

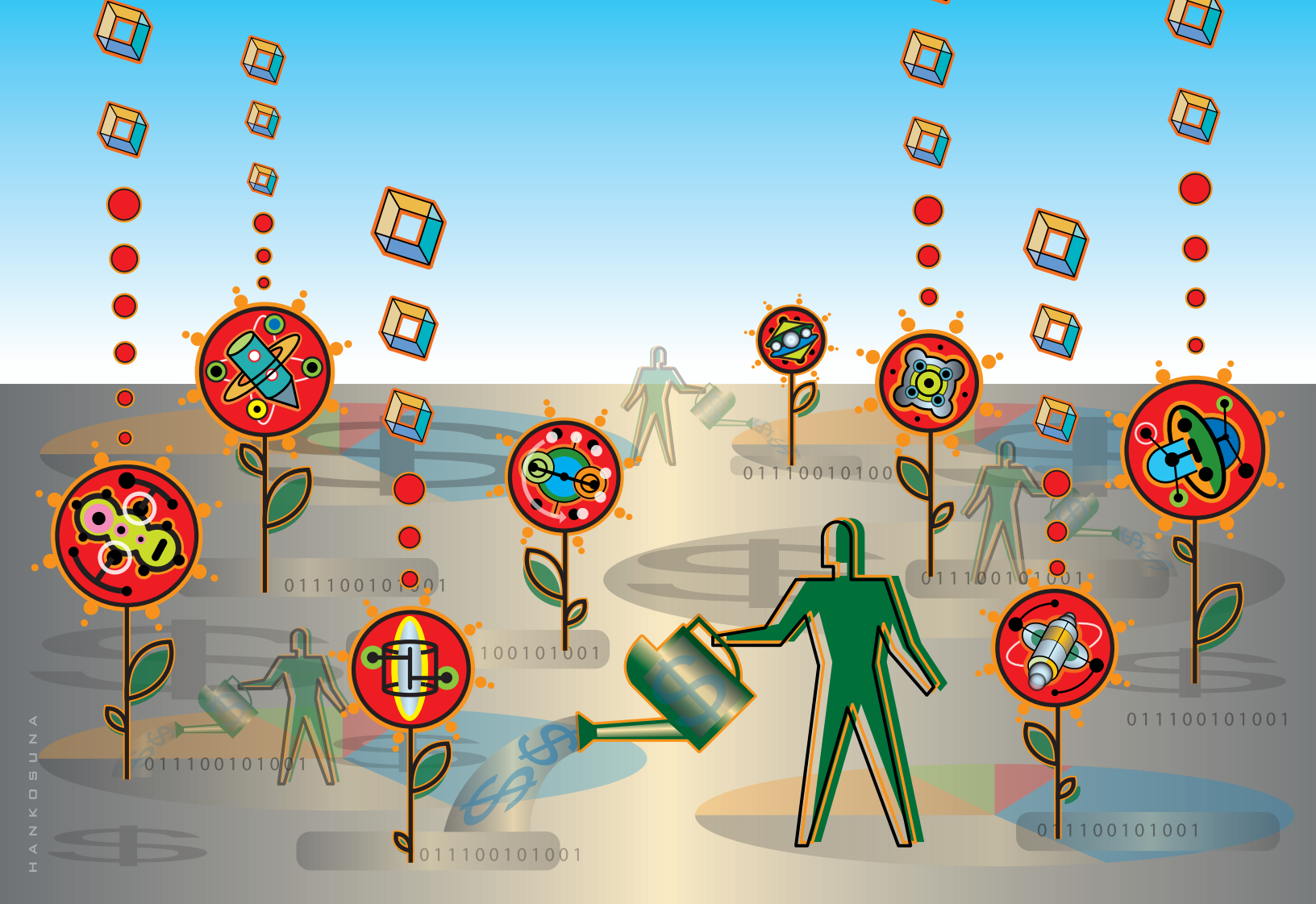
Higher Education:

New Models, New Rules

The Internet enables new models. In the commercial world, for example, we have eBay, Amazon.com, and Netflix. These new models operate with a different set of rules than do traditional models. New models are emerging in higher education as well—for example, competency-based programs. In addition, courses that are being provided from outside the college or university are receiving credit, either through transfer or for the learning achieved. These courses may be MOOCs or may be offerings from a for-profit company such as StraighterLine. The path from course to credit represents a non-traditional model.

What are the new rules that will accompany these new models in higher education? The following three essays explore the changes that might be ahead. Louis Soares, Vice President for Policy Research and Strategy at the American Council on Education, outlines a “generative model of state policy and institutional practice.” He suggests that learning technology should be driven by learning outcomes and that learning technologies are a key mechanism for achieving transparency in the learning process. Addressing the question of quality, Judith S. Eaton, President of the Council for Higher Education Accreditation, describes how course quality might be ensured through a new mechanism. She recognizes that progress cannot be denied for too long and that stalling progress does not serve the needs of learners. Finally Burck Smith, CEO of StraighterLine, illustrates how online courses could be predicated on a different set of financial rules. He asserts that the new model—and the new rules—might be better for many learners.





