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Launching new institutions: Solving the chicken-or-egg problem in American higher education

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Key Points

- US higher education reformers have encouraged accreditors to change their standards and speed up their approval processes to accommodate innovative educational models, but this jeopardizes accreditation's beneficial quality-assurance mechanisms.
- A major barrier to colleges and universities entering the higher education market is that as unaccredited institutions, they cannot enroll students with financial aid needs, but having students is a prerequisite for accreditation.
- A new system in which institutions can become provisionally approved for federal student financial aid before they achieve official accreditation could create a streamlined path for new institutions to enter the market.

Foreword

One of the most debated areas of US higher education policy is the federal government's reliance on accreditation agencies as gatekeepers of student financial aid programs. For years, observers have blamed accreditation agencies for all manner of ills, including low academic standards, intrusive meddling in university affairs, the lack of innovation and new institutions in higher education, and even rising tuition costs.

I have leveled my own criticisms at the existing system, charging that it often keeps poor-performing institutions in and promising new ideas out. In the first paper in this series, Kevin James and I made no secret of the fact that we believe maximizing opportunity while protecting consumers will require new organizations that are better suited to accomplishing those goals.

But although larger disagreements around the role of accreditors will almost certainly continue well into the future, it is worth it to try to identify specific reforms that might be widely accepted as improvements on the status quo. In that spirit, we invited Sylvia Manning—former head of the Higher Learning Commission of the North Central Association of Colleges and Schools—to propose a solution to one of the existing system's most vexing problems: the high barrier to entry that accreditation poses to new education organizations.

Under the existing process, new entrants must serve students for a fixed amount of time before those organizations can even be accredited; but to attract students, most institutions must have access to federal student financial aid programs, which requires accreditation. Manning suggests that policymakers can solve this chicken-or-egg problem by creating a new, provisional route to financial aid eligibility for promising models that have not yet been tested.

Although we certainly disagree on plenty when it comes to the relative strengths and weaknesses of the existing accreditation system as a whole, this paper lays out one potential solution to a specific flaw in the current system. Whether or not current accreditation reform proposals lead to progress, the existing system will remain intact for the foreseeable future; as such, would-be reformers must consider ideas that can encourage innovation and opportunity in the near term. I trust you will find inspiration for some of those ideas in the pages that follow.

—Andrew P. Kelly
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Executive Summary

Currently, a US college or university must be accredited to be eligible to receive federal financial aid. To get accredited, an institution must have already been serving students, but most students are dependent on federal financial aid. As a result, if you want to launch a new college or university, you may face an insurmountable problem: having students is a prerequisite for accreditation, but it is difficult to attract them without access to financial aid. We therefore face a classic chicken-or-egg dilemma.

As the higher education debate has come to focus on the need for innovative education models, this chicken-or-egg problem is one issue that has placed accreditation on the national agenda, leading reformers to call on accreditors to change their standards and speed up their approvals. To define the most pressing problem areas in accreditation, however, it is important to distinguish the chicken-or-egg problem—which sees accreditation as a barrier to entry for new organizations—from the related but separate criticism that accreditation’s focus on inputs (for example, faculty qualifications and the adequacy of facilities) is fundamentally at odds with higher education innovation.

This paper argues that while the latter criticism misunderstands the value of accreditation’s conservatism, the chicken-or-egg dilemma does capture a real obstacle to new organizations. In essence, accreditation is a bet that, based on current evidence, the institution will continue to offer an acceptable level of quality in the education it provides. To make this bet, accreditors unapologetically consider inputs and student outcomes. In

other words, accreditors approach with caution any radical elimination of the basic conditions that have underpinned sustainable institutions.

But the current approach also sets up a barrier to entry for new organizations. The only real evidence that a collection of inputs works in any given case is performance over time. Therefore, an accreditor cannot assess students' learning until an institution enrolls and graduates some students. As an analog, consider the construction process for a new building. You can get a building permit based on detailed construction plans, but you cannot get an occupancy permit until the building has been built and passed all necessary inspections. In higher education, accreditation is the occupancy permit that allows a school to operate, yet there is no building permit equivalent to facilitate new entrants coming into the market.

