Lawmakers will need to make decisions soon to comply with federal regulations for the growing world of online higher education.

## BY SUZANNE WEISS

hirteen years ago, 19 governors joined forces to create a one-of-a-kind institution-Western Governors University (WGU)—a fully accredited, 100 percent online university offering degree programs tailored to the needs of working adults, military personnel and other nontraditional students.

Today, WGU boasts an enrollment of more than 20,000 students in four fields-education, business, health and information technology. The average age of WGU students is 36, twothirds of them are employed fulltime, and 40 percent are either low-income, first-generation college students or both.

Tuition is modest—about \$5,800 a year as is the average time to complete a bachelor's degree, just 30 months. Employers rate the graduates impressively. Ninety-three percent of those surveyed from year to year report the job performance of WGU graduates as good or excellent, and 80 percent rate them as equal to or better than graduates of other universities.

Over the years, WGU has established itself as the gold standard in online learning, which today is the fastest growing sector in American higher education.

More than 5.5 million students—roughly 30 percent of the nation's postsecondary population-are taking at least one online course, and two-thirds of America's colleges and universities offer such courses in response to rapidly escalating demand, according to the latest report of The Sloan Consortium, a leadership organiza-

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For cash-strapped states, "online learning represents an important new well of resources" to help increase the number of people earning degrees, says Paul Shiffman of The Presidents' Forum, a group of higher education leaders that focuses on policy, regulatory and fiscal issues associated with adult- and distance-learning institutions.

But continued growth in the scope, breadth and reach of online higher education is in peril. Chief among the threats are the wide variance and inefficiency of state regulation of online learning. New federal requirements-slated to take effect in July-also will affect all institutions offering courses across state borders.

The need for legislators, governors and other state leaders to address the issue of online higher education more purposefully and strategically is clear and increasingly urgent, says WGU President Robert Mendenhall.

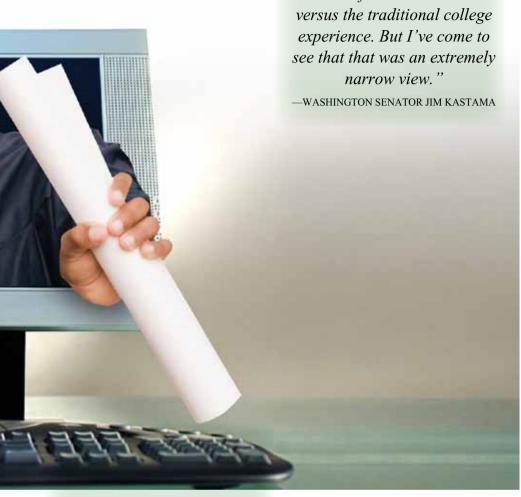
## **PATH TO MORE DEGREES**

Over the next 10 to 15 years, potent and converging demographic trends will profoundly affect the size and composition of the nation's workforce: slower overall growth, the retirement of baby boomers, and more people in the labor pool who have significant educational and economic disadvantages. If current trends continue, in little more than a decade the United States will find itself with a smaller, less experienced and increasingly undereducated workforce, a major liability in the global economic race.

Since the mid-1970s, the United States has gone from No. 1 in the world to No. 9 in the proportion of students completing college, and the U.S. share of the global college-educated workforce has fallen from 30 percent to 14 percent. This is a reflection not so much of the United States dropping behind, but of the rest of the world catching up and surpassing us.

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"Policymakers must recognize there are new models of higher education that are more effective, more affordable, more flexible. They need to embrace these new models rather than consider them the enemy."

—ROBERT MENDENHALL, PRESIDENT, WESTERN GOVERNORS UNIVERSITY

models of higher education that are more effective, more affordable, more flexible," Mendenhall says. "They need to embrace these new models rather than consider them the enemy."

He points to a recent report by McKinsey & Co., "Winning by Degrees," which estimated that, to maintain its competitive edge, America will need roughly 1 million additional college

graduates a year by 2020—at a cost of \$53 billion. At the same time, many state education budgets remain flat or are being cut.

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initially, about the relative

merits of online education

Mendenhall, Shiffman and others advocate rethinking how online higher education is regulated and supervised.

New federal rules will further complicate compliance with the wide variation in regulations that already exist. They require every institution offering courses across state lines—from public universities and community colleges to for-profit institutions and 100 percent online entities such as WGU—to document that they are authorized to operate in each state in which they recruit and enroll students, however few their number. John Ebersole, president of Excelsior College, a 100 percent online, private nonprofit institution based in upstate New York, estimates that about 75 percent of all post-secondary institutions offer some online courses.

Many institutions "won't have the resources to

meet the new requirement and will be forced to trim programs; others will simply decide not to go online," Shiffman says. "That means choices for students will become very limited—and that could really hurt smaller, predominantly rural states in which distance learning is key."

For providers of online higher education, the process of securing authorization to operate in a state runs the gamut from relatively easy to cumbersome, expensive and time consuming.

As an example, Shiffman described the difficulties encountered in one Southern state—which he declined to identify further—by Excelsior College, which has the largest and most well-established distance-learning nursing program in the nation, serving more than 20,000 students a year.