Creating an Environment for Learning Technologies: Toward a Generative Model of State Policy and Institutional Practice

By Louis Soares

In an August 22 announcement, the Obama Administration brought renewed federal policy focus to innovation in higher education in the United States. The announcement of a new college/university policy agenda, “Making College Affordable: A Better Agenda for the Middle Class,” highlighted the role of state policy and institutional innovation as keys to improving access and success for millions of Americans.¹

The administration’s agenda provides incentives for states to maintain funding for their higher education systems and increase accountability through a \$1 billion “Race to the Top” grant fund.

The agenda also exhorts higher education institutions to adopt technology and pedagogical innovations such as MOOCs, credit based on learning rather than seat-time, hybrid classrooms, and technology-enabled course redesign. The administration is providing \$260 million “First in the World” innovation fund to test and evaluate promising new models of higher education.

This dual focus on states and higher education institutions is appropriate. Good policy and education practice should inform each other. After all, states—and their public and private higher education institutions—are where the rubber meets the road

on college affordability, quality, and completion.

With regard to technology and the pedagogical changes it can enable, the policy formation versus educational practice innovation cycle is particularly critical. As technology-enabled education practice evolves (now almost in real time), what works and what can and should be scaled become critical for policy formation. Although state policy activity in the area of MOOCs, credit for learning, and other learning technology solutions has been increasing in recent years, it has a haphazard feel: the policy formation cycle and the education practice cycle are not in sync.

Learning technologies—and the educational approaches they enable—are among the tools that can spark innovative educational strategies to address U.S. education priorities including access, affordability, and completion. Unfortunately, the current state policy environment does not encourage the adoption of these technologies in a generative way in which proven practice informs policy formation.

Definition and Characteristics

To create such an environment, state policymakers need a definition of *learning technology* in the context of postsecondary education. We begin with an exploration of learning. Historically, in practice and in public policy, the assumption has been that faculty and students interact to produce learning. This assumption underpins how curricula are developed, which campus buildings are built, how many faculty get hired, and how much subsidy public colleges and universities receive to educate students. Different tasks and resources, in turn, influence this learning process: instruction delivery; course/curriculum/program development; access to textbooks and libraries, tutoring, and mentoring; classroom/learning management; and assessment and credentialing standards. With particular regard to faculty members' development and delivery of courses and curricula, higher education has treated this as artisan work, with the vast majority of courses developed and delivered as "one-offs" by individual professors. Indeed, this treatment can be immortalized in state formulas for funding higher education in silos for instruction, student

Unfortunately, the current state policy environment does not encourage the adoption of these technologies in a generative way in which proven practice informs policy formation.

services, and academic support. This divides the artisan work of faculty from the other tasks, services, and resources that make learning possible.

Technology, however, is fundamentally challenging these assumptions by inserting itself into the teaching and learning process. *Learning technology* is, thus, the capability to help students master new knowledge and demonstrate its use, facilitated by the interaction of four components: hardware (e.g., microchips, computers, telecommunications equipment); software (e.g., digital books and learning tools, intelligent programs that interact with learners to help them master content and with faculty to help them manage the learning process); the Internet/web (which allows for real-time access and collaboration among learners and faculty); and the best research in learning science (the study of how people learn).

At the intersection of all these components is "online education." Under this too-general term sit some of the most promising learning technologies for addressing affordability, quality, and completion challenges:

- *Interactive courseware*: low-cost, high-quality software that delivers instruction by actively engaging the student with content and applications of knowledge, ideally linked to learning maps that visualize the journey to completion
- *Diagnostic assessments*: a new generation of assessments that provide granular data on students' knowledge, paying particular regard to readiness for college-level work
- *Learner relationship management software*: software that provides students, faculty, and staff with tools to monitor learning progress in real time and that flags moments when intervention is needed

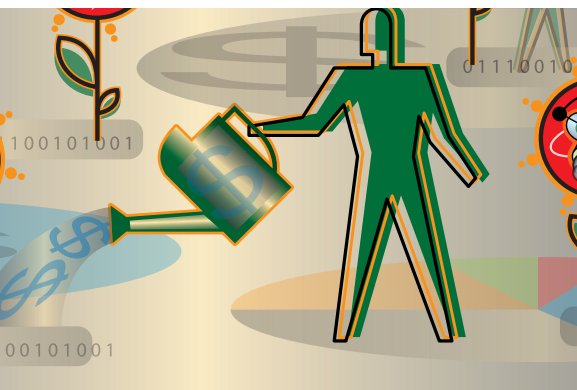
The power of these technologies lies in their ability to personalize the learning experience and adapt institutional resources to learners' needs, thus opti-

mizing the likelihood of a quality credential earned as quickly as possible for a reasonable price. *Personalize* means that the technology delivers instruction or counseling, or helps faculty and staff do so, and allows for the gathering of data—combined with ways to display the information to adapt practices and policies. Together these tools, with their ability to personalize instruction, are enabling the development of alternative, low-cost higher education models that enhance quality, increase student persistence, and reduce costs.

Armed with a working definition of learning technology, policymakers also need a short list of learning technology characteristics that have implications for policy.

