

# States Should Drop Accreditation Requirements for New Colleges

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## Key Points

- Most states require private degree-granting universities to gain recognition from an accrediting agency to operate.
- Accreditation is a significant barrier to entry in higher education. Accreditors force colleges to bear substantial costs but are not an effective quality control.
- States should allow colleges to operate without accreditation if they satisfy other state regulatory requirements and adopt consumer protections.

Accreditation is a major barrier to higher education reform. In a bid to reduce the agencies' power over state universities, Florida and North Carolina have passed laws requiring public colleges to periodically change accreditors.<sup>1</sup> Florida Governor Ron DeSantis spoke for many policy-savvy conservative leaders when he declared that you can trace university ideological capture "all the way to the accreditation cartels."<sup>2</sup> Florida even filed an unsuccessful lawsuit alleging that the entire system of accreditation is unconstitutional.<sup>3</sup>

Constitutional or not, accreditors are an administrative anomaly: private nonprofit agencies that nonetheless possess life-and-death power over higher education. To maintain federal funding, universities must satisfy the administrative requirements and whims of these unelected entities. Would-be startup colleges have to jump through accreditor-designed hoops simply to operate.

But states can deal a blow to accreditors' power. To reduce college costs and promote innovation in higher education, states should drop accreditation

requirements for new and existing colleges that otherwise satisfy the conditions for state authorization.

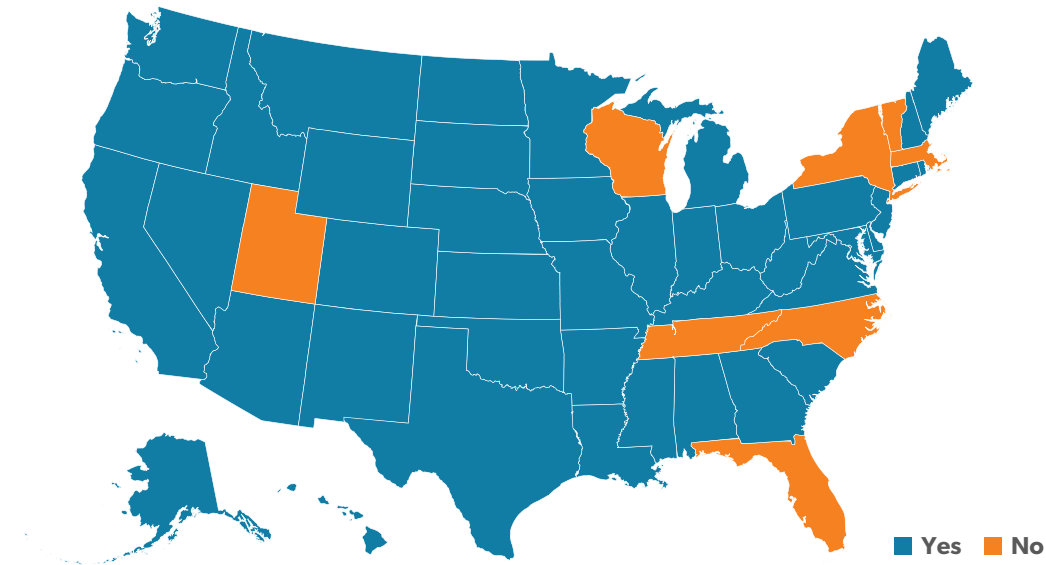
## Accreditation Keeps the Higher Education Market Stagnant

The higher education market is static. Just 1 percent of four-year college students attend a school founded in the 21st century.<sup>4</sup>

In theory, rising demand induces more firms to enter. Yet even as college enrollment has increased by about 30 percent in the past 30 years,<sup>5</sup> the number of colleges has declined.<sup>6</sup> Economic theory holds that when demand rises but new firms don't enter, incumbents raise their prices. No wonder, then, that tuition has increased by 80 percent at private colleges.<sup>7</sup>

In theory, a triad of regulatory entities controls entry into the higher education market: the US Department of Education (ED), state authorizing entities, and accreditors. Yet in practice, ED and states outsource their responsibility to accreditors. ED requires colleges to be accredited to access federal student aid, while

**Figure 1. Is Accreditation Required for Private, Nonprofit, Degree-Granting Colleges?**



Source: Compiled by the author from state authorization agency websites and National Council for State Authorization Reciprocity Agreements, <https://nc-sara.org/guide/topic-search?topics=182>.

authorizers usually require colleges to be accredited simply to exist. The triad, then, is in truth a monad.

Accreditors present significant costs to new colleges. In addition to fees, which can run into the tens of thousands of dollars,<sup>8</sup> complying with accreditation requirements may demand thousands of hours of staff time. One analysis of accreditation’s direct and indirect costs finds that each accreditation cycle sets a college back more than \$300,000.<sup>9</sup> Accreditors have an incentive to make barriers to entry steep: Most accreditation commissions are full of representatives from the incumbent schools those accreditors oversee.<sup>10</sup> Few businesses want to make life easier for their would-be competitors.

