have statistically significant relationships with withdrawal rates.

There are three characteristics in Table 1 that were not present in Figure 11. One of these, separate facilities, is negative. The other two, default rate and percentage of Ability-To-Benefit (ATB) students are positive.

*Separate facilities.* A relatively small proportion, about one-sixth, of ACCSCT schools and colleges have reported separate facilities over the five school years. For the first three years, separate facilities had a consistent, negative relationship with withdrawal. The rates at schools with separate facilities were about 1.5 to 2 percentage points lower than at schools without such facilities. That relationship has not been significant during the past two years. In some years, separate facilities have also been found to have significant relationships with graduation, but this has not been consistent.

*Ability to benefit.* As noted in connection with Figure 4, the percent of enrollment classified as Ability-To-Benefit (ATB) has steadily declined over the five years. In 1994, only 9 percent of students were ATB. Despite this decline, the percentage of ATB continues to have a strong relationship with default rate, which will be discussed later. Prior to 1994, it also had a significant net effect on withdrawal. Figure 8 indicates that for every 10 point increase in the percentage of ATB students, withdrawal rates increased by 1.3 to 2.5 percentage points. In 1994, the relationship was not significant.

The declining number of ATB students may be weakening relationships previously observed. Schools are admitting fewer ATB students, and it is likely they are being more selective with those they admit.

*Default rate.* The percent of students who default on their Stafford loans obviously cannot be a cause of withdrawal. Default occurs after withdrawal. We included it as an explanatory variable because we thought default rates might reflect certain characteristics of schools not captured by the other variables in our analysis. Default rate had a consistent relationship with withdrawal independent of all the other school characteristics examined.

It will be recalled that default rates are for the students who left schools, either by graduation or withdrawal, two years prior to the school year analyzed. Measures for school characteristics in a given school year are correlated with default rates for the students who had left the school two years previously. If default rates were unstable, varying widely from year to year, we would not have found the consistent relationships shown in Table 1. Direct one-to-one correlation of default rates across school years typically yields r values in the .70s and .80s. Schools and colleges that have low default rates one year tend to have low rates the next year, and those with high rates one year tend to have high rates the next year.

*Other variables.* There were four other school characteristics that had significant relationships with withdrawal that are not shown in Table 1: turnover of both full-time and part-time faculty, average length of programs, and percentage of enrollment receiving Pell grants. With one exception, the estimates of the effects of these characteristics were 1 percentage point or less for a 10 point change in the measures of the characteristics.

The exception was the effect of full-time faculty turnover in 1994. This year a change of just 1 point in full-time turnover was associated with an increase of over half a point in withdrawal rates. This estimate is so out of line with prior results that we think it is the result of a few schools with unusually high turnover and withdrawal rates.

Because most schools do not have a large number of instructors, the addition or departure of a few can have a large impact upon the turnover rate. For all five years, the average number of full-time equivalent instructors has been about 15 and the turnover rate among both full- and part-time instructors has been about 20 percent. This means in an average school with 15 instructors, three were departing each year. The departure of two or three additional staff in a single year would have a marked impact on turnover rate. Two more departures would bring the rate up to 33 percent and three more, six total, would yield a rate of 40 percent. A few schools that had very high turnover and withdrawals in 1994 are the most likely cause of the very high net effect found for this year.

### Characteristics Related to Training-Related Placement

One of the strongest conclusions emerging from the last decade of research on the effects of technical training is that higher earnings are obtained primarily by graduates who obtain employment in jobs that require the skills they learned in their programs. We have labeled the variable that measures the percent of graduates who obtain such jobs, Training-Related Placement (TRP). Over the five school years analyzed, three-fourths or more of the graduates available for employment found jobs in related fields. Unfortunately, TRP is the outcome with the fewest consistent relationships with school characteristics. The main two relationships that have been found are presented in Table 2.

Programs that are offered on the main campuses and at schools that have enrollments of 300 or less had higher rates of TRP than programs offered on branch campuses and at schools that had enrollments of 901 or more. It will be recalled that these characteristics were also associated with higher graduation rates. Neither of these characteristics, however, is significant for all five years.

Two other characteristics were also significant three or more of the five years: percentage of enrollment receiving Stafford loans and percent of part-time-students. Here again their effect was less than 1 percentage point change in TRP for a 10 point change in the measure of the characteristic so they were not included in the chart.

We suspect the reason why more school characteristics do not have significant relationships with TRP is that acquiring a skill is the key determinant of finding related employment. Once students have completed programs and have skills needed by employers, it is of little importance whether they acquired these skills in large or small schools, how long the programs lasted, or the prior education of their classmates. What employers are interested in is whether job seekers have the skills needed by their companies.

**Table 2. Net effect of selected school characteristics on training-related placement rates**

| | Percentages | | | | |
|---|---|---|---|---|---|
| **Characteristic** | **1990** | **1991** | **1992** | **1993** | **1994** |
| Enrollment 300 or less | | 4.8 | | 5.5 | 9.6 |
| Main campus | | 5.9 | 3.9 | 2.8 | |

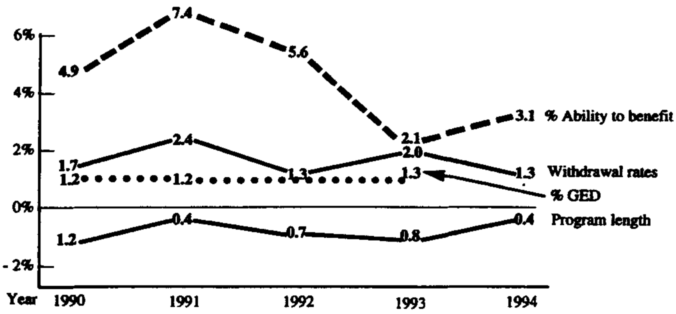
**Characteristics Related to Default Rates**

The high default rates on student loans have received continuing national attention, and private, for profit postsecondary institutions have been a, perhaps the, primary target of this attention. All four of the school characteristics that have been found to have significant relationships with default rates for three of the five years are shown in Figure 12.

***Ability to benefit.*** Even though the percentage of ATB students has declined by half over the five school years, this characteristic continues to have a sizeable effect on default rates. In the two most recent years, however, the effect estimates are considerably less than in the prior years. As indicated earlier, the declining effect of the percentage of ATB may be caused by a higher degree of selectivity in the ATB that are admitted.

We had speculated in a previous report that the relationship between ATB and default probably lies with personal characteristics that are associated with dropping out of high school. Students who drop out are indicating their unwillingness to adapt to a structured educational setting. They have the mental ability to succeed, as measured by the test that classified them as ATB. Often, however, they do not have the personal qualities that enable them to benefit from classroom instruction. If the Commission accredited schools and colleges are being more selective, as the declining enrollments suggest they are, they may be trying to admit ATBs with the personal, as well as the mental, qualities needed for success.

***Withdrawal.*** We reported in an earlier section that default rates have an independent relationship with withdrawal, the reverse is also true. Even when other characteristics are held constant, schools with high withdrawal rates tend to have high default rates. It is reasonable that students who withdraw may note have acquired an employable skill and are thus inclined to default on their loans.




NOTE: Years without data entries on the trend lines indicate that the characteristics did not have statistically significant net effects on the outcome in the missing years.

**Figure 12. Net effect of selected school characteristics on default rates**

***Other characteristics.*** The two other characteristics shown in Figure 12 have had fairly consistent relationships with default: percentage of enrollment classified as GED and program length. GED enrollments have been stable at 11 to 12 percent for the five years. In three of the years, this percentage has been significantly associated with default at the same level of effect.

The average length of programs offered at a Commission-accredited school has increased markedly since 1990, but the estimate of the net effect of length on default has remained fairly constant. The size of effect is not large. For every 10 week increase in program length, default rates decline between .4 and 1.2 percentage points. This relationship may be due to graduates of longer programs having higher earnings and being in a better position to repay their loans. An alternative explanation is that those who enroll in longer (more expensive) programs tend to come from higher income families that are less likely to default.