- *Learning technology requires capital investment*. Developing courses, curricula, and degree programs mediated by learning technology takes time and money. In the old "one-off" classroom-based model, faculty members' salary covered most development costs. In one sense, development was inexpensive, but the delivery—the actual teaching by the faculty—was labor-intensive and expensive. Learning technology flips that equation: development costs are higher, with teams engaged to design curricula and outcomes, build a learning platform, develop software; and repurpose faculty and staff; but delivery costs are lower and can even be amortized over time, not unlike a capital investment. In most states, funding formulas do not currently account for this inherent difference in how education is developed and delivered. The instability of state financing year-over-year makes it difficult to fund longer-term investment.²
- *Learning technology is a team sport*. Course and program development mediated by learning technology is done by teams composed of faculty members, learning scientists, human-computer interaction experts, and software engineers in

order to make the best use of multi-disciplinary knowledge for designing effective learning environments. These teams articulate an initial set of student-centered, measurable learning objectives and design the instructional environment to support students in achieving those objectives. The notion of a team sport can be extended across institutions and even across states, calling into question current state finance models that make distinctions between in-state and out-of-state students.



- *Learning technology is driven by learning outcomes.* Almost by definition, for learning technologies to do their work, the design teams must hardwire into the technologies a set of decided-upon learning outcomes: content that students must know and be able to demonstrate that they can apply. Learning technologies, assisted by faculty/staff, can then help students master the knowledge and obtain the outcomes. Learning technologies track progress, and students can move on once mastery is achieved. The learning-outcomes focus has a corollary: task and resources that were once held separate (i.e., instruction, student services, academic support) tend to be repurposed or blurred in the pursuit of student learning. Needless to say, this competency-based approach calls into question not only the entire time-based model for financing enrollment but also the many silos that states use to develop their funding formulas. With this approach,

assessment and intervention can start at any time. For example, students can be assessed in high school for college readiness and either be accelerated to college-level work or provided with interventions to help them get up to speed—disrupting the current separation of state funding for K12 and higher education.

- *Learning technology requires transparency.* Learning technologies allow us incremental glimpses into the learning process—glimpses that were unknown a decade ago. For learning technologies to be effective and scaled, this information needs to be shared. Whereas students, faculty, and staff obviously need to know about the learning process, administrators and policymakers also need to know what's going on at the program, department, institution, and system levels—so that they can inform policy as those levels. A corollary is that education mediated by learning technology can be very personal, with the transparency of information allowing students to better participate in their own educational success.
- *Learning technology opens up competition.* If institutions across state boundaries design a course and if learning outcomes are what matter and if mastery can be measured, then what difference does it make who or what does the instruction or the assessment? The unbundling of higher education could become a reality. State regulation of higher education mediated by learning technology is far from being developed to the point of handling this level of nuance and competitive potential. Learning-outcomes and mastery-based education opens the doors to any organization that can help students learn, creating a new world of postsecondary education competition.

Toward a Generative Model of State Policy and Institutional Practice

Learning technologies hold the promise of making college more affordable while maintaining quality. In order to invent

and experiment with new learning technologies and integrate them into pedagogy, we need the state policy formation cycle and the institutional practice cycle to be in sync. Both policymakers and institutional leaders must have the courage to allow for the evolution of system-level conversations that are informed by the learning technology characteristics described above. The following are some ways that state policymakers and higher education leaders, working in partnership, can think about policy formation in light of learning technology characteristics. These suggestions fall into three broad categories: finance, regulation, and innovation policies.

Finance Policies

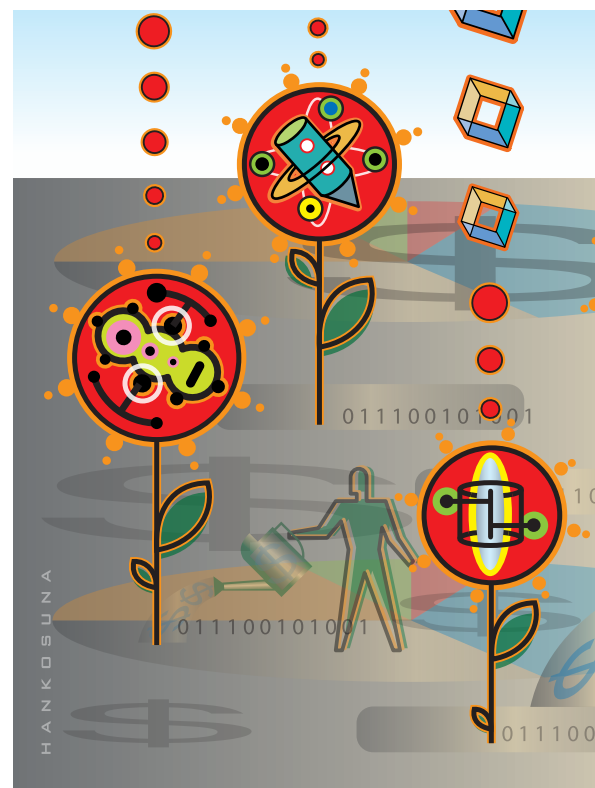
- Explore return-on-investment metrics for higher education systems leveraging the transparency and measurement that embedded learning technologies make possible. States already gather a good deal of financial information on their institutions: average spending per student; average spending per degree conferred; estimates of costs associated with excess credits and with student attrition; cost, price, and subsidy structures and the proportion of average costs that are subsidized by student tuitions; marginal cost per student by program and level of instruction; and average costs of shared services including overhead. Do these measures reflect the learning technology realities described above? For example, do capital budgeting rules and regulations facilitate smart investment in learning technologies?

To invent and experiment with new learning technologies and integrate them into pedagogy, we need the state policy formation cycle and the institutional practice cycle to be in sync.