To register its nursing programs in the state, Excelsior "had to fill out separate, five-page forms for every faculty member, undergo a review of its entire curriculum, pay various fees and send people down there several times to participate in meetings," says Shiffman, who serves as Excelsior's assistant vice president for strategic and governmental relations. "It took us more than 400 hours to complete the process—a ridiculous amount of time. And an institution may have to undergo a process like that every couple of years, depending on a state's requirements."

In some cases, the new federal requirement will also impose a burden on states that currently don't have the staff or processes in place to review applications and may be forced to create new authorizing offices.

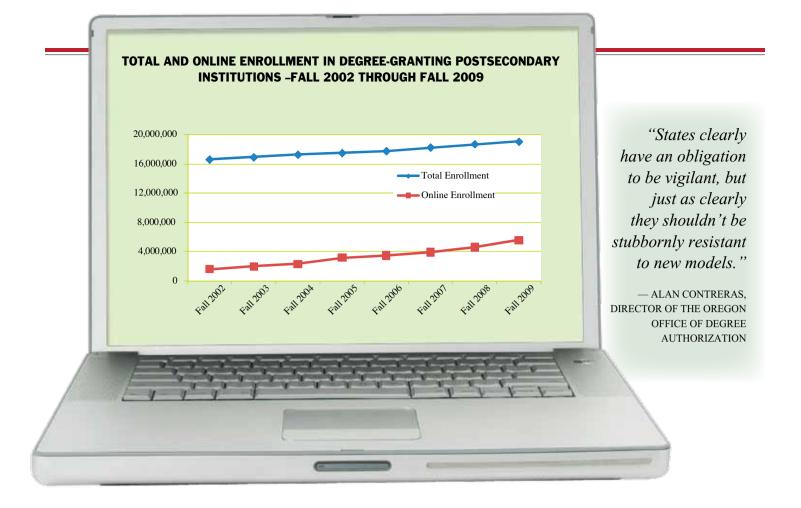
Alan Contreras, director of the Oregon Office of Degree Authorization, noted that the legal responsibility for the quality of college degrees lies almost entirely with state governments. "That means states clearly have an obligation to be vigilant," he says, "but just as clearly they shouldn't be stubbornly resistant to new models."

In an effort to address the problem of regulatory barriers to the growth of online higher education, the Lumina Foundation two years ago provided The Presidents' Forum with funding to explore two interrelated questions: What does a state really need to do to validate the credibility of an online institution? Is there a way to streamline the process?

To answer those questions, The Presidents' Forum is taking several steps, including a survey of all state regulations governing online higher education and drafting a model interstate compact under which states would agree to accept one another's authorization of online institutions.

A preliminary draft of the model compact

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will be put forth at the October 2011 meeting of The Presidents' Forum, to which legislators from across the nation and both for-profit and nonprofit providers of online higher education will be invited.

## **NEW ATTITUDES**

State regulations have not kept pace with the changing ways in which people learn, Shiffman says.

One reason for that, he says, is "the myth that the quality of online [instruction] is inferior to traditional, face-to-face classroom instruction."

Shiffman, Mendenhall and others point to the findings of a meta-analysis of hundreds of research studies of online learning commissioned in 2009 by the U.S. Department of Education.

Among the key conclusions of the federal report: "On average, online learning at the postsecondary level is not just as good as but more effective than conventional face-to-face instruction."

Washington Senator Jim Kastama, a veteran legislator who chairs the Senate Economic Development, Trade and Innovation Committee, has become an ardent champion of online learning. He is the sponsor of a bill this session that would create a new higher education entity,



SENATOR

JIM KASTAMA

WASHINGTON

WGU Washington, in partnership with Western Governors University, at virtually no cost to the state.

Washington would become the second state to create such a partnership. In June 2010, Indiana Governor Mitch Daniels announced the launch of WGU Indiana, offering more than 50 accredited bachelor's

and master's degrees in high-demand fields. Daniels described the new entity as "our eighth state university," on an equal footing with traditional postsecondary institutions.

Kastama says Washington and Indiana are taking advantage of "a fabulous opportunity to expand higher education capacity by embracing technological advances."

Kastama is a former businessman who graduated from Claremont Men's College and the University of California at Berkeley. He admits that he was "somewhat skeptical, initially, about the relative merits of online education versus the traditional college experience. But I've come to see that that was an extremely narrow view."

His bill has drawn strong and widespread

support, including from Washington Governor Christine Gregoire, the superintendent of K-12 education, the state's Higher Education Coordinating Board, the Washington Economic Development Commission, philanthropic organizations and business groups.

The proposal has encountered no opposition among legislators. "I was really surprised, honestly," Kastama says. "But I think that just shows how much of a priority it is for all of us that our residents have access to higher education."

Kastama estimates that it will cost about \$3 million to launch WGU Washington—and these costs will be picked up by some of the same foundations that helped launch WGU Indiana, including the Bill and Melinda Gates Foundation.

Mendenhall noted that in both Indiana and Washington, traditional colleges and universities have not opposed the state partnerships with WGU.

"Our higher education system has been a leader for so long, and it does its job very well. But its job has never been to educate the workforce," Mendenhall says. "I think, today, leaders of colleges and universities realize we're addressing a totally different market. We're filling the last big hole in our higher education system."

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