Many school characteristics we had thought likely to be associated with poorer school performance, such as legal action pending and complaints under review, were not statistically significant or were significant only one or two years. We think variables that reflect undesirable conditions are not consistently related to outcomes because few schools report such conditions. Typically, less than 10 percent of schools report legal action pending and less than 5 percent report complaints under review or changes in ownership. When a few schools that report such conditions have very high or very low outcome measures, these few schools can have a distorting effect on the analysis. Consequently, in our discussion we have emphasized those variables that have yielded consistent results for at least three of the five years.

In the next section, we compare outcomes based on two different data sources for the 1994 school year only. Since we have only one year of cohort data, we cannot know if the results for this year will prove as stable as those presented for the annual total data.

## Comparison of Annual Total and Cohort Data, 1994 School Year

The results in this section have been anticipated in the discussion of the outcome measures based on the annual total data. The cohort data were collected for the first time for the 1994 school year. It will not be possible to provide trend lines for the cohort data until additional years have been collected. Consequently the charts in this section show comparisons of similar, but not identical, outcomes derived from the annual total and cohort data for the 1994 school year only.

We stressed identical in the previous sentence because it should not be expected that the annual total and cohort measures would be the same. The annual totals reflect only the 1994 school year.The cohort data include some students who enrolled in programs more than three years earlier.

Schools were instructed to provide information about students who during the 1994 school year had had one and one-half times the scheduled lengths of their programs in which to complete them. This means that students who began two year programs during the first month of the 1992 school year (July 1991) or earlier would be included in the cohorts who completed their allowed time during the 1994 school year. Programs of six months or less, in contrast, could have completed their allowed time entirely within the 1994 school year.

Given the much different time periods covered by the annual total and cohort data, the school outcome measures calculated for them are more similar than might have been expected. Figure 13 presents the comparisons.

The annual total data yielded lower figures than the cohort data for all three outcomes. In the cohort data, graduates plus withdrawals equal 100 percent. This is not true for the annual total data. In the annual total measures, the graduation rate is based on the number leaving school either through graduation or withdrawal. The withdrawal rate is based on the number enrolled. Since the bases for these two rates are not the same, they do not sum to 100.

Some of the differences between the annual total and cohort data are due to how those students who withdrew because they obtained related employment were counted. In the cohort measures, those who withdrew for related employment were included in both the percentage trained and the percentage placed in related employment. In the annual total measures, these withdrawals were not included in the graduation or TRP rates. The inclusion of those who withdrew for related employment contributes to the higher rates found for the cohort data.

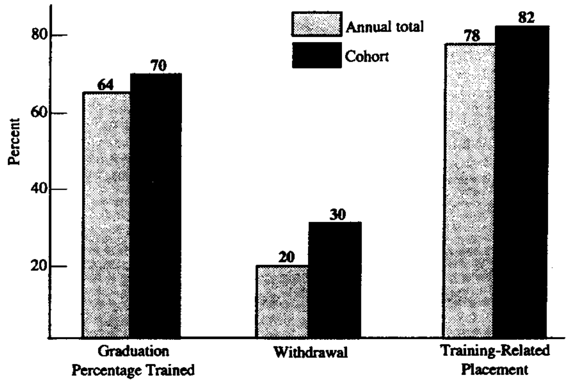



**Figure 13. School outcomes as measured with annual total and cohort data, school year 1994**

The biggest difference between the annual total and cohort data concerns withdrawal rates. The explanation of this difference that appears most reasonable to us involves students who drop out between school years. They enroll one year but do not complete their programs. They inform their schools that they intend to return the next school year, so they are not counted as withdrawing during their first year. When they do not return for their second year, they are not counted as either enrolling or withdrawing in the annual total data for that year. The cohort data requires a more accurate tracking of such students and thus yields higher dropout rates.

### Multiple Regression Comparisons

Figures 14 and 15 compare the multiple regression results obtained for the similar measures obtained from the annual total and cohort data for the 1994 school year. The figures show the school characteristics that were found to have statistically significant relationships in both sets of data.

With the cohort data, a less rigorous level of significance (p. = .10) was used than with the annual total data (p. = 01). The less rigorous level was used so that comparisons could be made with more characteristics. Additional years of data will be needed to determine if the characteristic found significant in the cohort data are as stable as those presented for the annual total data.

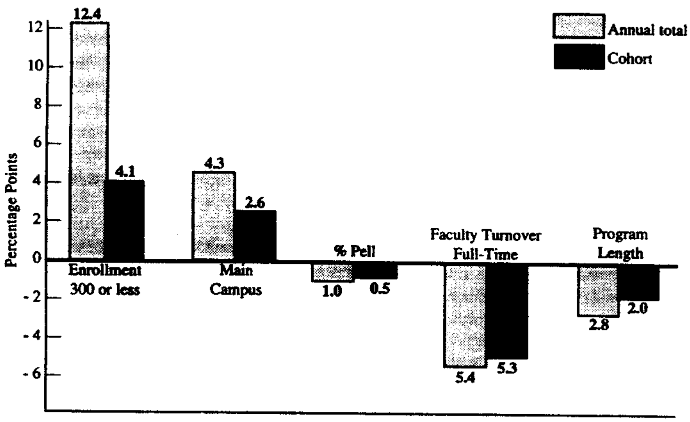



**Figure 14. Net effect of selected characteristics on graduation/percentage trained from annual total and cohort data in the 1994 school year**

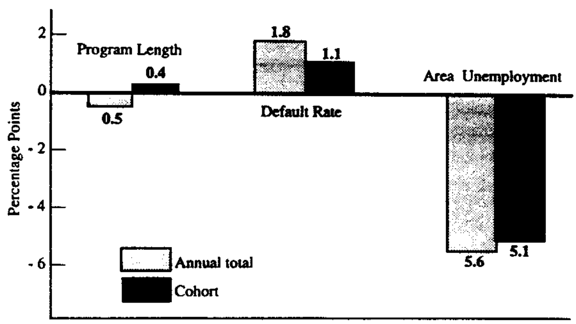



**Figure 15. Net effect of selected characteristics on training-related placement from annual total and cohort data in the 1994 school year**

The most dramatic difference between the results for the two data sets concerns the effect of enrollments of 300 or less on graduation/percentage trained. The effect of the estimate in the cohort data is one-third of that found in the annual total data. Part of the explanation for the difference has already been discussed—the different time periods covered by the two data sets. The annual total data covers only one year. The cohort data may include three years or longer. During the longer time period, school characteristics that are related to outcomes can change: Enrollments may become larger or smaller, program length may change, the school may become more selective in the admission of ATB students. These changes could alter the relationships observed during individual school years between these characteristics and outcomes.

Having said this, it must be acknowledged that the estimates of the effect found for turnover of full-time faculty were virtually identical in the two data sets. The magnitude of this effect in the annual total data was much larger than previous estimates. As discussed earlier, we feel these results are due to a few schools that in 1994 had unusually high rates of both turnover and withdrawals.

Figure 15 presents the three school characteristics found to have significant net effects on training-related placement in both data sets. It is hard to come to any reasonable interpretation for the results of program length and default. The program length effect is negative in the annual total data and positive in the cohort data.

The explanation for the third characteristic is quite straight-forward and reasonable: it is harder to find related employment in areas with high rates of unemployment. For every one point increase in the unemployment rates for the areas where the schools and colleges are located, TRP decline by one-half of a percentage point. The net effect of area unemployment rates was not shown as significant in Table 2 because information on these rates has only been collected for the past two school years.