This brief offers one sensible remedy to the chicken-or-egg problem: creating a provisional status that would allow students to receive federal financial aid at an institution before it is accredited. Akin to a building permit, the provisional approval process would require a more intensive review of the institution's plans, processes, and resources. A positive review would make the institution provisionally eligible for federal financial aid, though the institution would still have to seek full accreditation to obtain full eligibility. This provisional status could provide innovators with a new pathway into the market while maintaining the integrity of the accreditation process.

Introduction

This paper is the second in a series examining higher education quality assurance from a number of perspectives.

If you want to start a new college or university, you may have an insurmountable problem: You have enough capital to cover startup costs, but once you begin enrolling students, they will have to pay tuition. There is no business plan that can manage without that source of revenue. The tuition will be fair, but it will also be beyond what most students can afford unless they have access to federal student grants and loans.

The students you recruit may be eligible for those funds, but the institution at which they spend the funds must also be eligible. One of the factors determining institutional eligibility is accreditation. Higher education accreditors generally will not accredit an institution until it has graduated a class of students, and will not even admit the institution to candidacy until it has enrolled some students.

Thus, you have a classic chicken-or-egg dilemma: you cannot get students until you are accredited and you cannot get accredited until you have students. Though the root of the problem is the same one that all startup organizations face—survival requires revenue—in the case of colleges and universities, it presents as survival requiring accreditation.

As the higher education debate has come to focus on the need for innovative new models, this chicken-or-egg problem has been one of the issues that have placed accreditation on the national agenda, leading to calls for accreditors to change their standards and speed up their approvals. If we understand clearly the dimensions of the problem, however, there is a potential solution that does less damage to what is good about accreditation.

To define the problem aright, it is important to distinguish between two criticisms of accreditation that are often conflated. The first argues that accreditation's focus on inputs is fundamentally at odds with higher education innovation. The second, which is related but distinct, is the chicken-or-egg problem that sees accreditation as a barrier to entry for new organizations.

In this paper, I argue that the first criticism misunderstands the value of accreditation's conservatism while the second does capture a real obstacle to new organizations that reformers should tackle with sensible changes. I conclude by suggesting one such reform, which involves creating a separate and streamlined path for new organizations that wish to access federal student aid.

The Innovation Theme

In early 2014, Doug Lederman, cofounder of Inside Higher Ed, published a brief compendium of recent claims that accreditation stifles innovation, naming as "the latest cause célèbre" the Ivy Bridge College partnership between Altius Education and Tiffin University.[1] More recently, the refusal of the accreditor of Thunderbird School of Management to extend the institution's accreditation to a joint venture with Laureate Inc. has raised similar complaints that accreditors are anti-innovation.

The claims that accreditation stifles innovation have a number of weaknesses, ranging from errors of fact to unexplained or inexplicable assumptions. In reality, accreditation has both led to and fostered innovation. For 20 years, accreditation has been at the forefront of the movement to assess students' learning beyond the grades they earn. Accreditation accepted Internet-based distance education essentially from its inception. Public acceptance—at least in so far as it is represented by Congress and the US Department of Education—lagged, resulting in regulatory requirements that are enforced by accreditors but derive from legislation and subsequent regulation.[2]

The innovation with perhaps the greatest potential to transform higher education is competency-based certification, the system of awarding credit for a degree or certificate based directly on assessment of competencies, without the credit-hour framework enshrined in 2010 federal regulation. When the Department of Education required accreditors to have a process for competency-based certification, accreditors rapidly designed appropriate processes and approved programs as institutions brought them forward.

Some assertions that accreditation stifles innovation are simply the plaints of those whose projects accreditation has found wanting. Any new venture is claimed to be innovative, whether it is or not, because we live in an age that prizes innovation. When someone meets resistance in launching his or her project, he or she cries foul and complains that innovation has been stymied: accreditation must be biased against innovation, since the innovator can conceive no legitimate criticism of the project.

Accreditation per se is not a barrier to innovation, but it is inherently conservative. Yet there are good reasons for its being conservative and good reasons not to make it any less so.

Why Is Accreditation so Stodgy?

In what ways, then, is accreditation conservative?

We can start with the common charge that accreditation focuses on inputs. It focuses on outputs and outcomes—student learning and student success—but undeniably and unapologetically, it looks at inputs. It does not count the books in the library, or at least it has not in a few decades. But it does look at other inputs: the qualifications of the faculty, the adequacy of the facilities (where concern over access to the Internet and online materials has overtaken concern for books and print journals), and the provision of student support services (tutoring, advising, and financial aid counseling).

