Ensuring Quality Assurance and Consumer Protections Among Non-Degree Credential Providers

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Background

More than 43 million Americans, representing approximately one-quarter of the labor force, have earned a professional certification or license. As these non-degree credentials—and others such as certificates and apprenticeships—have become more popular in recent years, the providers offering these educational opportunities have also diversified. In some instances, new educational providers have popped up, while in other instances, traditional higher education institutions have started offering short-term credentials that have fewer requirements than an associate degree. Questions about the quality and labor market value of these credentials have increased. Consequently, efforts have been made to define and measure quality.

The State Role in Quality Assurance and Consumer Protection

Quality is a special concern with non-degree credential providers in part because they encompass many industries and can range from sole proprietors to established schools. For example, in Kentucky, non-degree credential providers include real estate licensing, truck driving schools, talent agencies, bartending, massage therapy, welding, dental technology, computer programming, Montessori teacher prep, auctioneering, and much more. Because there is little comprehensive information on these providers, SHEEO conducted a query of its membership to better understand how different agencies within a state work together and the consumer protection policies states have implemented. The results of this query are incorporated throughout the text below.

Unlike traditional degree-granting colleges and universities, many non-degree training providers are not eligible for federal financial aid (e.g., Pell Grants, student loans). As a result, these non-degree providers are not required to be accredited or recognized by the U.S. Education Department. For these providers, states are the only entity with oversight authority. Even with the providers that do obtain accreditation, states are recognized as the primary entity responsible for consumer protection. This state consumer protection role is critical as bad actors have a long history of duplicitous behavior.

Oversight responsibility for non-degree providers varies greatly by state but typically involves multiple state agencies. In some states, the higher education agency has oversight authority, while other states have created a separate commission or board to oversee proprietary schools. In addition to the role of higher education agencies, state licensing boards and agencies also have important oversight roles. Common licensing boards and commissions include the following occupational areas:

- Cosmetology
- Massage therapy
- Nursing
- Occupational therapy
- Real estate brokers

The role of each occupational board and state authorization agency varies by state and occupational area. However, a common division of labor is for the state authorization agency to ensure consumer protections are enforced—such as tuition refund policies and surety bond requirements discussed below—while the licensing entity is responsible for the content specific to its occupational area. For example, state licensing boards often oversee curriculum standards, faculty requirements, and quality assurance for the individual licenses earned by residents.

Policy Options to Consider

Because non-degree credential providers are so diverse, states may have rigorous consumer protection policies in place for more traditional providers (e.g., cosmetology schools) but find their policies lag innovations in other occupational areas (e.g., coding bootcamps). As a result, states may want to conduct a policy review to ensure consumer protection policies apply to all non-degree credential providers. This section highlights some of the best practices states have implemented to protect students from bad actors.

- **Require Authorization and Renewal**. Prior to enrolling students, a non-degree provider must obtain approval from each state to legally operate as a postsecondary education provider. This process is commonly known as state authorization and requires states to ensure that providers have the capacity to accomplish their educational mission and goals and that students will be well served. The authorization process varies by state but usually includes a review of the curriculum, facilities, faculty, ownership, business plan, and the like. While mature industries like nursing may have well-established authorization processes that involve several state agencies and boards, newer industries and non-traditional providers offering short-term certificates may fall outside current statutes and rules. Requiring all credential providers to be authorized by the state helps ensure that minimum standards of quality are met before students can enroll. Following the initial authorization, states require providers to renew their authorization on a regular basis, often annually or biannually. This regular renewal offers an opportunity to review student outcomes and ensure that providers are meeting all state requirements.

- **Collect and Use Data**. Each credential provider should report relevant data on their students, and each entity involved in overseeing credential providers should have access to those data. While many states collect enrollment counts, completion rates, and demographic information as part of the renewal process, these data elements are often self-reported and not standardized or used to make renewal decisions. Standardized definitions of data elements can help ensure that each school provides comparable information. These data should be disaggregated by race/ethnicity, gender, income/Pell eligibility, and other relevant student characteristics. Then state agencies can create benchmarks and consider basing renewal decisions on providers meeting minimum thresholds to continue operating. States may also consider linking student records with workforce data, such as unemployment insurance records, to collect better wage and employment outcome data. This linkage is a better measure than self-reported data and can help providers demonstrate the value their credentials add to students' careers and state economies.