Moreover, there’s little evidence that accreditation makes for effective quality control. All major accreditors approve of hundreds of degree programs at their member institutions that typically yield no return on investment for students.<sup>11</sup> Accreditors rarely sanction schools for poor student outcomes such as low graduation rates or high student loan default rates.<sup>12</sup> Accreditors also pressure colleges and universities to adopt left-wing policies, such as expanding diversity, equity, and inclusion offices.<sup>13</sup> Despite all this, most state governments—including those in red states—

continue to lean on accreditors to set standards at the colleges they authorize.

## Accreditation’s Role in State Authorization

State authorization is typically the first point of entry for new colleges seeking to enter the higher education market. Institutions usually need authorization just to call themselves “colleges” or “universities” and enroll students, even if they have no interest in seeking taxpayer funding through student aid programs. Each state operates one or more agencies that authorize institutions seeking to offer higher education in the state.<sup>14</sup>

These authorizers impose varying requirements, such as faculty qualifications and student-faculty ratios. Authorizers usually also insist on certain consumer protections, such as tuition-refund policies and a procedure for handling student complaints. Assessments can take anywhere from a week to over a year.<sup>15</sup>

Most states require accreditation as a condition of state authorization. In 42 states, regulators require private, nonprofit, degree-granting colleges to be accredited as a condition of authorization (Figure 1).<sup>16</sup>

Many states grant new institutions provisional authorization and then give the school limited time to secure accreditation. For instance, the Texas Higher Education Coordinating Board gave the University of Austin, a startup college, provisional approval in October 2023. The institution now has until 2031 to secure recognition from an accreditor; if it fails, the school could lose permission to operate.<sup>17</sup> Accreditors, therefore, have veto power over not only federal aid but also a college's very existence.

Some states don't even permit provisional approval. Oklahoma, for instance, bars unaccredited institutions from offering degree programs or even "degree-related instruction."<sup>18</sup> In practice, new institutions respond to this by partnering with existing institutions—that is, by asking a competitor for permission to launch.

Even in states that don't require accreditation to operate, accreditation still factors in. In Tennessee, for instance, accredited institutions can apply for an expedited authorization process, which allows them to bypass some of the state's other requirements for authorization.<sup>19</sup>

## States Should Decouple Authorization from Accreditation

Barriers to new colleges inflate tuition and reduce innovation, and accreditation is the most formidable of these barriers to entry.

Theoretically, accreditation is voluntary. Though colleges must be accredited to access federal student aid, institutions with no interest in taxpayer funding could—in theory—enroll students and grant degrees without accreditation. In practice, however, this is vanishingly rare. Even colleges that famously operate outside the federal student aid system, such as Hillsdale College, are still accredited per state requirements.<sup>20</sup>

By contrast, the postsecondary education market is more dynamic for nondegree-granting schools, where accreditation requirements are less common. Non-degree programs operating without accreditation (or federal student aid) have lower tuition than similar accredited programs, with no apparent difference in quality.<sup>21</sup>

This leads to a simple proposal: States should no longer require accreditation as a condition of state authorization. New institutions should be allowed to operate

even if they lack accreditation and have no plans to seek it. Existing institutions should not be required to maintain their accreditation to maintain authorization.

Institutions seeking federal student aid would still be required to earn accreditation, and states could preserve accreditation requirements for state-based financial aid programs. But schools that don't want taxpayer funding shouldn't have to face the ordeal of becoming accredited. If students and other private actors wish to spend their own funds at unaccredited institutions that satisfy other regulatory and consumer protection requirements, they should be free to do so.

State authorizers should ensure that approved colleges—accredited and unaccredited—implement credible tuition-refund policies and develop teach-out plans, which would allow students at closing institutions to finish their programs.<sup>22</sup> Policymakers might consider requiring colleges to pay into common funds that will make students whole in cases of fraud or closure, as 17 states currently do.<sup>23</sup>

New colleges that don't have to worry about accreditation will see lower startup costs and could pass these savings on to students. But new colleges will also have more freedom to innovate, as their critical first few years could be spent making a new educational model work rather than trying to satisfy the cookie-cutter formula of a given accreditor.

Removing the pressure of accreditation will give new colleges breathing room to build up a track record of success in their early years. New institutions could then point to a solid performance record if they do eventually decide to apply for accreditation. It is quite likely that many new colleges would end up applying for accreditation at some point—but they could make that decision on their own terms.

Granted, dropping accreditation as a requirement for state authorization will not transform things overnight. Schools operating without accreditation will still be at a disadvantage, even if they can operate legally. For one, lack of access to federal student aid puts unaccredited schools on an uneven playing field. Students will likely be wary of unaccredited schools for additional reasons: A degree from one of these institutions may not satisfy the requirements for professional licensure or graduate school admission, among other things.

But conservatives who wish to break the accreditation cartel must begin somewhere. Schools could carve out niches and demonstrate viable business models even without accreditation. If a critical mass of states drops accreditation requirements for authorization, it could inspire other entities to relax their own accreditation requirements. Even if accreditation remains a corner of the regulatory triad, such a movement might force accreditors to reform themselves to remain relevant.

## About the Author

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## Notes

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## Conclusion

Conservatives see little value in the accreditation system—and rightly so. Yet most states, including deep-red strongholds, continue to require colleges to gain accreditation simply to exist—even if those schools have no interest in taxpayer funding. Simply repealing this requirement can deal a blow to accreditors’ power to shape higher education while lowering costs and catalyzing innovation.

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