Accreditation looks at an institution's financial circumstances because the warranty of accreditation implies an expectation that the institution will still be there when an entering student is ready to graduate. And it examines management and governance structure because those have a significant effect on the education provided.

The reality is that no one can guarantee the results of an educational process, if only because a key element is how the student engages in that process. The output or outcome measures that we have are crude and are likely to remain so for considerable time to come. For example, the percentage of students who graduate from an institution tells us next to nothing about the quality of the education those students received.

In the absence of a valid, simple, and measurable output, inputs can be useful proxies, at least for a bet. And in a sense, accreditation is a bet that, based on current evidence, the institution will continue to offer an acceptable level of quality in the education it provides.

In making that bet, accreditors consider inputs. For example, it is more likely that a student will learn chemistry well from someone who is an expert in chemistry than from someone who knows little chemistry. Admittedly, it is possible that the great chemist will be a terrible teacher, but it is much more likely that a great teacher who does not know much about chemistry will not teach it well.

Moreover, it is more likely that students will be well educated today if they have access to a rich array of Internet-based resources than if they have none. It is hard, though perhaps not impossible, to imagine a well-taught laboratory science course without a laboratory or terrific virtual simulations.

No system external to the institutions can provide serious quality assurance on an ongoing—in effect, daily—basis. What an external agency can do is make sure that an institution has demonstrated the capacity and will to ensure its own quality.

The inputs add up to an infrastructure that provides the capacity. The chemist, access to Internet-based resources, and laboratory are all part of that structure, as are a strong governance system and a regular practice of reviewing programs' effectiveness, among other things. Accreditation agencies have no particular interest in the status quo, but they approach with caution any radical elimination of the basic conditions that have underpinned sustainable institutions.

The inputs alone, however, are insufficient for quality assurance. The only real evidence that a collection of inputs works in any given case is performance. As an analog, take the construction of a new building. You can get a building permit based on detailed plans, but you cannot get an occupancy permit until the building has been built and passed all the inspections along the way. No one would want to allow a building to be occupied until it was proven to be safe. The analog in accreditation is not so readily grasped.

> "An institution must demonstrate not only the capacity to ensure its own quality, but also the will to do so: it must have a track record of internal quality assurance."

Accreditors will not admit an institution to candidacy until that institution has students enrolled, because some of the standards are based on what the institution does with students, not on what it plans to do. For example, accreditation standards require that institutions assess their students' learning, figure out from the assessments what students are learning well or failing to learn, and then do something to improve those outcomes.

A strong assessment practice is a crucial part of the institutional capacity to ensure ongoing quality. An institution cannot assess students' learning until it has students. Similarly, an accreditor will not grant full accreditation until an institution has graduated a class of students, because one of the things the accreditation warrants is that the institution has the capacity to graduate students. Finally, an institution must demonstrate not only the capacity to ensure its own quality—by putting in place appropriate processes—but also the will to do so: it must have a track record of internal quality assurance.

Accreditation demands evidence, and evidence must be based in accomplishment, not plans. Critics will argue that there are accredited institutions with records of accomplishment that are weak or worse. One can give credence to that claim without agreeing that an expectation of demonstrated accomplishment is a bad idea.

Back to the Problem

Thus, the barrier to innovative new institutions is accreditation, not because accreditation cannot deal with innovation but because it wants and needs time to assess innovation, if the innovation is actually new. The problem is that a new institution needs access to federal funds, and therefore to accreditation, right away. Accreditation holds considerable value for institutions aside from access to federal student aid funds, but the other aspects of that value are less urgent.

How, then, should these new institutions be accommodated? Some people who have faced the chicken-or-egg problem have tried to work around it, using one of the following two routes.

Accreditation by Purchase. The first route is to purchase an already-accredited institution in an arrangement in which the institution keeps its accreditation as it changes owners. One entrepreneur calculated that such a purchase was worth $10 million because that is the estimated cost of putting a new institution through the accreditation process.[3] This route has been successful for some.

Any institution available for purchase is probably small and in serious financial trouble. (There are also some large institutions in serious financial trouble, but usually, the larger the institution, the larger the fixed assets and therefore the higher the price.) Since the purchaser is unlikely to want a small fragile institution, whatever else the purchaser does, to continue business as usual is not an option. The purchaser's intention is to build something successful and quite large.