It is surprising that the school characteristic found to have the strongest net effect on TRP in the annual total data (Table 2), school enrollments of 300 or less, was not significant in the cohort data. On the basis of only the 1994 school year, school size does not appear to be as powerful an influence on outcomes in the cohort data as it has proved to be in the annual total data.

The final section of the report compares the findings for the ACCSCT schools and colleges to those for similar postsecondary institutions.

## Comparisons with Similar Programs

A review of available studies of postsecondary technical training (sources are listed in the Technical Notes) imply that schools and colleges accredited by ACCSCT graduate a higher percentage of their students than similar public institutions. Prior to the 1994 school year, we had less confidence in the validity of this statement. That is because the data from previous years were based on annual totals. These totals summarized the operations of schools for a given year, but they did not track students across school years.

In 1994, cohort data, similar to that used in most other studies, were also available. The cohort data traced students form initial enrollment to their status at the end of the cohort period. The results from the cohort data indicate that the outcomes derived from the annual totals underestimated both the percentage of students graduating and the percentage withdrawing.

How could the measures used with annual totals underestimate both percentages? They could because graduation and withdrawal were calculated on different bases. The graduation rate was based on the number of students graduating as a percentage of the total graduating and withdrawing during the school year. The definition of graduation used with the annual total data was developed to allow for the students who neither graduated nor withdrew within one school year. In comparison to the rates found for the cohort data, the definitions used with the annual total data underestimated graduation by about 5 percent and withdrawal by about 10 percent. We attribute these higher figures to the more detailed tracking of students required for the cohort data.

The measures of related placement used to evaluate technical training typically report the number of graduates who obtain jobs that are related to their training as a percentage of the number available for employment. By this measure, the rate at which ACCSCT schools place their graduates appears to be about the same or slightly lower than those at public institutions. If however, Commission accredited schools graduate more of their students, and about the same percentage obtain related employment, these students are being better served than are those at public institutions. This is a surprising finding given that the ACCSCT schools enroll proportionally more high school dropouts, minorities, and economically disadvantaged students.

In summary, this report shows that Commission accredited schools and colleges graduated over two-thirds of their students and that over three-fourths of these graduates obtained employment that was related to their training. Other studies suggest that these outcomes compare very favorably with the results of technical training provided by comparable institutions.

## Technical Notes

The data for this report came from annual reports which are submitted to the Accrediting Commission on a school year basis, defined as July 1 through June 30. The *annual total* data summarize school operation for the year, e.g., new enrollments, continuing students, re-entries, graduation, and withdrawals. The *cohort* data trace defined groups of students from initial enrollment until exit, either through graduation or withdrawal, for a specified time period. That period is one and one-half times (150 percent) the regularly scheduled length of the program.

Annual total data are available for the five school years from 1990 through 1994. The cohort data were collected for the first time during the 1994 school year.

### Definition of Outcome Measures

#### *Graduation Rates*

*Annual total data:* Defining graduation as the number graduating divided by the number enrolled underestimates graduation rates, because many of the programs take two years to complete. The definition of graduation that was used is the number graduating divided by the number graduating plus the number withdrawing. This definition disregards the problem of continuing students for the current year. Some of these students graduate and some withdraw in the next school year and are included in the rate when they do so.

*Cohort data:*The measure comparable to graduation used with the cohort data was percentage trained. This is the number that graduated from a specified program, plus the number that withdrew for related employment divided by the number that initially enrolled in the program. These numbers are determined for a period one and one-half times the regularly scheduled length of the program.

#### *Withdrawal Rates*

*Annual total data:* Withdrawal rates were calculated by dividing the total number withdrawing during a school year by the total number enrolled during that school year. Because of continuing students and the definition of graduation rates adopted to allow for them, withdrawal rates are not simply the reverse of graduation rates. Since continuing students are not included in the calculation of graduation rates, graduation plus withdrawal rates do not sum to 100 percent. In each school year we have analyzed, about 40 to 45 percent of full-time and part-time students neither graduate nor withdraw. Instead they start during one school year and continue their studies into the next year. Consequently, not all the variables found to have a significant relationship with graduation have a similar reverse relationship with withdrawal.

*Cohort data:* Because the cohort data track a defined group of students, graduation plus withdrawal equal 100 percent. Students who do not graduate or withdraw because they obtained related employment within the defined cohort period are counted as withdrawals.

**Training-Related Placement**

Annual total data: Training-related placement (TRP) is a critical measure of the performance of schools and colleges whose primary mission is to teach specific occupation skills. We conducted some analyses using the definition of TRP approved by the US Department of Education. This definition allows students who withdraw for related employment to be included in both the numerator and denominator of the rate calculation. This appeared to us to be potentially biasing the rate in a positive direction so we calculated a separate rate that excluded those who withdrew from both the numerator and denominator.

The two rates differed very little. Entering the number who withdrew for related employment in both the numerator and denominator increased the TRP by only 1 percentage point. In the analysis presented in this report, therefore, we used the rate that included only those who graduated and were available for employment. this rate appeared to us to be less vulnerable to criticism that the calculation is biased in a positive direction.

To calculate TRP, we adjusted the number graduating by eliminating those who were unavailable for employment because they were continuing their education, entering the military, or had other documented reasons why they were not seeking employment, such as illness or pregnancy. The number excluded for these reasons has been consistent over the five years, averaging 8 to 9 percent of the total number of graduates.

*Cohort data:* The measure comparable to TRP in the cohort data is percentage placed. This measure is identical to TRP except it does include those who withdrew because they obtained related employment in both the numerator and denominator.

**Default Rate**

The default rates for the 1990 and 1991 analyses were obtained from reports prepared by the US Department of Education. These reports present the default rates for schools with 30 or more former students in default for the fiscal years that ended two years prior to the year the reports were issued. For 1992-1994, the default rates were obtained from the annual report forms filed by the schools, but these rates also were as reported by the US Department of Eduction for the fiscal year two years prior.

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**EXHIBIT C**

## C. Student Achievement

Revised 9/15/95

1. The school must demonstrate successful student achievement including reasonable completion, placement, and where required, state licensing examination outcomes. Successful student achievement shall be demonstrated by rates of completion, placement in the field for which the education and training were provided, and passage of state licensing examinations for each program offered and for the school as a whole. These rates must be demonstrated through student files, the school's records of employment of its graduates, or other verifiable means.

2. If the completion, placement and state licensing examination pass rates for the school or its programs are low in relation to comparable ACCSCT-accredited schools or programs, the school shall demonstrate the successful achievement of its students, taking into account economic conditions, location, student population served, length of program, state requirements, and other external factors reasonably related to student achievement.

Mr. SHAYS. Thank you, Mr. Kube. I appreciate you waiting through the course of the hearing to testify.

Mr. MacKinnon.

Mr. MACKINNON. Chairman Shays, thank you for the opportunity to offer New York State's insights on creating a stronger accountability system for the considerable investment our Nation makes in postsecondary education.

I am P. Alistair MacKinnon, Federal education legislative coordinator for the New York State Education Department. I am accompanied on my left by Thomas McCord, coordinator for our office of research and information systems; and Nancy Willie-Schiff, associate in higher education.

As provider of nearly 75 percent of all student aid, the Federal Government must assure taxpayers that their investment is serving its intended purposes—not just to fight waste and fraud, but to guarantee that the public and private investment in higher education is used to provide what is intended: quality instructions for Americans.

The current approach of simply shifting the cost of default and other subsidies to States' providers, lenders, borrowers to meet Federal budget goals is not a solution. We propose a stronger State role for coordinating quality assurance of all federally supported postsecondary education and training and increased reliance on both qualitative and quantitative measures of provider performance.

In recent years, the Congress and State and local communities have started to take education in a different direction, one marked by systems of basic standards and assessments related to program and student performance. The trend toward having measurable goals to improve quality has not pervaded higher education as much as elementary, secondary, and vocational education.