- **Assess Financial Viability**. Requiring schools to submit financial information as part of the renewal process can help ensure that each provider has sufficient equity to operate. For example, Arkansas and Louisiana collect income statements and balance sheets that have been certified by independent accounting firms. Monitoring trends in the three financial ratios that comprise the financial responsibility composite score in addition to other balance sheet elements such as revenue and expenses may help identify schools that may be at greater risk of closing.

- **Establish Consumer Protections in the Event of Closure**. States have established several types of consumer protection mechanisms to help students receive tuition refunds and continue their education if a provider closes before the end of a term. These include:

    - ***Record retention policies*** establish safeguards to ensure student records are preserved and made available to students after a provider closes. In instances where students are taking classes for credit, transcripts will be important to aid the transfer process. Additionally, students may be earning stackable credentials that continue to build throughout a career path. For these students, individual records will be important to document each credential earned.
    - ***Surety bonds*** require non-degree credential providers to set aside a portion of equity that can be paid to students and other creditors if the provider closes or loses its state authorization. The surety bond requirements vary by state but should be large enough to reimburse students but not so large that providers are unable to obtain a bond from a surety agent. For example, Virginia requires surety bonds that are large enough to provide tuition and fee refunds and cover the administrative costs of filing a surety claim. The state has developed a worksheet to calculate the surety bond amount.

  - ***Student protection funds*** require non-degree credential providers to annually contribute to a state fund that can be used to reimburse students for tuition expenses if a school closes. Contributions to student protection funds are often based on tuition revenue, with larger institutions contributing more. In North Carolina, the annual contribution amounts range from $200 for providers with gross tuition less than $25,000 to more than $2,000 for providers with gross tuition greater than $2,000,000.

  Student protection funds and surety bonds are not mutually exclusive. For example, Kentucky, Louisiana, and North Carolina require each non-degree provider to maintain a surety bond and contribute to the state's student protection fund.

- **Establish Complaint Processes**. Most states have processes in place for students to file a complaint with the state if a dispute cannot be resolved at the school level. However, some of these processes were developed in response to federal regulations and may be focused on degree-granting distance education institutions. Extending the complaint process to non-degree providers and prominently displaying it on the authorizing agency's website can help identify bad actors violating state laws.

- **Establish Tuition Refund Policies**. If a student withdraws before the end of a term, tuition refund policies outline procedures to provide prorated tuition refunds based on the length of the remaining academic term. Some states have policies that specifically target active duty military members. For example, Iowa requires schools to develop a military deployment refund policy where a military member and their dependents receive a full tuition refund if the service member is deployed.

Additional Considerations for Governors

- **Cross-Agency Coordination**. Establishing clear responsibilities and lines of communication across state agencies can help reduce confusion about which state entity has oversight responsibility. Inconsistent messaging and enforcement of state policies across agencies can create confusion among providers and result in substandard student outcomes. Efficient cross-agency coordination is especially important with non-degree providers since many interact with multiple agencies.

- **Agency Capacity**. Most authorizing agencies have small staffs with limited capacity to fulfill their responsibilities and are dependent on fee revenue for their operating budgets. While expanding the internal capacity of authorizing agencies would be the most direct and beneficial way to expand capacity, utilizing partial FTEs in other agencies with expertise in certain areas can also expand capacity. For example, some states rely on the attorney general's office for legal expertise and support. Additionally, an agency relying only on fee revenue for its budget might have more of an incentive to be lenient on a bad actor than would an agency with diversified revenue streams. For example, if revoking an institution's authorization to operate in the state would reduce the budget of an agency by one FTE, the agency might be more willing to allow the school to continue operating.

- **Equity Considerations**. Students of color constitute the majority of students at for-profit colleges, which have faced criticism for their poor institutional and student outcomes. While less is known about the enrollment and employment outcomes of non-degree providers, there is some evidence that similar trends extend to at least some proprietary non-degree providers. Collecting standardized enrollment and outcomes data by race and ethnicity can help a state understand if there are providers who disproportionately enroll but do not produce labor market returns for underrepresented students.