

**APPENDIX B – MEETING TRANSCRIPT OF THE PERSPECTIVES ON FEDERAL  
AND STATE INTERESTS PANEL**

MS. BAUM: Thank you. I'm Sandy Baum. I'm an economist and a higher education policy analyst. I'm not here representing the views of any particular interest or any organization or constituency, and unlike most of the people here, I am not an expert or deeply involved in the accreditation process. So I'm not quite sure what the motivation is, but I'm an expert on student aid, and so I'm going to focus more on the questions of Title IV, eligibility, than on the accreditation issue.

I'm not, I don't have specific things I want to tell you I think you should do, but I would like to take a step back and think from the perspective of an economist about what is sound public policy and how should we be thinking about this area.

I would say that one of the things we have to think about is the difference between accreditation and Title IV eligibility. It's not clear that the principles -- I mean there are basic principles, but they don't apply necessarily the same

way to these two issues, and I think a lot of people in this room have very different views about these two issues.

We need to think about whether they're based on principles or are based on interests. But the federal government certainly has an obligation to use taxpayer funds efficiently and to protect consumers when market forces lead to socially undesirable outcomes, and there are many reasons why it is in the national interest to think about this hard in the field of higher education, where there are many market failures.

We think of markets as generating efficient outcomes, but that's true if and only if very stringent conditions are met in those markets.

Two very relevant ones for this situation are externalities, that the producers and the consumers would have to get all of the costs and benefits of the activity. Not true for education for sure, and also perfect information, certainly not true for information.

So the consumers have to understand the

characteristics of what they're buying. They have to understand how the products and services produced by different firms compare and the prices they'll pay. Not a description of higher education.

Students can't buy one, try it, buy a different brand next time if they're not happy with the outcome, and there's enough opportunities actually for producers in this market to provide thorough and accurate information. They don't have repeat customers.

Once students make a choice, it's likely to take them a long time and a lot of payments before they learn the true properties of what they've bought. So this is not a perfect market. There are other markets in which the federal government works hard to both provide information and regulate what is available to consumers.

The Food and Drug Administration is a good example of this. We want to make sure not only that people don't buy drugs that will do them harm, but actually you have to prove that your drug or have good evidence that the drug will help people before

it goes on the market.

Students aren't likely to die if they choose the wrong college, but that said, it is pretty difficult for them to understand the quality of what they're buying, the appropriateness given their particular characteristics. It's not a yes or no as is the case with drugs. It might be great for some students but not for others, and we don't have licensed and highly trained doctors to help students make choices about institutions.

So we do allow consumers to buy products that we know are harmful. Cigarettes carry warning labels, though not against the law. We allow people to buy them, but we don't give them vouchers to buy cigarettes. We do give people vouchers to buy higher education, and certainly we should have some control over how those vouchers are spent.

No matter how much information we give students, many students are not going to be in a good position to judge the qualities of all of the institutions that they can choose from, and they do need protection from harm, and they do need assurance

that they're buying a quality product.

It would be great actually if consumers could have their quality education and then make the decision about what to buy. They might be better positioned to do that. As it is, information can go a long way, but it's not going to solve all the problems. We've made some good progress. The idea that we now tell people who throw out the facts are, what the graduation rates of the institutions are.

That's a good step. But we know that that's a very imperfect measure. That's just -- the way we measure them is imperfect. It's not enough. the Congressional mandate about net price calculators are on all institutional websites. That's a move in the right direction, but in the short term it's going to generate a lot of confusion, and it's going to be a long time, if ever, that we get that right.

So we should certainly require institutions to be clear about what benefits student gain, how those benefits are reflected in their experiences later in life. But there are not any information requirements that are ever going to make

it possible for students on their own to make good choices.

It's very hard to draw the line. It's not simple to say what's a good college, what's not, when are you getting your money's worth, when are you not. My daughter just graduated from a very expensive liberal arts college, where she majored in studio art, and she has no interest in making a living as a studio artist. I'm sure she could if she wanted to.

But we didn't think we were buying that. She didn't think that, I didn't think that. The institution didn't say you're going to get your money back by being a printmaker. So that was a decision made wisely and the benefits of the education are going to be long term.

So how do you differentiate between that and a short-term gothic arts program that's much cheaper, but that is specifically designed to train somebody for that occupation, and then doesn't place people in that occupation? It's not an easy thing to draw these lines, but we do have to figure out how to improve student decision-making. Market forces won't

do it on their own.

And postsecondary education is an investment. We're all here because we think it's an investment that's very valuable. It has a very high rate of return on average to students, and to society, but it's very risky. If we only subsidize the students who have a very high probability of success, then we would be missing all educational opportunity.

And we shouldn't subsidize students to play the lottery. We might have politically, political differences about whether we should prevent people from playing the lottery, but we shouldn't subsidize people to play this lottery, and that's what we're doing if we don't have regulations about which institutions can get financial aid, and if we don't help students more to make these decisions.

Warning labels are important, but warning labels are not enough in this situation. Thank you.

CHAIRMAN STAPLES: Thank you very much, and I appreciate your respecting our time limitations.

MR. LONGANECKER: Wow, Sandy. I'm Dave Longanecker. I'm the president of the Western Interstate Commission for Higher Education, WICHE, located in Boulder, Colorado. My career has been sort of spent about half in state policy and government positions, and about half in federal policy and government positions. So I bring that perspective to you today.

What I lay out in my comments are three dilemmas that I think accreditation faces today, as it seeks to be seen or as others seek to have it seen as a modern forum of quality assurance. The first dilemma I mentioned are the issues around the validity of the process, and I talk in my paper about the content validity issues and the face validity issues.