- Set aside strategic investment funds specifically targeted to longer-term investments that meet public priorities for affordable, quality postsecondary education delivered with learning technologies.
- Adapt funding formulas that allow institutions to blend funds targeted to discrete services (e.g., instruction, student support services, and academic support) in ways that allow them to use the right mix of learning technologies to help students complete their education and get a credential.

Regulation Policies

- Conduct a policy audit to determine which regulations and other policy barriers impede the development and use of learning technologies, while ensuring that new providers meet rigorous quality standards.
- Experiment with a “minimum credits earned” through learning technologies requirement as a way to encourage adoption of these types of solutions given they demonstrate efficacy.



-
- In large, interstate metro areas, reduce barriers to cross-institution and cross-state collaboration on the development of programs mediated by learning technologies, aligning efforts to an automatic transfer of credit for these programs.

Innovation Policies

- Encourage state-backed venture funds to invest in technology startups that are creating new learning technologies, possibly implemented in partnership with philanthropies that share the mission of scaling the use of learning technology
- Create competitive grant funds to explore the integration of emerging learning technologies, such as MOOCs, into alternative educational pathways to credential attainment



These policy suggestions are only a sampling of the generative power that can emerge from within the policy formation and education practice cycles if policymakers and higher education leaders can find common ground. Collaboratively developed finance, regulation, and innovation policies will foster the adoption of powerful learning technologies for providing students with high-quality, low-cost pathways to the timely completion of a postsecondary education credential. Where the rubber meets the road, states can pave the way. ■

Notes

1. Office of the Press Secretary, "Fact Sheet on the President's Plan to Make College More Affordable: A Better Bargain for the Middle

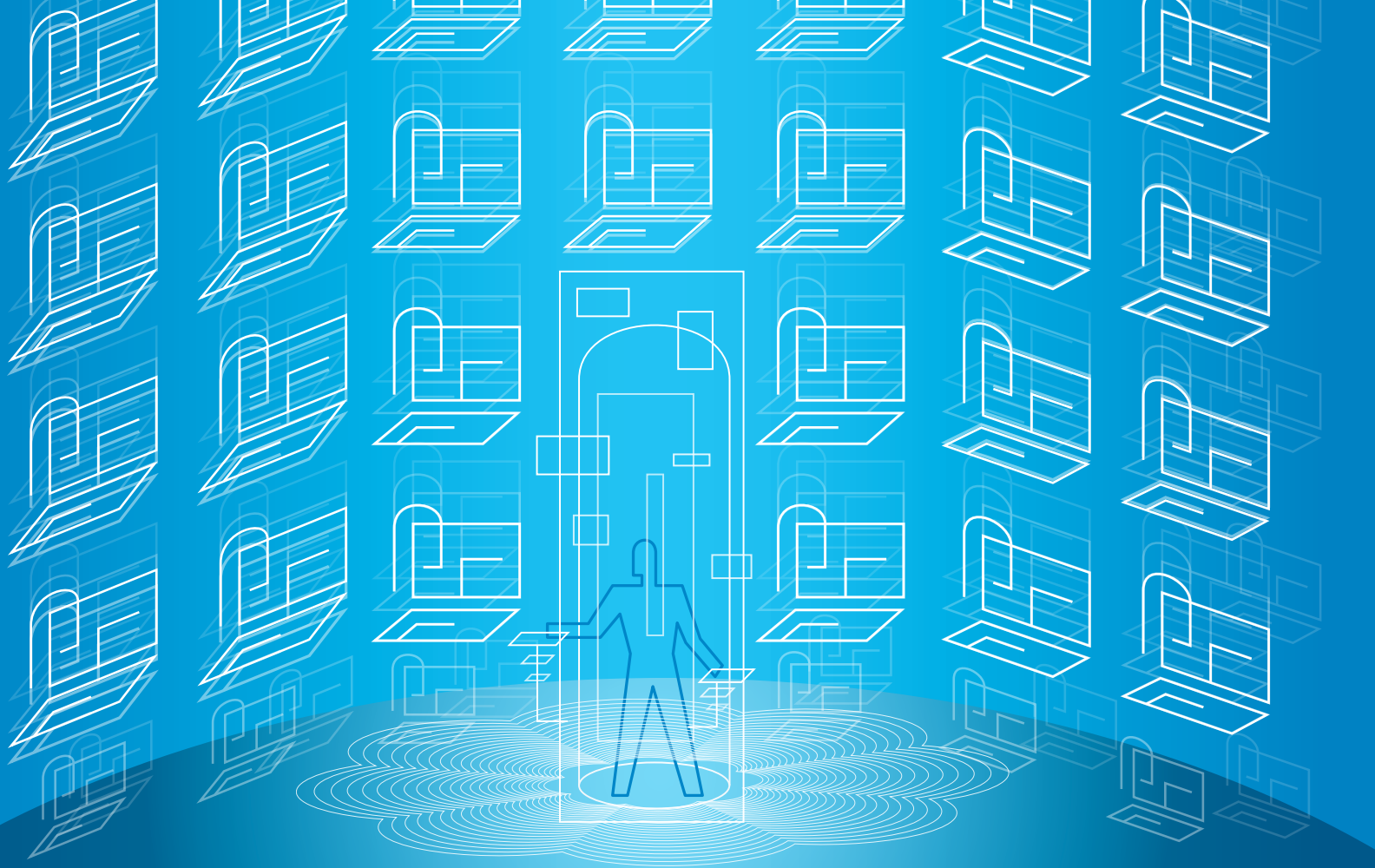
Class," The White House, August 22, 2013, <http://www.whitehouse.gov/the-press-office/2013/08/22/fact-sheet-president-s-plan-make-college-more-affordable-better-bargain->.