Institutions are accredited, however, for what they are at the time they are evaluated. This is not to say that they are limited to a defined category, but that the accreditation relates closely to the institution's mission. An institution with a mission to provide a liberal arts education to students who take their faith seriously is not accredited to be a major research university. A college that is entirely residential is not accredited to enroll tens of thousands of students through distance education. The accreditation is for that institution at that time and place.

Of course, institutions evolve, change, and grow (or shrink), but those changes are incremental. And when they are not incremental—when, for instance, an institution decides to branch into a new area, such as health care education—the accreditor requires a formal and often extensive review of the institution's capacity to sustain its quality in light of the proposed change.

> "If accreditation is going to say something works, it has to have taken the time to amass evidence that it works."

Experience taught accreditors that purchases of accredited institutions usually carried an intention to make major changes in the nature of the institution. Furthermore, accreditors learned that by approving these purchases with few or no conditions, they had inadvertently ended up accrediting an institution that turned out very differently from the one they had reviewed. This very different institution had not been subjected to the intensive process that warrants accreditation.

And so accreditors began to be more stringent in approving such changes of ownership and to add various conditions to their approvals—conditions that were not favorable to the intent of the purchasers, which was to buy the institution and then change it as quickly as possible. The whole process consequently became tainted with the phrase "buying accreditation," and the route became unattractive to all parties.

Accreditation by Association. A second, more complex route has gradually developed, for which the essential idea is that an accredited institution, probably a nonprofit, joins with a for-profit company or investor to create a joint-venture corporation.[4] The institution controls the joint venture by a majority interest and retains control of the academic part of the enterprise.

The investor's funds go to the ancillary parts of the enterprise (for example, renovation of aging dormitories or development of information-technology capacity) in a sort of one-stop outsourcing of functions that many institutions already outsource: everything, possibly, except the core business of instruction. Theoretically, the institution's accreditation extends readily to the joint venture because it is a venture of the institution, and the institution still controls its academic enterprise.

Of course, no model ever moves into practice with every detail intact. An adaptation may lack the clarity of ownership and control found in the conceptual model. The investor, who provides the money, may not be happy with a minority ownership in the joint enterprise. An adaptation may define as nonacademic things the accreditor believes are in fact at the academic core, such as, most problematically, a curriculum that is built into a learning platform.

The issue of the academic core is key. Accreditors allow instructional platforms to be outsourced across entire curricula and accept externally provided curricula, just as they have always accepted textbooks not produced by the institution's own faculty. But in so far as the instructional content and human facilitators of learning (be they called professors, tutors, or anything else) are provided externally, the accreditor wants to know that the institution uses its faculty's expertise to oversee those choices.[5]

In these relationships, the accredited institution must continue to oversee, evaluate, and, most importantly, be accountable for the programs. What federal regulation seeks, and what accreditors accept as reasonable, is to prevent a sort of laundering of programs from an unaccredited provider through the accreditation status of an accredited institution.

Thus far, most of the few attempts at accreditation by association have run into difficulties with the accreditation process. At any rate, this route does not provide a platform for launching an independent institution and would not be satisfying for the entrepreneur who wants to realize a particular academic vision through a new, independent college or university.

Changing Accreditation. Accreditation by purchase and accreditation by association cannot satisfactorily solve the chicken-or-egg problem. What, then, is the solution? Reformers have generally suggested that we change accreditation so that it can accommodate new institutions. Proposals of this sort have not been fleshed out to suggest how accreditation could warranty both higher education quality and unproven ideas or plans.

In other words, the conservatism of accreditation is essential to its role. If accreditation is going to say something works, it has to have taken the time to amass evidence that it works. That is one difference between accreditation and Consumer Reports. Both amass evidence, but the time constant is not the same. When Consumer Reports is confronted with a new car, appliance, or electronic gadget, it tests the new object. Those tests do not take much time; driving the car or running the dishwasher can be done in short order.

More like accreditation is the Federal Drug Administration's (FDA's) approval of new medications. Here, too, there have been complaints about timeliness to market, but there have also been enough adverse events to make the public sympathetic to lengthy testing; drug trials for FDA approval take several years.

Federal law distinguishes, for the purposes of providing access to federal student financial aid, between nonprofit or public institutions and for-profit institutions.[6] Whereas public and not-for-profit institutions are eligible to receive federal student financial aid once they are accepted to candidacy for accreditation, for-profit institutions are eligible only once fully accredited.

