the institute for college access&success

OVERSIGHT OF OUT-OF-STATE ONLINE COLLEGES: CALIFORNIA'S STUDENTS NEED MORE PROTECTION, NOT LESS

States' oversight of higher education has traditionally focused on schools within their borders, not those offering educational programs across state lines. However, an increasing number of students are enrolling online: 1.3 million students now enroll online in a school based in another state.[1] Additional vigilance is required to safeguard states' ability to protect their residents enrolled in distance education from colleges in other states.

This factsheet provides key information about Californians and online education and makes policy recommendations to protect all Californians, regardless of where their school is located.

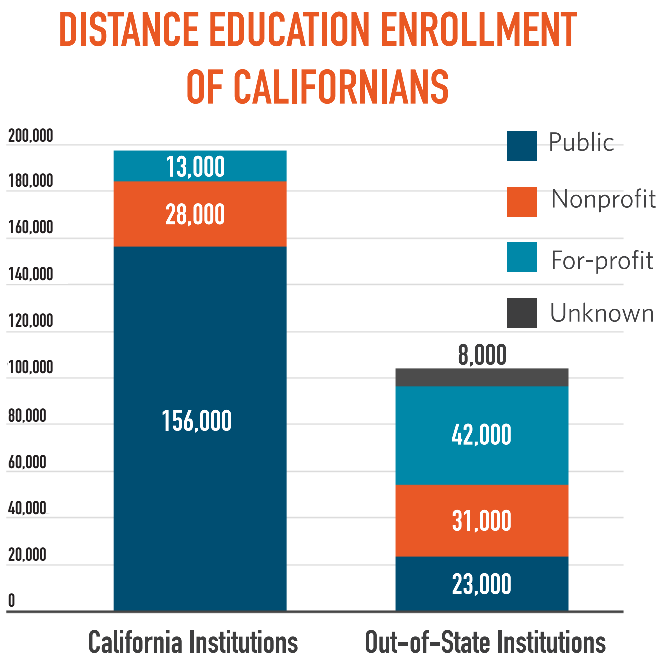
KEY FACTS

Over 300,000 Californians are enrolled in online college programs across more than 250 California institutions and nearly 1,000 out-of-state institutions.[2] Nearly 100,000 Californians are enrolled at out-of-state institutions.

The vast majority of online enrollments at schools based in California are at public colleges, and the California community colleges (CCCs) in particular. In fact, there are more students enrolled online within the CCC system than enrolled online at all out-of-state schools combined.

The largest share of Californians enrolled online at schools in other states are at for-profit colleges. In fact, three for-profit institutions—the University of Phoenix, Grand Canyon University, and American Public University System—enroll more distance education students from California than do all out-of-state non-profit or public colleges combined.

Out-of-state institutions that enroll Californians online have worse student loan repayment outcomes than California-based distance education providers. Three years after leaving college, 30 percent of borrowers from out-of-state NC-SARA schools enrolling Californians are paying down their debt, compared to 45 percent of student loan borrowers from California-based distance education providers.[3] The share of borrowers who end up in default is also higher at out-of-state distance education providers than at in-state providers.[4]



RECOMMENDATIONS

Strengthen oversight of out-of-state colleges seeking to enroll Californians. California's history with predatory for-profit colleges led to several laws protecting students. These laws require colleges to disclose student outcomes to prospective students, prohibit colleges from misleading students in advertising and recruiting, and require colleges to meet outcome standards in order to maintain authorization under the Bureau of Private Postsecondary Education (BPPE).[5] However, these laws apply only to schools located in California, not to schools located out-of-state and enrolling Californians online. California policymakers took an important step in 2016 by requiring out-of-state colleges to register with the BPPE and provide greater assurances of financial relief to students whose schools or programs closed,[6] but other key protections have not been extended to students at these colleges.

Safeguard the state's ability to protect Californians. The National Council for State Authorization Reciprocity Agreements (NC-SARA) has created an agreement among states to delegate state oversight authority to the state where the school is located, not the states where the students are located. This agreement makes it easier for colleges to enroll students from other states. However, while the NC-SARA agreement makes some exceptions (such as generally applicable laws for fraud), it also prohibits states from adopting additional protections against out-of-state online colleges. Particularly in states with strong consumer protections, students could be left more vulnerable to predatory or low-quality colleges.

California is not currently part of NC-SARA, which means that out-of-state colleges must comply with the laws that California policymakers determine are appropriate to protect their residents. Existing requirements for out-of-state institutions need to be strengthened, but joining NC-SARA would actually preclude California from applying new or existing higher education laws to schools enrolling its residents.

Given the robust array of online education opportunities available to Californians at in-state schools and the troubling outcomes at some out-of-state distance education providers, joining the current NC-SARA agreement would be unnecessary and unwise. Instead, California is well positioned to lead the charge for stronger standards for online colleges, both within California and in partnership with other states.

TO LEARN MORE

For more on state oversight of distance education, see *Going the Distance: Consumer Protection for Students Who Attend College Online* at https://ticas.org/sites/default/files/pub_files/going_the_distance.pdf.

For more on how to protect students within interstate reciprocity agreements see *Strengthening Interstate Oversight of Distance Education Through Improvements to National Council for State Authorization Reciprocity Agreements (NC-SARA)* at https://ticas.org/sites/default/files/going_the_distance_one-pager.pdf.

[1] Calculations by TICAS using data from the Integrated Postsecondary Education Data System (IPEDS) Fall 2016 Enrollment by Distance Education Status and Level of Student file and data from NC-SARA 2016-2017 Enrollments. Calculations include students enrolled domestically, with students located in different state from the institution or an unknown state considered out-of-state.

[2] Calculations by TICAS using data from the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS), Fall 2016 Enrollment by Distance Education Status and data from NC-SARA 2016-2017 Enrollments. In the chart, colleges that could not be matched to the IPEDS data are indicated as school type "unknown."

[3] Calculations by TICAS using data from NC-SARA 2016-17 Enrollments and data from the U.S. Department of Education's College Scorecard, accessed April 2, 2018. A 3-year repayment rate is the share of borrowers who are not in default on their federal loans and who have paid down at least $1 on the initial balance on their undergraduate loans after entering repayment in FY2012 or FY2013 (rolling two-year average). This is suppressed for colleges with fewer than 30 borrowers in the two cohorts. In some cases, these data reflect students from more than one campus. Out-of-state schools enrolling Californians are included in this analysis if they enrolled at least 100 students from California.

[4] Calculations by TICAS using data from NC-SARA 2016-17 Enrollments and data from the U.S. Department of Education's College Scorecard, accessed April 2, 2018. A 3-year cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program or William D. Ford Federal Direct Loan (Direct Loan) Program loans during FY2013 (October 1, 2012, to September 30, 2013), and defaulted before September 30, 2015. In some cases, these data reflect students from more than one campus. Out-of-state schools enrolling Californians are included in this analysis if they enrolled at least 100 students from California.

[5] Children's Advocacy Institute. (2018). Failing U. Available at http://www.caichildlaw.org/Misc/Failing_U.pdf