2. Although Open Education Resources (OER) and Massive Open Online Courses (MOOCs) have recently made low- or no-cost learning technologies seem to be at our fingertips, the reality is that we are still some distance from ways to ensure quality in instructional delivery, assessment, and credentialing using these resources.

© 2013 Louis Soares. The text of this article is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs (by-nc-nd) 3.0 Unported License.



Louis Soares (lsoares@acenet.edu) is Vice President for Policy Research and Strategy at the American Council on Education (ACE).



A Quality Platform for Non-Institutional Higher Education

By Judith S. Eaton

Non-institutional education is upon us: collegiate instruction is increasingly being offered outside of colleges and universities. The most dramatic example, of course, is Massive Open Online Courses (MOOCs), which are garnering so much attention of late. However, the non-institutional sector is made up of a number of additional providers that are not MOOCs but that share a number of MOOC characteristics: online, courses or parts of courses, often part of an episodic education experience, nondegree, not-for-credit, and unaccredited. In addition to Coursera (<https://www.coursera.org/>) and MOOCs, the non-institutional sector includes a wide variety of providers: badge providers, such

as Mozilla (<http://openbadges.org/>); providers that review competency-based education and prior learning, such as the Council for Adult and Experiential Learning (<http://www.cael.org/>); and private providers of low-cost courses, such as StraighterLine (<http://www.straighterline.com/>) and Saylor (<http://www.saylor.org/>). All of these providers offer educational content or a review process or both.

The emergence of the non-institutional sector is often described as innovative and is sometimes described as disruptive. As many have pointed out, the growth of this sector is also part of an unbundling or disaggregation of higher education institutions generally. In “unbundling,” the core academic functions that have long been arrayed under the authority of colleges and universities

are shifting to other providers. These functions include the determination of academic standards and who can study, as well as educational offerings, degrees and credentials, teaching and learning programs, and curriculum development. The non-institutional sector is now carrying out some of these core functions: anyone can take a MOOC; StraighterLine develops and offers coursework; and Mozilla’s badges are a form of credentialing. All are engaged in teaching and learning in some form.

What counts as effective performance or quality in the non-institutional sector? What are the internal quality-review mechanisms used by these providers? Is some form of external review needed or desirable? What if the non-institutional sector comes to play a larger, more significant role in the postsecondary

education experience of an increasing number of students? What happens if the unbundling or disaggregation of higher education generally becomes the norm?

Accreditation and the Non-Institutional Sector

Typically, the first response to a call to address quality in higher education has been: “We have accreditation to do this.” Accreditation—a non-governmental, external, peer-based, and standards-based review of colleges and universities—has examined and judged higher education institutions and academic programs for over 100 years. More than 8,300 institutions and 21,000 programs are currently accredited. However, based on responses to a recent Council for Higher Education Accreditation survey, the accreditation practice is not currently addressing MOOCs or the other providers in the non-institutional sector.¹

At the same time, accreditation has an effective track record for responding to innovation in higher education, going back many decades. When community colleges came on the scene in large numbers in the 1960s, accreditation was there to ensure quality. When online learning emerged in the 1990s, accreditation was again there to ensure quality. And, most recently, accreditation has played a significant quality-assurance role in the enormous growth of educational companies in the for-profit sector, especially publicly traded corporations.

Accreditation is pervasive, being deeply engrained not only in higher education but in the general society. Governments depend on accreditation as a reliable authority to affirm academic quality when making taxpayer funds available to millions of students and thousands of institutions. The private sector—corporations, employers, foundations—relies

on accreditation when making private funds available for tuition assistance, research, and programs. Students count on accreditation as a public affirmation of the academic legitimacy of an institution or program; they depend on accreditation to signal the worth of the degrees and credits they earn and to ease transfer of those credits. Accreditation is the core indicator of the academic legitimacy of a college or university, whether here in the United States or outside the country.

If accrediting organizations were to take on the responsibility of external quality review of the non-institutional sector, their work aligns with these providers on a number of points. The non-institutional sector has a pathway function, connecting to accredited traditional institutions through the pursuit of credit for non-institutional offerings. In a number of instances, the education that is offered is collegiate, sharing

these characteristics with colleges and universities, but it is delivered differently. Both the accredited institutional sector and the non-institutional sector are eager to protect students and society by identifying substandard or rogue offerings. Accreditation can be the vehicle through which traditional institutions learn about the quality of the non-institutional sector.

Alternatively, some question this alignment and the desirability of accreditation moving into the non-institutional sector. They point out that the review of non-institutional education would require a break with fundamental practices in accreditation:

- Accreditors review institutions and programs, not courses.
- Non-institutional education is, at most, coursework.

- Accreditors focus on credits and degrees.
- Non-institutional does neither—at least thus far.

- Accreditors review collegiate education.
- How much of non-institutional is at the collegiate level?

- Accreditation is grounded in provider-structured higher education.
- Non-institutional is unstructured by design—students pick and choose.

From the perspective of a non-institutional provider, to be “accredited” would carry a public acknowledgment of its basic value—not “equivalent,” but similar, to the offering of an institution in the traditional sector. At the same time, a regimen of external quality review may not fit well with the nimbleness and flexibility on which the non-institutional sector relies.