Candidacy periods usually range from one to four years, depending on the accreditor and the readiness of the institution to meet the standards for full accreditation. Furthermore, there is an additional federal requirement that institutions must be in operation for a minimum of two years before they are eligible for federal funds, regardless of their accreditation status. Thus, the chicken-or-egg problem is exacerbated for for-profit institutions.

Of course, the law and its accompanying regulations could, like accreditation, be changed. But it is not possible to both preserve the time test of accreditation and hurry up accreditation for new institutions. To drop the time test would be to drop the elements of an accreditation review that add up to some sort of proof. The outcome measures, as opposed to the inputs, require time to develop and assess.

If we are not going to change accreditation, then how might we solve the chicken-or-egg problem? Innovative practices can and do grow inside existing institutions. But this is not a matter of allowing for innovation; it is a matter of allowing for new institutions, which may or may not be innovative.

There are solutions for public universities. For example, a new campus can be incubated under the accreditation of the existing campuses or system so that careful timing of the parturition, as it were, of the new campus avoids any gap in students' eligibility for federal financial aid. There is no such possibility, however, for a new independent institution.

A Solution: Provisionally Approved for Federal Student Financial Aid

An alternative to changing accreditation is creating something else—not something to replace accreditation, but something that provides new institutions with a different path to eligibility to receive federal student financial aid until they can achieve accreditation.

To return to the construction analogy, if accreditation is analogous to an occupancy permit, then the system of higher education financial aid eligibility simply lacks an equivalent to the building permit. If America's construction system were similarly lacking, we would have no new buildings. We need a building permit for new institutions of higher education— specifically, one that provides access to federal student financial aid.

The permit should not be called "accreditation" or "accreditation" with any modifier, because there is too much risk of blurred understanding. It also should not be called "candidacy" or "preaccreditation" because those terms are already used in accreditation parlance with different meanings from what is intended here. Moreover, "incubation" has specific implications for those familiar with business and technology incubators, and "recognition" is taken by regulation as the term for what the Department of Education grants accreditors.

So, what term ought to be used to refer to an institution that is in a program that allows its students to receive federal financial aid even though the institution is not accredited? It might be best to sacrifice zip for precision: "provisionally approved for federal student financial aid."

If a new institution were to apply to undergo a process that results in its being provisionally approved for federal student financial aid, students attending such an institution would still bear some risk regarding the transferability of their credits should they seek to transfer, because acceptance of transfer credit is up to the receiving institution, and many institutions would likely not accept such credits.

There might be similar obstacles to students pursuing graduate studies upon completion of an undergraduate degree. Certainly, the institution would not enjoy the recognition and market advantage of being accredited. Thus, there are still risks for students and disadvantages for institutions, but the major problem of securing the funding to get the institution off the ground and eventually accredited is largely solved.

The provisionally approved status would not apply to courses or sets of courses that are not offered by a degree-granting institution. For one thing, there are thousands of such courses, meaning review and approval would need a huge bureaucracy. Federal financial aid was developed to assist students in earning a degree, not for short-term courses or continuing professional accreditation. A new policy to offer financial aid more broadly might be a good thing, but it would probably require letting go of any realistic notion of quality assurance.

The Process. The building permit analogy will take us a bit further. For a building permit, the builder must first submit detailed plans. Then, at every stage of construction, there is an inspection. Successful passage of each inspection is generally required before the builder can proceed to the next stage.

The approval process would begin with the institution submitting documentation of every aspect of its offerings and processes, including all the traditional inputs—for example, mission, resources, staffing, qualifications of staff, curricula, procedures for assessing student learning, processes for continuous organizational improvement, governance, and student support services. A positive review of this documentation would lead to permission to recruit students who have eligibility to use federal student financial aid at the institution. The standards for review would allow considerable leeway for experimentation but would be very strict on matters of integrity.

Under accreditation, an institution is reviewed at most, but not usually, every two years; generally, reviews take place no more often than every four years. Under provisional approval, the institution would be reviewed every year.

Under provisional approval, the institution submits updates to its original documentation every year, including any changes in practice or plan. The institution submits information on its marketing and recruitment of students, including website links, copies of materials, student search activities, and yields. The institution also submits data on student performance, including enrollment, persistence, completion, and, upon completion, employment or further study.