The Higher Education Act distributes student aid to roughly 7,000 providers each year, but requires no measures or standards of educational performance of either students or institutions that are available to the public. It does contain some proxy indicators designed to reduce waste, fraud and abuse.

No longer do business and public officials believe that higher education is or should be the exclusive concern of faculty and academic officers. For example, Colorado Governor Roy Romer has expressed his curiosity and uneasiness about how people inside and outside of colleges and universities think about quality and accountability. That was in 1995.

William Bennett, former U.S. Secretary of Education, has noted that the traditional gauges of academic quality bear little on what critics charge are academia's shortcomings.

Congress has in recent years enacted a number of statutes that attempt to improve the quality of the Nation's education system by requiring institutions to provide public information about their performance and better coordinating Federal, State, and local programs. But, implementation, except for VATEA, has been the devil.

The Student Right to Know Act of 1990 required postsecondary education institutions whose students receive Federal aid to count students who had graduated or completed their program within 150 percent of normal time. After 6 years, plans are that colleges may finally be required to maintain data on their entering students so that they can disclose graduation rates no later than January 2000 for 2-year colleges; or the year 2003 for 4-year colleges.

The 1992 higher education amendments created a system of State Postsecondary Review Entities, SPREs, to establish standards for title IV postsecondary institutions. The SPREs' responsibilities included oversight of programs and institutions serving undergraduates.

In developing SPRE standards, States had to closely align those standards with standards developed under other Federal laws offering a much larger degree of program coordination and efficient, cost effective operation than now exists. Of course, we all know that, despite their potential for improving instructional quality, the SPRE Program was eliminated.

Assuring appropriate and effective use of Federal and non-Federal resources for education is a critical matter. In adult and vocational education, congressional dissatisfaction with the lack of accountability in dozens of categorical programs, along with budget constraints led to the job training consolidation bills that the 104th Congress is considering.

But the move toward creating an education and job training accountability system only partly helps to safeguard the investment of Federal tax dollars and private money. Performance indicator systems proposed for education and job training would not apply to programs which are title IV eligible. The Higher Education Act does not require performance indicators of institutions receiving title IV funds. Thus, two groups two standards. Those developed under one system, provide performance indicators. If you're title IV eligible, you don't have to provide performance indicators.

The HEA is due for a review in 1997, scheduled before the newly consolidated education job training programs take effect, and Congress is going to have to grapple with the same accountability and institutional eligibility questions that were faced in the 1992 amendments.

Now, more than ever, effective partnerships between the Federal Government and States are needed, linkages that will also benefit both higher education and job training.

We propose that there be a national system and that it has these things included in it: a strong partnership between the Federal Government and the States is needed to ensure effective implementation and operation of this accountability system—one different than what Mr. Longanecker stated: they're senior, we're junior, we'll call you.

Mr. SHAYS. Say that again.

Mr. MACKINNON. Mr. Longanecker said that, in his system, they were senior, we're junior, and I'm further adding, we'll call you, they will call us.

Mr. SHAYS. OK.

Mr. MACKINNON. We have had no voice mail messages. States in collaboration with students, employers, providers, and organizations should develop a statewide system of core performance standards, measures and assessments for evaluating the effect of programs on participants. While addressing privacy issues, provider and consumer performance should be tracked via statewide data bases. In addition, program course and job availability information should be included in this data base.

And, finally, we believe that eligible providers should be certified by State review entities. Thank you.

[The prepared statement of Mr. MacKinnon follows:]

Chairman Shays, Congressman Towns, and other Committee members, thank you for the opportunity to offer New York State's insights on creating a stronger accountability system for the considerable investment our nation makes in postsecondary education.

I am P. Alistair MacKinnon, Federal Education Legislation Coordinator for the New York State Board of Regents and State Education Department. I am accompanied by Thomas McCord, Coordinator of our Office of Research and Information Systems for Higher and Professional Education, and Nancy Willie-Schiff, Associate in Higher Education. The Board of Regents sets educational policy for the State and governs the University of the State of New York, the most comprehensive and unified educational system in the nation. Elementary, secondary, and postsecondary education, libraries, museums, public broadcasting, vocational rehabilitation services, and licensing for 38 professions are all under our purview. The State Education Department is the administrative arm of the Regents and also is a federally sanctioned accrediting agency for postsecondary institutions.

America's higher education system, long the envy of the rest of the world, has in recent years become the subject of intense public concern and scrutiny. Seldom can one pick up a newspaper or magazine without seeing a critical article. Media attention has been driven by widespread public concern about the rapidly rising cost of both public and private college education and the quality of that education.

Providing nearly 75% of all student aid through grants and loans, the Federal government has a responsibility to assure taxpayers that their investment is serving its intended purposes. Numerous sources have criticized education for too much spending and too little results. Others have characterized the system as pouring money down a drain. But preventing fraud and abuse is not enough.

Assuring that both public and private investment in higher education is not wasted does not guarantee that the money is being used to provide what is intended - *quality instruction for Americans*. This is the central theme of increasing criticisms. What do graduates know?

To counter the criticisms, we propose:

- A stronger state role for coordinating quality assurance in all federally supported postsecondary education and training; and
- Increased reliance on qualitative indicators and more adequate quantitative measures of provider performance in postsecondary education and training.

Over the past few years, the Congress and state and local communities have started to take education in a different direction, one marked by a system of basic standards and assessments relating to program ***and*** student performance. Federal initiatives such as Goals 2000 and the School-to-Work Opportunities Act have, however, been more targeted to elementary and secondary education than to postsecondary programs.

The trend toward having measurable goals to improve quality has not pervaded higher education legislation as much as in other areas. The Higher Education Act (HEA), which provides student assistance to roughly 7,000 providers serving about 15 million students each year, requires no measures or standards of educational performance of either students or institutions. It does contain some proxy measures designed to reduce waste, fraud, and abuse and to respond to congressional concerns and repeated disclosures by the Senate's Permanent Subcommittee on Investigations and the U.S. Department of Education's Inspector General. These proxy measures include loan default rates, percentages of students in correspondence courses, percentages of students admitted without a high school diploma or its equivalent, and the percentage of revenues derived from student aid programs. But there are no measures of educational quality in the HEA.

There are many reasons for the ineffectiveness of 1990 and 1992 HEA reforms that sought to address some of the problem, not the least of which is political power on the part of the higher education community to resist attempts at increasing accountability as a threat to their access to Federal student aid funds.

I'd like to continue my testimony by providing some background on the current state of higher education and recent efforts toward assessing and improving education in general that should be instructive for solving the postsecondary dilemma. This, I believe, goes to the heart of Federal and state responsibilities for protecting their investments in the country's higher education system. I will also comment on some of the problems with past Federal higher education programs, particularly their fragmentation and duplication. I will conclude by offering an outline of a program that you might consider to ensure that postsecondary education becomes a full partner in the national reforms that are occurring.

**Accountability in Postsecondary Education**

Rising costs of higher education, the dramatic growth in the number of individuals pursuing a college education, increased public expenditures for higher education and the growing recognition of the critical role higher education plays in the life chances of individuals, as well as to the economic and social well-being of the nation, have led to new demands for greater higher education public accountability. No longer do business and public officials believe that higher education is or should be the exclusive concern of faculty and academic officials. For example, Colorado Governor Roy Romer has said:

> ...my curiosity and uneasiness [has grown] about how people inside and outside colleges and universities think about quality and accountability. Because higher education is so important to our future well-being, our investments in colleges and universities must pay high returns for both individuals and society as a whole. (Forward to Making Quality Count in Undergraduate Education, Education Commission of the States, 1995).

Public demands for improved accountability have been accompanied by less and less interest in traditional "input" measures of academic quality and more interest in "outcome" measures or indicators. Traditional "input" measures of institutional and program quality typically described what a good or high quality institution or program should look like; the characteristics institutions and programs should possess according to members of the higher education community such as student-faculty ratios, number of library volumes and number of Ph.D.s on the faculty.

