

# Oversight of Non-Degree Institutions

## Moderators

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# Considerations:

## *Business Structures & Affiliations*

### **Sole Proprietorship/Partnerships**

- For Profit/Non-Profit
- Franchised
- Accredited/Non-Accredited

### **Corporations**

- For Profit/Non-Profit
- Franchised
- Accredited/Non-Accredited

# Considerations:

## *Business Structures & Affiliations*

### Sole Proprietors & Partnerships

#### Pros

- 👉 Lower tuition
- 👉 Fewer complaints
- 👉 Smaller class sizes
- 👉 Expertise in subject matter

#### Cons

- 👉 Administrative capability issues
  - Single instructor and manager
  - Less experience with regulations
  - Less business and record keeping skills
- 👉 Student issues
  - Less skilled teachers
  - Must use private lenders/personal resources
  - Fewer program offerings
  - Personality conflicts with owner
  - Harder to resolve complaints/effect refunds
  - More likely to reschedule/cancel classes
- 👉 Accreditation issues
  - Less likely to be accredited by USDOE approved accrediting agency
  - Less oversight
  - No access to federal loans/grants

# Considerations:

## *Business Structures & Affiliations*

### Sole Proprietors & Partnerships

#### Pros

- ✂ Lower tuition
- ✂ Less complaints
- ✂ Smaller class sizes
- ✂ More diverse course offerings
- ✂ Expert in subject matter

#### Cons

- ✂ Financial issues
  - More difficult to determine financial soundness
  - Less likely to have liquid assets
  - Harder to obtain sufficient surety
  - Less likely to make timely refunds
  - More susceptible to market pressures
- ✂ Complaint and Closure issues
  - More susceptible to complaints and closures due to
    - Owner's personal issues (finances, divorce, illness, death, addictions, integrity, etc.)
    - Closure with little or no notice, leaving little recourse for students
    - Difficulty obtaining records after closure
    - No teach out plan
  - More likely to leave students financially obligated

# Considerations:

## *Business Structures & Affiliations*

### Corporations

#### Pros

- ✚ Administrative capabilities issues
  - Better skills/knowledge of regulations
  - Increased use of automated systems
  - Full time staff dedicated to compliance issues
- ✚ Student issues
  - More diverse program offering
  - Better instructor skills and training
  - Multiple campuses

#### Cons

- ✚ Administrative capabilities issues
  - Director may have less local control
  - Refunds paid late
  - Complaints take longer to resolve
  - National ads and corporate catalogues may not conform to local regulations
  - State fees paid late
  - Less attention to local regulations and deadlines
- ✚ Student Issues
  - Higher tuition rates
  - Higher enrollments/larger classes
  - Longer training time
  - Night and weekend classes less supervised
  - Canned curriculum

# Considerations:

## *Business Structures & Affiliations*

### Corporations

#### Pros

##### Accreditation Issues

- More likely to be accredited by USDOE-approved accrediting agency
- More likely to have USDOE Title IV approval
- Additional oversight
- Instructor skills and training
- Access to grants/subsidized loans
- Acceptable teach out plan

#### Cons

##### Financial Issues

- Corporate statements not individual school
- Corporate issues may not be known
- Profits not used locally
- Bottom line oriented
- IPO's/rapid expansion effect local schools
- Subject to stock market conditions

# Considerations:

## *Business Structures & Affiliations*

### Franchises

- ✦ Applies to any type of ownership
- ✦ Schools are subject to franchise agreement
  - Profit sharing/franchise payments
  - Shares advertising, which may conflict with local regulations
  - Shares reputation of franchise, which may be negative

# Considerations:

## *Business Structures & Affiliations*

### For Profit/Non-Profit

#### For Profit

- ✦ Applies to any type of ownership
- ✦ More bottom-line oriented

#### Non-Profit

- ✦ Non-education affiliations
  - Vocational Rehabilitation Agencies
  - Religious
  - Immigrant communities
    - Educational visas
    - Serves only specific population
    - Cultural centers
- ✦ Closure affected by specific laws concerning disposition of assets