The institution is required to maintain detailed records as the basis for these data. It submits information on major categories of its budget (such as instruction, instructional support, management, recruitment, and admissions) and its most recent audited financial statement. The annual information is reviewed and either does or does not result in permission to continue receiving federal student financial aid.

The provisionally approved status is time limited. This status is the building permit that is currently missing: the institution must progress from the building permit to an occupancy permit. While the plans may be beautiful, the more substantive judgment of accreditation must at some reasonable point be brought to bear as an experimental period is withdrawn in favor of demonstrated quality.

Therefore, the institution is required to immediately begin seeking accreditation from a federally recognized accreditor. Nonprofit institutions must reach candidacy with a recognized accreditor within three years of receiving provisionally approved status, whereas for-profit institutions must reach full accreditation with a recognized accreditor within seven years of receiving provisionally approved status. After the requisite time period, the approved status lapses, being no longer of use. (The distinction here is based on the assumption that the difference in federal rules requiring for-profit institutions to be fully accredited will continue.)

Who Should Be the Agent? The description in the previous subsection refers to the institution's submission of documentation that is reviewed, but does not say to whom documents are submitted or who does the reviewing. There are a few possibilities for who can fill this role, each with its advantages and drawbacks.

Recognized Accreditors. Congress could add the opportunity to offer provisionally approved status to the scope of federally recognized accreditors. Other increases in scope have not proven complicated, and recognized accreditors have experience with the similar processes of accreditation.

Accreditors' existing infrastructure would mean that the activity of conferring approved status might add costs only at the margin, thus keeping the cost down for applicant institutions. It would be convenient and efficient for applicant institutions to deal with only one body for both provisional approval and accreditation, since they would be simultaneously maintaining approval and seeking accreditation, and an accreditor could create a smooth path from one to the other.

But there are also many drawbacks. Some critics of accreditation may perceive a conflict of interest in overseeing the provisionally approved status if granting the status is seen as a source of revenue.

More real is possible confusion among the public if the accrediting agency is the same agency conferring approved status. The accreditors may find it difficult to manage two very different regimens, since approved status requires much more detailed, continuous oversight but is also largely exempt from the outcome and process measures that are central to accreditation. An accreditor would have to stay very clear about the differences in expectations between the two statuses.

The Department of Education. Because at any one time there are likely to be few institutions seeking or in provisionally approved status, the burden on the Department of Ecucation would not be great. Whereas it is likely that allowing accreditors to confer approved status would mean that several different accreditors would seek (and gain) such authority, with the department as the single actor, there appears greater likelihood of consistency—or, at any rate, people would assume that there was consistency.

Moreover, given the financial stakes involved, the relative immunity of federal actors to hostile legal action might be an advantage. Finally, the distinction between accreditation by private organizations and governmental approved status would be fairly clear: access to federal student aid is one thing; accreditation is another.

But here too there are drawbacks. From an accreditor's point of view, provisionally approved status is not a demonstration of quality but of certain preconditions for quality. But no one else would see it that way.

Consequently, this federal role would represent the apparent entry of the federal government into determining what constitutes quality in higher education—an entry that would be widely resisted as inappropriate. And if department officials enjoy certain legal immunities, they are vulnerable to political influence and shifting winds. Lastly, even if the department is the best option for an agent, this idea would have to overcome widespread reluctance to increase governmental responsibility for activities that can be undertaken in the private sector.

> "A provisionally approved status for student financial aid would give new institutions what they need to get started and earn accreditation."

A New Nongovernmental Agency, or a Few of Them. Congress could authorize the US secretary of education to recognize one or more nongovernmental agencies that would be established to confer provisionally approved status, much in the way the secretary now recognizes accreditors. These agencies would have to be nonprofits and independent of any educational enterprise, as accreditors must be.

Were the secretary to narrowly limit the number of such agencies, there would be greater probability of consistency. With only one such agency, however, the secretary would be challenged to offer an alternative in the event that it appeared necessary to withdraw recognition. On the other hand, there might not be enough business to support more than one agency, and possibly not enough to adequately support just one.

Other Existing Entities. An alternative that would alleviate some of these difficulties would be for the secretary to recognize other entities—rather than an agency or agencies whose sole activity would be to confer provisionally approved status—that would do this work in addition to their current business. Regional accreditors, as it happens, were not originally established to accredit but were organizations of colleges and schools that over time took on accreditation.