Recent attention has shifted to "outcome" measures of institutional and program quality; what the institution or program produces such as number of graduates and the knowledge they have acquired. Stated somewhat differently, public officials have become less concerned with measuring what colleges and universities *need* than in what they *produce*. The public demands to know what it is they get for the tax dollars invested in higher education. Again, Governor Romer made the point this way;

> Traditionally, higher education has assessed the quality of an institution by input measures such as the number of Ph.D.'s among the faculty, the number of books in the library, the cost of attendance, the difficulty of being admitted and its "prestige ranking." But these factors say nothing about the dedication of the faculty to teaching, the relevance of academic work to public needs, the actual value that is added to one's life through classroom experience or the value of the institution to the state.

William Bennett, former U.S. Secretary of Education, made the same point in a slightly different way:

> Colleges must begin to assess their performance and publish the results because parents and students are growing uneasy about the rapid rise in tuition costs and they need consumer protection. ... The traditional gauges of academic quality -- input measures such as faculty-student ratios, the number of faculty with doctorates, and library holdings bare little on what critics charge are academe's shortcomings -- that many of our graduates do not seem to possess the knowledge, skills, and in some cases character and civic virtues that should constitute a highly educated person. (October 28, 1985 address to the American Council on Education).

The shift from "input" to "output" has meant a shift in the primary focus of attention for evaluation and assessment of higher education; input assessment focused on institutions and their resources while output assessment focuses on students. What is it students and graduates know and can do? At what rate do they graduate? How well does their education prepare them for future jobs, careers and family? Do they obtain employment in areas for which they were trained and educated? Do they have the knowledge and skills desired by employers? What additions to their incomes can they expect from their investment in their college education? For graduates of professional programs, how successful are they on licensing examinations? Questions such as these have led to an increasing reliance on student "outcome" indicators such as graduation, placement, and licensure rates and direct assessment (examination) of student knowledge and learning.

**The Old Way of Doing Education Business**

The Federal government traditionally has served special educational needs through categorical aid and incentives for state and local funding of programs. From colonial times to the late 1950s, the main goal was to ensure a more educated population, especially in fields with national impact such as the military, agriculture, and vocational education. The GI Bill is an example.

A broader social consciousness in the 1960s led to Federal help for state and local governments to expand educational opportunities for people who are economically and educationally disadvantaged, disabled, and non-English speaking. Categorical programs like the Elementary and Secondary Education Act's (ESEA) Title I resulted.

The underlying theme of all these aid programs -- a new problem equals a new program -- was the old way of doing business in education. Little attempt was made to coordinate the frenzy of disparate activities. Measuring hollow endeavor.

**The New Federal Paradigm: Program Coordination and Accountability**

Congress has in recent years enacted a number of statutes that attempt to improve the quality of the nation's education system by requiring institutions to provide public information about their performance and better coordinating Federal, state and local education and training programs. The Student Right-to-Know and Campus Security Act of 1990, the Carl D. Perkins Vocational and Applied Technology Education Act (VATEA) Amendments of 1990, the 1992 HEA amendments, the Goals 2000: Educate America Act and the School-to-Work Opportunities Act all attempt to improve education quality through standards, assessments, and public disclosure of performance.

The Student-Right-to-Know Act requires postsecondary education institutions whose students receive Federal student aid to "*disclose ... the completion or graduation rate of certificate-seeking or degree-seeking full-time undergraduate students ... entering such institution*" ... counting only students who graduate or complete "*within 150 percent of the normal time*". Beginning in 1996, colleges are required to begin maintaining data on their entering students so that they can disclose graduation rates no later than January 2000 for two-year colleges and 2003 for four-year colleges.

The 1990 VATEA amendments provided funds for both secondary and postsecondary education institutions. Among other provisions, the Act requires states to develop outcome measures and standards for assessing the quality of vocational education programs receiving funds under the Act. State measures and standards are to be used, in turn, by institutions to evaluate their quality and effectiveness and to develop program improvement plans for programs failing to meet state standards. One of the defining characteristics of the Perkins Act was the fact that it called for a *cooperation* between the states and the institutions in developing and using institutional and program performance assessment to improve vocational education programs. We believe the concept of cooperation between the states and the institutions and schools in developing and implementing new forms of accountability is essential to new Federal initiatives.

The 1992 HEA amendments next created a system of state postsecondary review entities (SPREs) to establish standards for reviewing activities of postsecondary institutions that participate in student aid programs and that trigger attention by overstepping threshold levels on one or more of a series of detailed criteria. A SPRE's responsibilities were to include oversight of programs and institutions below bachelor's level. In developing SPRE standards states were required to closely align those standards with standards developed under other Federal laws, offering a much larger degree of program coordination and efficient, cost-effective operation than now exists. Of course, we all know that despite their potential for stemming the flood of aid abuse, the SPRE program was eliminated.

Then came Goals 2000 and School-to-Work, which are the fullest realization of the new accountability paradigm to date. Everyone is well aware by now that Goals 2000 seeks to steer comprehensive education reform by fomenting a system of voluntary "high-quality, internationally competitive content and student performance standards" and "high-quality assessment measures" reflecting the standards. Less attention has been given to the provision that the Goals 2000 guideposts must be coordinated with the VATEA standards (which are linked to those under JTPA and JOBS and the SPRE provisions of the HEA). But people are becoming increasingly familiar with the role Goals 2000 will play in underpinning the workings of other Federal education and training programs, like School-to-Work.

The major thrust of the School-to-Work law is to create a national network of state school-to-work systems as part of comprehensive education reform, extend the concept of schooling from K-12 to K-13 or 14 or even up to 16 (such as in the current VATEA Tech-Prep program), and integrate school-to-work activities with Goals 2000. Its school-based learning component must include a study program that meets the same academic content standards established for all of a state's students, including the measures created under Goals 2000, which, if all goes according to plan, would be *the* standards.

While certain specific provisions of Goals 2000 have been attacked and altered, the overall philosophy has remained intact with the great majority of Republicans and Democrats behind it -- education improvement through high standards and quality assessments -- all to ensure that the programs provided to our students are of optimal benefit in preparing them for life and work.

**Continuing Need for Accountability**

Assuring appropriate and effective use of Federal and non-Federal resources for education is an important matter. In adult and vocational education, congressional dissatisfaction with the lack of accountability in dozens of categorical programs, along with budget constraints, led to the job training consolidation bills that the 104th Congress is considering.

In higher education, congressional dissatisfaction with fraud and abuse in HEA Title IV programs, despite their long and successful record of affording opportunity, led to efforts to improve governmental oversight of the use of these funds. Despite declines in student loan defaults in recent years, they continue to account for sizeable expenditures, $2.4 billion in Federal fiscal year 1994. As a result of the post-1990 surge in student and parent borrowing, that cost may grow. In addition, the U.S. Department of Education Inspector General routinely reports on preventable misuse of Federal student aid, and the Senate's Permanent Subcommittee on Investigations annually exposes flagrant abuses of Federal student aid programs by approved providers of postsecondary education.

**Approaches to Accountability in Higher Education**

The move toward creating an education and job training accountability system only partially helps to safeguard the investment of Federal tax dollars and private money. Performance indicator systems proposed for education and job training programs would not necessarily apply to degree programs at colleges and universities, which enroll about 15 million students each year. Nor does the HEA -- in which responsibility for gatekeeping and accountability is shared by the Federal government, the states, and accrediting agencies -- require performance indicators of all institutions receiving Title IV funds.

In the HEA review due in 1997 -- scheduled before the newly consolidated education and job training programs take effect -- Congress will grapple with the same accountability and institutional eligibility questions that were faced when the 1992 HEA amendments were being debated. Now, more than ever, effective partnerships between the Federal government and the states are needed, linkages that also will benefit job training efforts.