A “Quality Platform”

For whoever addresses the quality question for the non-institutional sector, key issues emerge. What do we want

to know? Do the same quality expectations of the institutional sector apply to the non-institutional sector? Do we need separate standards? Who should undertake a quality review? How would a review proceed?

One response is to build a “Quality Platform”: a set of quality expectations that define and are appropriate to the non-institutional sector. The platform would be focused solely on these providers and would have as its goal the affirmation of their performance, reliability, and effectiveness. If the Quality Platform is applied successfully, providers will be publicly acknowledged with a seal or affirmation as a “Quality Platform Provider.” The work could be undertaken by accrediting organizations, existing higher education associations, or newly formed organizations within or outside of higher education. The capacity of and the practices carried out by a Quality Platform could be handled by a variety of entities.

A Quality Platform review would begin by examining the internal quality-review practices of providers in the non-institutional sector, followed by an external review. It would focus first on student achievement: What do students know and what can they do as a result of taking one of these educational offerings? The review would be grounded in the purpose of the educational offerings, considering such fundamentals as whether the offerings are intended to be stand-alone, to contribute to an individual’s overall growth and development, or to be a pathway to college credit (e.g., through review of a student’s non-institutional education by a college or university).

Platform standards could be developed to examine the capacity and performance of the provider. Reviews could be carried out by educational experts, many of whom would be peers. The review would require a strong commitment to transparency, including comparisons among like offerings. The reviews could be periodic, perhaps every three years.

Where Do We Go from Here?

Non-institutional education is emerging as an additional or alternative higher education experience for a number of students. This education takes place outside traditional colleges and universities and may grow to play a significant role in students’ efforts to obtain credits and degrees or achieve other educational goals. We are talking not only about MOOCs but also about private course providers, badge providers, and providers of judgment about competency-based education and prior learning. We are talking about the unbundling or disaggregation of core academic functions becoming the norm.

If we are on a path that leads to a significant expansion of educational offerings from the non-institutional sector, we need to address key questions about the quality of the capacity, processes, performance, and results of these offerings. What are the providers attempting to achieve? What have students learned, and what can they do?

External quality review, whether undertaken by accrediting organizations or others, can assist in ensuring that students are learning, that offerings intended to ultimately be used for college credit or another purpose are sound, and that students and society are protected from substandard offerings. The Quality Platform is one means to organize the standards and processes of an external quality review for the non-institutional sector. ■

