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**

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**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

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**Corporations**

- More likely to be nationally accredited
- More likely to participate in Title IV
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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](http://people.yahoo.com)
- Reverse phone number look up
  - [www.whitepages.com/10583/?source=GO000009&KW=backwards_directory](http://www.whitepages.com/10583/?source=GO000009&KW=backwards_directory)
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What Works: Researching New Applicants

- Better Business Bureau
  - [http://www.bosbbb.org](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
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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
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What Works: Technical Assistance
Smaller/Non-Accredited Schools

чки Need more TA initially and ongoing regarding
  – Administrative requirements
  – Reporting requirements
  – Curriculum development
  – Developing school policies
  – Issues that may cause student complaints

chts 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
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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
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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 assistant 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
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Information Sharing

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