The current approach -- of simply shifting the costs of defaults and other subsidies to states, providers, lenders, and borrowers to meet Federal budget goals -- is not a solution.

**A Proposal for Postsecondary Education Accountability**

To ensure public confidence in Federal education and job training programs, and to make the best use of Federal and private money, more effective accountability measures must be built into postsecondary education programs that will not only prevent misuse of funds and outright fraud but will ensure that all students receive the quality education they deserve. The same diligence should hold in pursuing these ends whether the education is a one-course program taken for job improvement or a full degree program.

As student and other complaints about some schools have surfaced and as loan defaults have become a significant cost in HEA Title IV, problems with the current accountability system have become increasingly apparent. In brief, those problems have called into question the effectiveness of the accrediting associations, the states, and the Secretary in assuring the quality and integrity of postsecondary education and training programs. We need a new way of doing business to ensure that taxpayers and students get value for their investment. The new way would feature:

**A Strong State Role.** State governments can play a unique role in improving institutional integrity in Title IV because, unlike accrediting associations, they are independent and accountable to the public and, unlike the U.S. Department of Education, they are close to the schools and institutions operating within their borders. For decades, New York State has had a comprehensive system of state oversight for all its institutions, which range from world-class universities to short-term vocational schools. This system has linked state financial aid to state approval of academic programs and provides a model for the nation.

<u>Assured Quality of Certified Providers of Education and Training.</u> Funding should be provided to create and maintain strong state programs of certification to ensure that the course work offered by prospective providers is of sufficient quality. All providers should be required to demonstrate their past performance or agree that their continuing participation will depend on future performance. Eligible providers would be certified by state review agencies and include such entities as local education agencies, libraries, postsecondary institutions, community-based organizations, the military or other Federal, state, or local government agencies, and company training programs.

In collaboration with representatives of the prospective consumers (i.e., students and employers) and providers, state education review agencies, collaborating with other states and organizations that certify institutions or programs, should develop and implement state-led program integrity partnerships to include statewide systems of core performance standards, measures, and assessments for evaluating the effect of programs on participants. Each state should be free to decide whether to rely on private accreditors. The systems could build upon existing activities and include a process for ongoing review and improvement. Certifications could occur on two levels:

- o Institutional - The institution or provider though which the course work is offered must be financially and administratively sound.
- o Program - Programs of course work (even those composed of one course) must give evidence of meeting previously stated instructional goals and objectives and bringing consumers to predefined achievement levels.

<u>Accurate Information to Help People make Appropriate Choices.</u> The creation and effective operation of the systems would require that information about institutions and programs (even those composed of one course) be available to potential consumers (i.e., students and employers), providers, and the government. This is where the information system proposed under the job training legislation would be implemented.

In addition, information on program, course, and job availability would be included in the database. While addressing privacy issues, this information would be accessible in convenient locations, such as schools, libraries, and all provider sites. Providers would be required to have the facility, and demonstrate their willingness, to assist and refer consumers to other resources if they did not offer the requested course work, effectively eliminating doors to dead ends.

greater coherence and coordination among services, a focus on outputs rather than inputs, reduced and unified data collections and analyses, and other administrative shortcuts. It means that more joint efforts could be in the offing. Innovations such as combining the last two years of high school and the first two of college or compressing two years of community college into a few months of highly intensive study for unemployed adults should become easier to manage and evaluate.

2. A comprehensive system is needed to ensure the viability and integrity of postsecondary education programs. The following components should be considered:

- A strong partnership between the Federal government and the states is needed to ensure effective implementation and operation of this accountability system;
- States, in collaboration with students, employers, providers, and organizations that certify institutions or programs, should develop and implement a state-led program integrity partnership to include statewide systems of core performance standards, measures, and assessments for evaluating the effect of programs on participants. The systems could

In seeking these ends, even before the scheduled HEA review process, the Congress must move to protect the taxpayers' investment in student aid by implementing an accountability and certification system with components for quality assurance, information collection and dissemination, and program development. This should be a system that avoids double or more payments for the same or similar programs and eliminates wasted time and needless repetitions.

**Recommendations**

1. We support the Federal effort to lend some coherence to the implementation and evaluation of education programs, particularly as we are continuing on the path to wholesale reform of the way the education community does its business. We urge the Congress to continue to explore ways of bringing accountability to the nation's entire postsecondary education and training system -- for the sake of consumers as well as taxpayers. The appropriate mix of Federal, state, local, and provider responsibilities for accountability has yet to be worked out.

The trend has serious implications for the way education traditionally has done business. It can mean common nomenclature and standards definitions, build upon existing activities, and would include a process for ongoing review and improvement. Certifications would occur on two levels: institutional and program (even those composed of one course.)

- While addressing privacy issues, provider and consumer performance should be tracked via statewide databases of student-level unit records, perhaps using technology already developed for the Federal student aid programs and by many state public higher education systems. In addition, information on program, course, and job availability would be included in the database. Providers should be required to have the facility to assist and refer consumers to other resources if they did not offer the requested course work, effectively eliminating doors to dead ends.
- Eligible providers should be certified by state review agencies and include entities such as local education agencies, libraries, postsecondary institutions, community-based organizations, military or other Federal, state, or local government agencies, and company training programs.

Mr. SHAYS. I need to get a handle on a State like New Mexico or New York or Pennsylvania. I'm not quite sure why we call it a triad system, because I see one leg bigger than the other leg, and I'm not sure if one leg isn't longer than the other leg. I don't have a comfort level with this. And you're kind of raising that point.

In New Mexico, you talk about the fact that they try very hard not to let people default. What do you do in New York?

Mr. MACKINNON. As we looked at it, the licensure laws and regulations vary significantly by State.

Mr. SHAYS. OK. Let me show my ignorance a second here. When my mother had a school of business, she was licensed by the State of Connecticut, correct? I mean she would have been licensed by the State?

Mr. MACKINNON. Yes.

Mr. SHAYS. So that's not being accredited; that's just a license of the State. So she had to meet a licensure by the State and accreditation. Under the present system now, do you have to be licensed by the State, accredited as well, in order to get title IV; or would that depend State by State?

Mr. MACKINNON. Yes and no. In New York State, New York State is an accrediting agency and licensing agency.

Mr. SHAYS. For all the proprietary schools?

Mr. MACKINNON. Yes, except, there is an exception. In New York State, if you are a single purpose institution, single purpose, Shakespeare, dance, arts, religious, you're exempt. This exemption does not preclude you from being a part of title IV.

Mr. SHAYS. Does not exempt you from what?

Mr. MACKINNON. You're exempted from State review. Other than those noted, you are subject to State review.

Mr. SHAYS. The panel I have before me right now is, in one case, Ms. Barnes, you are an association of cosmetology schools.

Ms. BARNES. Correct.

Mr. SHAYS. You don't have accreditation responsibility, because you haven't been given that, what, from the State, from the Federal Government. You are not considered the accrediting agency. What I'm trying to understand is do the States also handle accrediting? Help sort this out for me.

Ms. BARNES. The only State I'm aware of is New York.

Mr. KUBE. Is New York.

Ms. BARNES. There may be others, but——

Mr. KUBE. No.

Ms. BARNES [continuing]. In most cases, the State licensing board or State regulatory agency, in whatever field, in my case it's the State Board of Cosmetology in New Mexico.

Mr. SHAYS. Right.

Ms. BARNES. But that has absolutely nothing to do with accreditation. It establishes your eligibility for licensure.

Mr. SHAYS. So you can't practice unless you have the license?

Ms. BARNES. That's correct. So you have to have the license to practice. And, as a matter of fact, you have to have a license to apply for accreditation.

Mr. SHAYS. So, from your standpoint, you say, my God, I've got to be licensed by the State, then I've got to be accredited by a national institution. So I have the schools saying, that's one place I can die; I can die by not getting accreditation.