For example, EDUCAUSE might be recognized to confer approved status for online institutions, the Council of Independent Colleges might be recognized for on-ground institutions with a liberal-education bent, and existing professional accreditors might be recognized for new, independent professional schools in fields such as medicine, law, or engineering.

There may be no perfect answer to the question of agency. The solution may be hybrid, such as offering the additional scope to recognized accreditors but limiting it to a small number of them and subjecting the authorization to added scrutiny by the department.

Conclusion

A provisionally approved status accomplishes a fair amount relatively simply. It requires congressional authorization but does not require Congress to change much existing legislation. It removes the Department of Education from the currently untenable situation in which it organizes conferences to support innovation while imposing a “two-year rule” barring access to federal funds for new institutions.

Furthermore, creating this status sustains the integrity of the accreditation process: It puts an end to the demands that accreditation change its standards or procedures because they stand in the way of new institutions. It lays to rest the canard about accreditation and innovation. And it allows accreditation to continue to be a warranty for proven capacity and practice.

Finally, a provisionally approved status gives new institutions what they need to get started and earn accreditation. With this clear avenue to federal student support, innovators interested in starting an institution will not resort to various workarounds, prevarication, or subterfuge. It solves the chicken-or-egg problem simply, transparently, and honestly.

Notes

I wish to recognize my indebtedness for the general concepts in this paper to several conversations with my former colleague, Karen L. Solinski, vice president for legal and governmental affairs at the Higher Learning Commission.

1. The case was complicated, but at its core was the question of whether Altius Education, which operated Ivy Bridge College, was part of Tiffin University and thus under its accreditation umbrella, or a largely independent entity not controlled by Tiffin but benefitting from Tiffin’s accreditation as though it were. Ultimately, Tiffin withdrew its application for recognition of the Altius entity by the accreditor and agreed to cease the joint operations. See Doug Lederman, “U. of the People Earns Accreditation, Challenging View that Agencies Stifle Innovation,” Insider Higher Ed, February 17, 2014, www.insidehighered.com/news/2014/02/17/u-people-earns-accreditation-challenging-view-agencies-stifle-innovation. The remainder of the article, which is focused on the recent accreditation of University of the People by the Distance Education and Training Council (DETC), defends accreditation’s history of responsiveness on the basis that DETC did after all accredit University of the People and based on the various sorts of

innovation accreditors have accepted, such as direct assessment of competency in place of conventional credit hours.

2. Since 2008, institutions have been required to verify that the student in a distance education course who gets the credit is the student who did the work; no parallel requirement exists or has ever been contemplated for students in on-ground classes with hundreds enrolled. In 2014, the US Department of Education proposed revived and revised rules requiring states to apply extensive approval processes for distance education provided by out-of-state institutions.

3. In response to the question, "Why not just start a school from scratch?" Michael Clifford responds, "We had to do appraisals on what regional accreditation is worth for Wall Street, and the independent appraisers came up with a number that a school was worth $10 million, because it costs $10 million, 10 years, and a 50/50 chance of success to obtain regional accreditation." See "Interview: Michael Clifford," PBS, May 4, 2010, www.pbs.org/wgbh/pages/frontline/collegeinc/interviews/clifford.html.

4. This strategy was first described by Michael B. Goldstein. See Michael B. Goldstein, "Cracking the Egg: Preserving the College While Protecting the Core," *Trusteeship* 18, no. 1 (January/February 2010), http://agb.org/trusteeship/2010/januaryfebruary/cracking-egg-preserving-college-while-protecting-core.

5. This is not required in 100 percent of cases. For many accreditors, programs provided through a contractual relationship with an external provider require no specific approval if the external provider offers less than 25 percent of the program. Accreditors will generally approve at between 25 and 50 percent (such approval is required by federal regulation) and may also approve beyond 50 percent in certain circumstances, though they will then warn the institution that the program will likely not be eligible for federal funds.

6. See 20 US Code, Section 1001: "[T]he term 'institution of higher education' means an educational institution in any State that . . . (4) is a public or other nonprofit institution; and (5) is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an

institution that has been granted preaccreditation status by such an agency or association that has been recognized by the Secretary." See 20 US Code, Section 1002: "[T]he term 'proprietary institution of higher education' means a school that . . . (D) is accredited by a nationally recognized accrediting agency or association recognized by the Secretary . . . and (E) has been in existence for at least 2 years."

AEI on Campus, Higher education accreditation system, Higher education reform, Student aid, US Department of Education