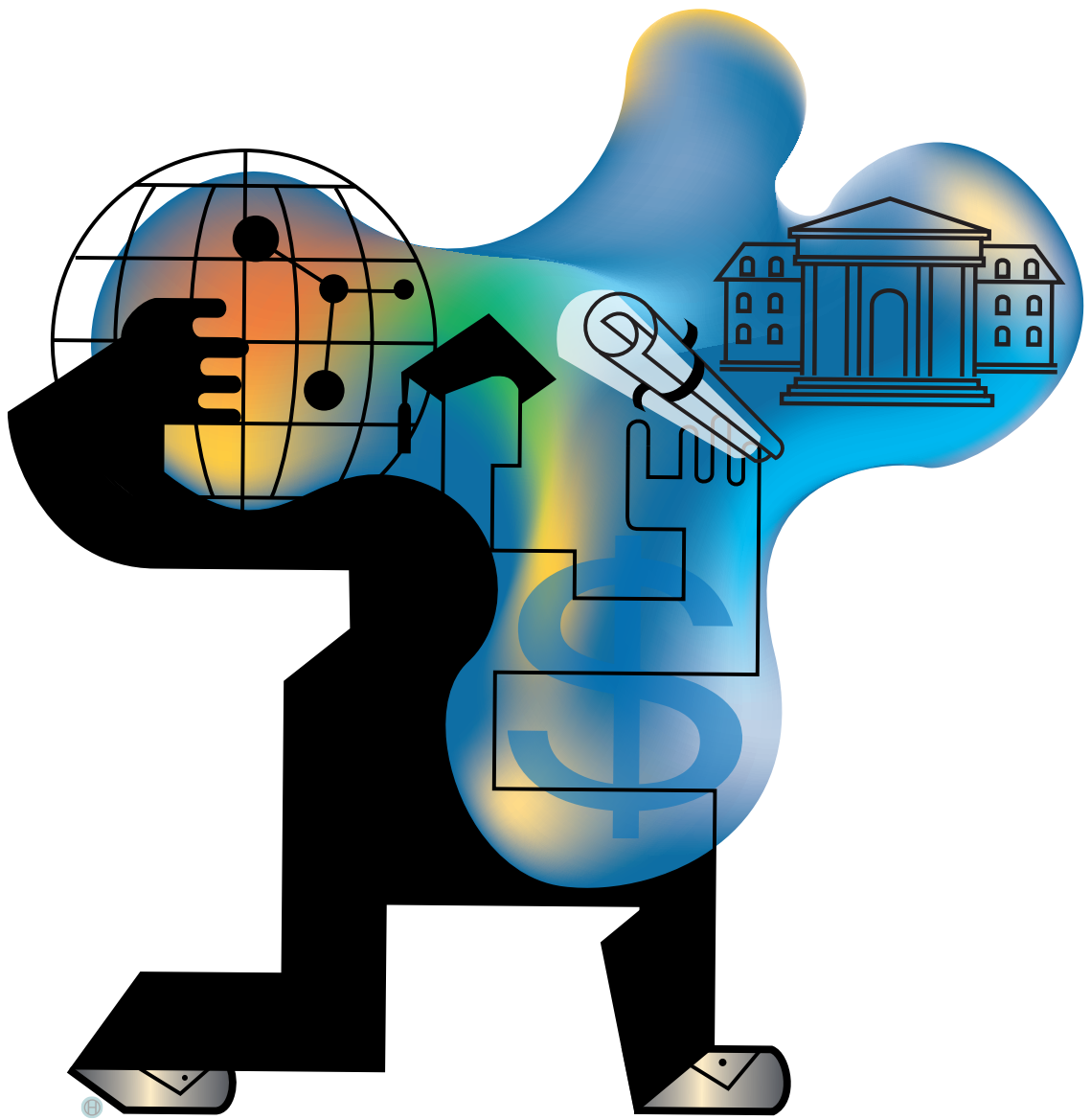
Note

1. Council for Higher Education Accreditation, *Accreditation and Extra-Institutional Education Survey*, July–August 2013.

© 2013 Judith S. Eaton



Judith S. Eaton (eaton@chea.org) is President of the Council for Higher Education Accreditation (CHEA).



The “Perfect Market” Challenge to the Subsidy Structure of Higher Education

By Burck Smith

Though hard to know exactly, probably over half of the U.S. higher education market—several hundred billion dollars per year—is driven by taxpayer subsidies and philanthropic largesse. Starting with the Morrill Land-Grant Acts in the mid-to-late 1800s and continuing with the G.I. Bill after World War II, state-supported community colleges in the 1960s and 1970s, and today’s Pell Grants and subsidized-loan programs, taxpayers have subsidized higher education under the assumption that higher education is an “imperfect” market: that is, there are not a sufficient number of

sellers (colleges/universities), there are not a sufficient number of buyers (students), and barriers to entry (building a campus) are high. In such conditions, the market for higher education is underserved. Accordingly, the government spurs “supply” by paying for colleges and universities and spurs “demand” by paying for students. Accreditors determine who can receive these funds. All of this worked well for sixty years. Until, suddenly, it doesn’t.

Economists tell us that when there are a sufficient number of buyers, a sufficient number of sellers, minimal barriers to market entry and exit, and sufficient information for buyers to

make informed purchases, markets efficiently allocate goods and services. For consumers, this means that competition is driving the price of a good or service somewhere very close to the cost of delivery. However, because few markets are perfect, one of the primary roles of government is either to fix or to create market imperfections. Government might set minimum quality standards that all providers must meet—for example, establishing auto safety regulations. Government might try to address “externalities” that are not captured in the price of a good—for example, setting gas mileage regulations or creating a carbon tax. Government might break up

monopolies and cartels to ensure that no suppliers have undue pricing power—for example, investigating Microsoft or any mergers rejected under the Sherman Antitrust Act. Government might protect monopolies to ensure service provision—for example, protecting public utilities and cable television contracts. Government might choose to subsidize industries where desired supply and demand does not exist—for example, subsidizing higher education.

Today, more than two-thirds of colleges and universities offer online courses for credit (sufficient sellers), and more than one-third of students have taken an online course for credit (sufficient buyers). Further, the cost of digital content and software has plummeted to the point that online-course delivery costs are radically cheaper than face-to-face delivery costs—thereby removing economic barriers to entry. The market

for online courses, unlike for face-to-face courses, has become close to “perfect” (something the Internet is very good at enabling), yet only those providers approved under the existing accreditation structure are allowed to offer online courses for credit. Not surprisingly, the savings that students and taxpayers should be realizing from a lower cost of delivery are, as yet, unrealized. Over 90 percent of accredited colleges and universities price online courses *the same as*

The disincentive to award credit for other people’s courses is the same disincentive that hardware and software providers face when deciding whether to allow compatibility with their products.

or higher than face-to-face courses. Why?

In higher education, accreditation—together with the public subsidies to which it is tied—prevents course-level price competition. Accrediting bodies were built to evaluate institutions and degrees—not courses. To receive any government subsidies directly or from students, a higher education institution must be accredited. To be accredited, a provider must offer full degrees, not individual courses. Providers are judged on their inputs—such as faculty credentials and departments—rather than on their outputs. Colleges and universities have complete control over their credit-recognition policies. Finally, accreditors are staffed and financed by the higher education institutions themselves. This means that it is difficult to “disaggregate” the higher education experience because the college/university must be a course “bundle,” institutions must

have similar cost structures and inputs, colleges and universities can deny credit from providers that are threatening their business model, and there is little incentive to change that model.

To put it more sharply, if a MOOC or a course provider such as StraighterLine (<http://www.straighterline.com/>) develops the world's best online calculus course, a student could not access any taxpayer subsidies to take that course. If the student took the course anyway, he or she would have to persuade his/her institution to award credit for the course. The institution has a disincentive to do so because it wants the student to take its courses at its prices. The disincentive to "unbundle" is the same disincentive faced by record companies as per-song downloads replaced the ten-song album or by the cable industry when customers lobby for single-channel purchases. The disincentive to award credit for other people's courses is the same disincentive that hardware and software providers face when deciding whether to allow compatibility with their products.