And then you're looking at the default rate, and what Congress is doing and saying, you know, I can get it there as well.

Ms. BARNES. That's correct. Once we have met all of the requirements for State licensure and accreditation, then we go through, as Dr. Longanecker said earlier, a comprehensive certification, eligibility and certification process with the Department to determine that we're even further eligible to participate in title IV programs.

Mr. SHAYS. Is your organization solely to present the case of cosmetology publicly or do you also have an informal accreditation? I mean, are you an association that accredits the various schools connected with cosmetology?

Ms. BARNES. We don't have any type of certification process. We have, certainly, bylaws and standards by which our member schools are expected to meet, but we don't do that in a formal certification type of process, no. We're a trade association.

Mr. SHAYS. But do the trade schools agree to abide by certain things to be part of your organization?

Ms. BARNES. Basically just the articles and bylaws of the institution.

Mr. SHAYS. Yes. So it's pretty informal in that sense?

Ms. BARNES. That's correct.

Mr. SHAYS. Mr. Kube, your organization has been involved in accrediting for many years?

Mr. KUBE. Yes.

Mr. SHAYS. There was a time that the Federal Government didn't require accreditation; you did accreditation on your own? In other words, your accreditation didn't mean that a school loan could be given or not, correct?

Mr. KUBE. The commission was established in 1966 and it was given recognition by the Department in 1967.

Mr. SHAYS. So from 1967, if a school wasn't accredited, they couldn't quality for title IV?

Mr. KUBE. That's my understanding. There was an old provision in the old reauthorization about something called the three-letter rule that a school could participate, but that was a rare exception. But for a proprietary school to participate, they had to be accredited; that was one of the initial eligibility criteria.

Mr. SHAYS. And do you have schools that don't have to be licensed but can be accredited by you and get qualified for title IV money?

Mr. KUBE. Essentially, no. But there is one school—I believe it's the State of Maine—that is a type of institution that's not required to be licensed by the State, but it's 1 out of 868.

Mr. SHAYS. Now, you talked about a number of schools that you disqualified or from which you took away accreditation.

Mr. KUBE. Yes.

Mr. SHAYS. That was a fairly high number in a course—what year?

Mr. KUBE. That was between 1990 and current.

Mr. SHAYS. Yes. But what was the number?

Mr. KUBE. It was 135, sir.

Mr. SHAYS. OK. And would that have shown up in the statistics of the Department of Education? When I asked them their numbers, their numbers seemed pretty low. I thought the number was 45 for 1 given year of all the organizations that were accredited.

Mr. KUBE. I don't know how they keep their data base, but one of the requirements of the commission, as part of the recognition, is that we notify the Department when we remove accreditation, whether we proactively remove it, the school closes and we remove accreditation.

Mr. SHAYS. Do you have it year by year? Because I'd love to know how many. This is what I'm wrestling with right now. I make the assumption that if you don't qualify for title IV money, you don't really exist, because you need title IV money in order to get the students. Schools become very dependent on title IV money? Are most of your members participating in the title IV program?

Mr. KUBE. A great number of our schools participate in title IV. When we went through our recognition last fall with the Department, I believe the number hovered around 214 or so that did not have default rates at all. And we took that they were not yet participating in Federal aid programs or just didn't have rates. But, in many cases, they weren't most likely participating. They may seek to participate in the future, but had not yet.

We do have institutions, such as flight schools, that seek accreditation for other purposes and not title IV. There are certain visa programs we're training for in pilots, that the institution must be accredited and meet standards in order to maintain. I believe it's the I–9 and J–1 visa programs who are training for in pilots.

Mr. SHAYS. Mr. MacKinnon, would you explain to me how you deal again with the default rate? Do you make a proactive effort to have people not default? Do you have any program like New Mexico?

Mr. MACKINNON. It is a separate corporation within New York State, Higher Education Services Corp.

Mr. SHAYS. So totally out of your jurisdiction?

Mr. MACKINNON. It's a separate corporation.

Mr. SHAYS. Did you want to get back to me, Ms. Barnes, on that one issue with the school? Did you get any clarification?

Ms. BARNES. Well, I did. Other than—and, of course, I think I knew this, but I wasn't quite competent in articulating it. The schools can combine, but, basically, their advice is not to combine, and the point being that if you have a very good rate in one institution and you combine with the institution——

Mr. SHAYS. It would pull them both down?

Ms. BARNES. That's correct.

Mr. SHAYS. It could pull them both down or one could lift up the other. This is a very important public policy issue. And the issue is, in the end, if the default rate kills our urban schools and they are good schools, then we have done something that's pretty harmful.

Ms. BARNES. Very.

Mr. SHAYS. But when we look at the high default rate, I'm thinking, my gosh, if we got that rate down, we could provide more loans to more students or we could even give grants.

What I'm left with from this hearing is the feeling that we have to give grants. And maybe grants have to be higher in urban areas as opposed to nonurban, obviously somewhat based on income levels and so on. So that a student doesn't get caught up in such a large debt.

I mean, I had a debt of about $12,000 in graduate school in the early 1970's. Thank God I was able to borrow it. But, in the end, it took a while to pay it off. And if it was much higher, I'm not quite sure the kind of pressures I would have felt. I would have paid it back, but it would have been a very difficult challenge for me, even with a fairly good job.

So it is something we have to wrestle with.

Do any of you have any closing comments you would like to make?

Mr. McCORD. Yes, Mr. Chairman, I'd like to make one closing comment. Mr. Longanecker or Dr. Longanecker, it seemed to me he largely discounted the States for a variety of reasons, and, in the three-way process, the licensure was a minimal role. And certainly he clearly indicated he didn't think that the States were playing any role in quality assurance, and I would have to disagree with that for a variety of reasons.

New York State plays a substantial role not only in accreditation but in licensure. But, more importantly, New York State and a large number of States, an increasing number of States, are taking, it seems to me, the lead, more than have the accrediting associations, in developing outcome assessment performance indicators, report cards, for higher education institutions in general.

New York State has just undertaken that effort. In fact, I'm responsible for developing a report card for higher education now. But a large number of other States have undertaken that activity.

So while for the Federal Government, it seems to me you have two issues that you've talked about today. One is default rates, and, that is, protecting the public investment in higher education and seeing that you get your money back, so that, as you say, you can have more grants or more loans or what have you.

But, as I think you indicated early on, and Congressman Towns also indicated that, quality is not synonymous with default rates; and that, in looking at the issue of assuring that the students receive that which they're paying for, that which you want them to get, that which they want them to get, default rates and focusing on default rates is not going to provide that.

And I think that the kind of things that have been talked about here, in terms of outcome assessment, performance assessment, measurement is incredibly important, and it's a movement in higher education. Some of the accrediting associations are moving in that direction. But the States are moving dramatically and quickly in that direction, a large number of them, and New York is one of those States.

Mr. SHAYS. I appreciate that observation. I'd like a reaction to this. I'm left with the feeling that we really heard very little about accreditation and its impact in terms of quality.

And in terms of the Department's view, I got the sense that it was really the default rate that became the big factor. And I think your point with the two schools is a good illustration.

I'm left with the feeling that, in one sense, the Federal Government is the one that's putting up money, but, in another sense, the States probably could supervise the system better. But what risk do they really have?

And I am left with the fact that we have made so many loans that it's got to be a big factor.

Do you want to make a comment on the accreditation point?

Mr. KUBE. If I may, Mr. Chairman. I think that, in the perspective of this commission, we're very data driven, in that we collect and look at, review, a lot of information about the quality of our schools, how their performance is doing with respect to meeting their mission for training people for employment.

And we base our standards, we tweak our standards, based on those types of assessments. And it's not just looking at the outcome of the program, on which we're very high. We think we're comparable to any public institution in many ways.