# Considerations:

## *Business Structures & Affiliations* School Purchases/Changes in Ownership

### 💡 **Personality of school/operation changes**

- Experience of staff/instructors changes
- Policies change
- May become bottom-line oriented to compensate for cost of purchase or mirror the focus of new owner
- Name of school may change
- Branch locations may be opened or closed

### 💡 **Students may take issue**

# Considerations:

## *Business Structures & Affiliations*

### Accreditation

#### **Sole proprietor/partnerships**

- Subject matter may not lend itself to accreditation
- Insufficient assets to qualify
- May seek non-USDOE approved accreditation
- More likely to seek accreditation from accreditation mill
- Students' funding obtained private lenders

#### **Corporations**

- More likely to be nationally accredited
- More likely to participate in Title IV

# *Oversight of Non-Degree Institutions*

## What Works: Researching New Applicants

### Consult With Other State Licensing Agencies

- Licensed?
- In good standing?
- Complaints?

### Conduct Online Search

- School name search
  - Google/Yahoo
- Individual name look up
  - [www.zabba.com](http://www.zabba.com)
  - <http://people.yahoo.com>
- Reverse phone number look up
  - [www.whitepages.com/10583/?source+G0000009&KW=backwards\\_directory](http://www.whitepages.com/10583/?source+G0000009&KW=backwards_directory)

# *Oversight of Non-Degree Institutions*

## What Works: Researching New Applicants

- 💡 Better Business Bureau
  - <http://www.bosbbb.org>
- 💡 State Attorney General/Consumer Affairs Hotlines
- 💡 Own Database of Previous Licensees
- 💡 Credit check
- 💡 Status of state and federal taxes
- 💡 Status of alimony and child support payments
- 💡 Criminal background check

# *Oversight of Non-Degree Institutions*

## **What Works: Assistance From Other Agencies**

- ✦ Other State Agencies (DMV, Cosmetology, etc.)
- ✦ Local and State Public Health Departments
- ✦ Occupational Safety and Health Administration (OSHA)
- ✦ Professional Licensing Boards
- ✦ Local and State Attorneys, task forces
- ✦ Unemployment Offices/Career Centers/Transitional Programs
- ✦ Higher Education Consortiums
- ✦ ABE/GED/SOL programs
- ✦ Lenders
- ✦ Competitors
- ✦ Media

# *Oversight of Non-Degree Institutions*

## **What Works: Technical Assistance**

### **Smaller/Non-Accredited Schools**

#### **Need more TA initially and ongoing regarding**

- Administrative requirements
- Reporting requirements
- Curriculum development
- Developing school policies
- Issues that may cause student complaints

#### **Useful mechanisms for providing TA**

- Information sessions or workshops
- Providing regulatory documents and forms on the web
- Providing sample/annotated documents and FAQ
- Providing “how to” handouts
  - How to develop a tickler system
  - How to develop school policies

# *Oversight of Non-Degree Institutions*

## What Works: Technical Assistance Corporations

- 💡 Instill state requirements and compliance issues
- 💡 Establish direct communications with corporate liaison
- 💡 Determine which decisions may be made locally and which decisions must be made by corporate

# *Oversight of Non-Degree Institutions*

## **What Works: Summary**

- ✂ Understand the pros and cons of organization structures
  - Sole proprietorship/Partnership, Corporation
  - For Profit/Non-Profit
  - Franchise
  - Purchased schools
- ✂ Understand issues of accreditation
  - Additional oversight
  - Closures
  - Loans and grants
- ✂ Thoroughly research new applicants
- ✂ Provide technical assistance up front
- ✂ Don't try to do it alone
- ✂ Develop relationships with agencies that can assist with oversight
- ✂ Don't treat all schools the same



# *Oversight of Non-Degree Institutions*

## **Information Sharing**

- 💡 Questions?
- 💡 What experiences can you share?
- 💡 Please share any ideas you may have