To get a sense of how much cheaper online course delivery is than face-to-face delivery, consider what it costs to deliver an online Psychology 101 course to 30 students. The course content and the management software are free or very cheap. The average per-course wage for an adjunct professor is under \$3,000. So, the professor's labor is about \$100 per student. Add in expenses for proctoring and management, and the cost is still unlikely to get beyond about \$200 per student, per course. However, to avoid having students migrate from high-revenue face-to-face courses to low-revenue online courses, most colleges and universities price their online courses the same as or higher than their face-to-face courses. When tuition, fees, and subsidies are added together, institutions receive \$1,000–\$3,000 per course. So this means that colleges and universities—no matter their tax status—profit from online courses. These profits are used to subsidize other parts of an institution's budget.

This substantial profit margin explains a number of recent trends in higher education. First, the for-profit sector was the first to realize the profitability of driving down the cost of delivery while keeping prices the same. More recently, public and non-profit higher education institutions have turned

to “outsourcing” companies that will quickly stand-up an online program in exchange for 40–80 percent of the revenue from that program. In effect, the institutions and the outsourcers, rather than the students and taxpayers, are capturing the productivity and the cost-saving benefits of online course delivery.

This puts accreditors in a difficult position. On the one hand, accreditors are being asked by policy-makers to encourage innovation and allow new models to flourish. On the other hand, their membership’s profit margins for online courses will be dramatically undermined if such models are formally embraced as part of higher education. The truth is that the current accreditation system was not built to regulate a market where providers do not require substantial fixed costs to offer credit-worthy courses and where students can easily move from one provider to another. The current accreditation and subsidy structure is not suited to regulating markets with “perfect” characteristics. But if the current accreditation system isn’t suited to regulating online courses, what might work? Here are a handful of possibilities, organized from the least radical to the most disruptive:

1. *Do nothing.* Sadly, the politics of higher education subsidy reform are such that paralysis may be the most likely outcome. Should this be the case, the number of students seeking training and education opportunities outside of the current accreditation and subsidy structure—effectively forgoing the subsidies being offered—will continue to grow. Further, perverse policy outcomes will become increasingly prominent—such as the poorest students being forced to take the most expensive classes because they can’t afford the much lower fees of new providers.
2. *Establish accepted transfer policy standards for all.* When a student transfers credit from one institution to another, the receiving college or university knows little about the course for which it is awarding credit. The receiving institution does not know whether the course was online or face-to-face, if identity verification or anti-cheating strategies were employed, the student’s grade relative to the grades of the rest of the students in the class, or the internal validity of the assessment

structure. Given rampant grade inflation and extensive cheating, basic hygiene for transfer could be adopted and applied to *all* providers. Although meeting such standards would be voluntary, any provider wanting to “export” credits could be required to meet the standards.

3. *Create course-level accreditation.* Though one-third of all students transfer before completion and though credits are routinely imported from other sources— for example, from other colleges/universities, StraighterLine, dual enrollment, the American Council on Education’s College Credit Recommendation Service (ACE CREDIT)—there is no course-level review process recognized by the U.S. Department of Education.



Already ACE CREDIT and the National College Credit Recommendation Service (National CCRS) provide course-level review structures. These could be included in the pantheon of recognized accreditors. Even though an economist would lobby for equal subsidization of all providers, a shrewd politician might limit Title IV funding to those colleges or universities accredited by existing bodies but might extend non-Title IV benefits (e.g., eligibility for tax deductions, 529 plan spending, Department of Labor grant programs) to those institutions accredited under a new structure.

4. *Detach federal funding from online courses.* Because online courses exhibit market characteristics that differ from those of face-to-face courses, federal subsidies could be dramatically reduced or eliminated for online courses. Prices for courses would

plummet. Ideally, such a strategy would be paired with transfer requirements such that the newly unsubsidized online market could interact with the subsidized face-to-face market.

5. *Consolidate all subsidies into a “Lifelong Learning Account.”* Higher education news has been dominated by the congressional debate over the rise in Stafford loan interest rates. Despite all the hand-wringing, this policy change impacts a minute percentage of the entire subsidy stream flowing to higher education. Until the entire subsidy stream is considered, individual reforms are likely to do little to drive prices down. Because the market has changed, the subsidy structure should change too. Today’s higher education market resembles other efficient markets—such as food or housing—more closely than it re-

sembles a market driven by scarcity. Though likely politically infeasible, a more appropriate subsidy structure would be the consolidation of all subsidies and the provision of a single “Lifelong Learning Account” to individual students. Socially desired adaptations could easily be included to make the accounts more economically progressive.

Barely a day goes by without a noteworthy association, college/university president, or academic pundit proclaiming that the higher education business model is broken. Indeed, prices cannot continue to go up while sources of student support continue to fall and students continue to have thousands of accredited and unaccredited educational options from which to choose. Already, an increasing number of students are migrating to un-accreditable providers who

can offer credit pathways into accredited higher education or directly into employment. Whether it is black market products during wartime, speakeasies during Prohibition, or jitney cabs at the airport, when a government-regulated market becomes too dysfunctional, new markets emerge. Policymakers, spurred by changing patterns of student demand, will need to decide whether to subsidize all of higher education or just accredited colleges and universities. ■

© 2013 Burck Smith. The text of this article is licensed under the Creative Commons Attribution (by) 3.0 Unported License.



Burck Smith (bsmith@straighterline.com) is the CEO and founder of StraighterLine.