But it's the inputs as well: your admissions criteria, your faculty, your curriculum, and other things, that go to make up the program; it's driven by industry, the needs of employers, the needs for current jobs. We have a number of standards, such as program advisory committees and curriculum standards, that involve employers, involve the people that hire graduates to give comment and feedback on the quality of the training.

Are they getting the type of graduate that's got the skills that can do the job? Those types of things are interspersed within the process; that is part of our accrediting process.

I would like to say that we do collect a lot of data. We have supplied a great deal of data to the General Accounting Office and to the Department itself. We have data analyzed in many different ways. We provided it here to you today.

And should the staff decide that they would like to look at some additional data, we do have removals by year, actions by year, things of that nature. We do maintain that. We do look at it and it is meaningful for us. It does provide us with trends on how standards are performing. We do have standards on outcomes. We do have standards dealing with default. We also have standards on the things that influence those things as well, in terms of the inputs, the quality of the curriculum, and so forth.

Mr. SHAYS. OK. Well, we do need to follow up on that.

Ms. Barnes.

Ms. BARNES. Well, we can certainly be sure that you get a lot more data about those same issues too. We have some of that within our own association and affiliations with other organizations that can provide that. And we will be happy to see that you get anything you need and work with you in any capacity.

I would just like to make one more comment, if I may, about the loan volume that you brought up earlier.

Mr. SHAYS. Sure.

Ms. BARNES. The way the rules are now, I mean the—and Dr. Longanecker pointed out, that each year—the dollar amount that a student can borrow increases. And the situation exists that we, as schools, have absolutely no control over who we give loans to, as long as they meet the eligibility requirements. Except there is a rule about case-by-case individuals—well-documented cases.

Mr. SHAYS. You're saying, with basic requirements, you can't turn down a loan?

Ms. BARNES. That's correct.

Mr. SHAYS. OK.

Ms. BARNES. And they can borrow quite a bit of money per year.

Mr. SHAYS. So the reward is that you have a student who is willing to pay, but that you are almost anticipating that it's going to end up in default?

Ms. BARNES. Exactly. And if we have evidence of that, there's just nothing we can do about it. We still have to certify the loan and the student still gets the money.

Mr. SHAYS. OK.

Ms. BARNES. Just a brief example, I might have a——

Mr. SHAYS. Do you have to accept the student as a student?

Ms. BARNES. Well, if they meet my admissions requirements.

Mr. SHAYS. Yes.

Ms. BARNES. Certainly I can't discriminate in my enrollment practices.

Mr. SHAYS. OK.

Ms. BARNES. So if I have a student, for example, who gets sufficient Pell grant to pay 100 percent of their tuition, but they want to borrow a student loan, and between the subsidized and unsubsidized loan money, in the course of training that we offer, the longest course of training that we offer, I believe it's something like $6,600 that they can borrow in addition to their Pell grant funds.

So even though—and they have a bona fide need for that in terms of the budget process and how you analyze a student's need. But it's much—many times over and above the actual need for the cost of the training at that institution.

Mr. SHAYS. So what I'm hearing you say is, with the grant and the loan, they got in excess of what the——

Ms. BARNES. The cost of tuition.

Mr. SHAYS. So you actually didn't get that money, as that would make the——

Ms. BARNES. That's correct. But if the student doesn't pay it back, it reflects a default rate on my institution, but my school never borrowed any money.

Mr. SHAYS. Very interesting.

Mr. MacKinnon.

Mr. MACKINNON. One point, I think, on accreditation that's critical: Accreditation information is not public information. It is available only between the accreditor and the institution.

Mr. SHAYS. Because?

Mr. MACKINNON. It's a private operation. It's not available unless the institution decides to make the information available for consumers or consumer purposes.

Mr. KUBE. Mr. Chairman, if I could respond to that.

Mr. SHAYS. Sure.

Mr. KUBE That may have been true at one point in time, years ago, but, unfortunately, that is—that's not necessarily the case today, because for schools participating in Federal aid programs——

Mr. SHAYS. Right.

Mr. KUBE [continuing]. When they sign a participation agreement, they essentially waive their right, and the Department has the right to obtain any documents that we have in our possession that relate to the operation of the school and its accredited status.

Mr. MCCORD. Yes. And we don't want to get into an argument here.

Mr. SHAYS. You just want to confuse the hell out of me.

Mr. MCCORD. Sure. That's it. In fact, we probably do want to get into a disagreement here. I don't think New York State is arguing that there isn't a role for accrediting agencies. We were essentially arguing that there is much more of a role for State agencies, in the quality assurance and all this, than has been suggested, I think, for the most part today. Essentially, you are right; you don't have a triad, as discussed here, for the most part. You have two ends of it, and that thing will fall down.

Mr. SHAYS. Yes.

Mr. MCCORD. We're talking—what Al was talking about was the public disclosure of the information. It's one thing to make it available upon request. It's another thing for the States to make the information available in public reporting on a routine, periodic basis, so that, essentially, you have market forces controlling the quality of the service; much in my mind similar to, say, Consumer Reports, that produces information on rankings and what have you on cars, what happens is it drove up the quality of American automobiles in the country.

And I think that, essentially, we're arguing that public disclosure on the part of States, through performance indicators about institutions, would allow for more informed consumers and would also have an important effect on the quality of those institutions and the program.

Mr. SHAYS. I can see the distinction. Let me just—I do want to conclude, and I appreciate your patience with trying to bring me up to a level of some competence here.

Is the problem that Ms. Barnes described something unique or is that something that is—and I'm talking about, specifically, more money going to the student then is actually going to the school, but the school being held liable for the entire amount that went to the student, is that something that shows up in your radar screen?

Can you respond to that?

Ms. WILLIE-SCHIFF. Yes. What she said was true and it occurs regularly in any kind of school.

Mr. SHAYS. I tell people that being a Member of Congress you have to be an expert—you have to be a generalist in everything and an expert in a few things. And every day I serve in this office I'm like in school, learning a lot. I appreciate your helping to educate me. And I didn't have to pay anything.

Thank you very much.

Ms. BARNES. Thank you for having us.

Mr. KUBE. Thank you.

[Whereupon, at 5:20 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

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March 1, 1996

Honorable Chaka Fattah
U.S. House of Representatives
1205 Longworth House Office Building
Washington, DC 20515-3802

Dear Congressman Fattah:

The U.S. Department of Education recently released 1993 cohort default data for all institutions, lenders, and guaranty agencies participating in the Federal Family Education Loan Program (FFELP). The cohort default rate is calculated dividing the number of FFELP borrowers who entered repayment in FY 1993 by the number of such borrowers who defaulted on their loan obligations in FY 1993 or FY 1994. This calculation, mandated by the Higher Education Act, reflects the fact that most defaulters never make any payments on their loans.

Last month the National Council of Higher Education Loan Programs (NCHELP) and the Department of Education announced that the cohort default rate for 1995 FFELP borrowers had dropped to around 12%, significantly down from 1994's 15.1% national rate. But even more important was the default aversion rate, which increased 27% from 1994 to 1995. These numbers reflect the percentage of delinquent borrowers who, through the special efforts of their guarantors, lenders, and schools, agree to enter repayment, thus saving themselves and the taxpayer the high costs of default.

NCHELP thought that you would be pleased to learn that the Pennsylvania Higher Education Assistance Agency, working with the students and postsecondary institutions of Pennsylvania, successfully kept its cohort default rate down to 7.7%, a substantial accomplishment.

If you would like to know more about the Pennsylvania Higher Education Assistance Agency's programs to avert defaults and to encourage those who become defaulters to enter repayment, you may wish to contact Mr. Michael H. Hershock, President & Chief Executive Officer of the Agency at (717) 720-2000.

Sincerely,

Brett E. Lief
President

cc: Mr. Michael H. Hershock