Now validity is sort of a nifty statistical concept. What it really means is that whether something good is something good -- there's something good at what it was supposed to be good at doing. That's essentially what the validity issues are about.

Now the first of those on the content side that I talk about is that there are really three areas in that, and the first is that the process of accreditation still as it exists today focuses almost exclusively on process issues, somewhat more on outcomes than it used to, but still even in that area, it focuses on whether they have processes for determining student learning outcomes, not really whether they really aren't held accountable to those student learning outcomes.

The proof of this is if you look at the actions that are taken, the consequential actions against institutions, they're almost always on issues around governance or finance or curriculum. They're very seldom on whether students learn what they need to know and be able to do them. So I think that's one of the content validity issues with respect to accreditation.

The second is the pass/fail nature of the process, in which everybody passes. And that's simply not one that leads to the relative evidence of success of different institutions. The third content

validity issue is the accreditation teams, and we've heard about the usefulness of professionals making professional decisions.

In fact, these are professionals, but they're not necessarily making professional decisions. They are not professionally trained evaluators or assessment experts. They're regular folks from the faculty and the professoria, and from the Academy, and they're making very serious decisions about the adequacy of the enterprise.

They're not well-trained to do that, and they have a potential conflict of interest, in that they are the foxes in the hen house, if you will.

The third is -- the final thing on content validity has to do with the face validity, and here you've got sort of two very different issues. For some, accreditation is the gold seal of approval. I mean the students, many state governments, others say it's an accredited institution. It must be okay, and it must be pretty good. That simply may not be a legitimate assessment.

For many other skeptics, people like

myself, the issues around content validity and the lack of transparency in the system raise questions about the efficacy of the accreditation process and the legitimacy of quality assurance.

So there are issues on both sides.

Certain people who perceive themselves to be experts have lots of issues. Those who don't pretend to be experts believe the system is a quality assurance process, and we play it both ways in the higher education community.

While we talk about it as being self improvement, and that's its real reason for being and what we're trying to do, we also use it to make sure that we are compared favorably as institutions, comparing our institutions with the most prestigious institutions in the country. After all, we have the same measure of quality assurance as they have.

So the second dilemma is the issue around transparency, and Peter talked about this. The lack of transparency, the fact that it is primarily a private enterprise, makes suspect the efficacy of the process.

We used to rely on -- we believed in higher education, and we trusted that accreditation did that. In the modern era of accountability, that simply doesn't pass muster. We have to have much more evidence in front of us for people to accept the efficacy of a process, and we simply don't have that kind of transparency in our quality assurance process in higher education.

It not only erodes that level of trust that existed in the past, but it doesn't give us strong features of what the quality is that we're talking about. Second, with regard to transparency, the pass/fail nature of it simply doesn't pass muster as a modern quality assurance scheme, which gives you an idea of just how good something is.

We're all familiar with consumer reports, and the quarter circles, the half circles, the full circles and the three-quarter circles. We don't have anything like that in higher education. So we don't have anything that talks about the differences. We say differences are great, and I think they are. But differences good and bad we ought to be able to know

about, as well as differences between missions.

The third dilemma is the issue around costs, and both Peter and Judith talked a bit about this. One of our dilemmas is really it is a fairly costly process right now, except for it doesn't cost us much, because the costs are really opportunity costs.

We take a great deal of resources within institutions to do the self-assessments. Those are resources that could be dedicated to other purposes, and in order to do the assessment, we invite people for almost nothing to do in as the accreditation teams, again, an opportunity cost.

But the result is we get pretty much, I would argue, what we're paying for in that regard. So it's both too expensive and not expensive enough a process. The solution is not to abandon accreditation. It's simply too important and too valuable a system, and the answer is also not reverting to one of its role or the other, quality assurance or quality improvement.

I believe that the quality improvement

process is a pretty good system. I'm not as keen on it as some of the people on the previous panel, but I think it's a good process per se, and needs some tweaking. But what we don't have is the public accountability piece, and I believe within the accrediting community we should separate those roles, and we should have a quality assurance process that is not a lot different than what we have today, that focuses a great deal on process because it can tell us a good bit about that.

Then we should have separately a quality assurance component that focuses almost exclusively on outcomes, what did students learn, do they graduate and do they succeed after they graduate, those kinds of measures.

In that process, we should have a distinction between those that are exceptional institutions, those that are pretty good institutions on average, those that are not all that great but they're okay, they pass muster, and those that are abysmal.

If we have a system like that of quality

assurance, I believe we would be in much better shape than we are today. So the solution is not to abandon, but to change the system. I think I mentioned to some people in discussion one of the dilemmas we have today is I could have given the same presentation 20 years ago, when people were thinking about the amendments of 1992 and what we should do, and in fact a lot was done, but not much change occurred. Thank you.

CHAIRMAN STAPLES: Thank you very much.

Hans?

MR. L'ORANGE: Good morning and thank you for the opportunity to address the committee. I'm Hans L'Orange. I'm Vice President of the State Higher Education Executive Officer, SHEEO. For those of you who are not familiar with SHEEO, we're the non-profit National Association of the Chief Executives of Governing and Coordinating Boards for Postsecondary Education.

Our members have responsibility, varying levels of responsibility for more than 1,500 public institutions, and given the more than 10 million

students enrolled in these institutions, our members are very concerned with and involved in the questions before the Committee today.

I'd like to begin with three broad core policy areas that are critical to framing any discussion on the direction of higher education in the coming years. First, both global economic competition and providing essential individual opportunity require that we expand successful postsecondary participation and completion.

Second, as you've already heard, higher education needs to be more accountable, and to do this, we need to examine very closely what higher education as a whole is accountable for, and where accountability policies will be the most effective.

I'd also add that we at SHEEO feel very strongly that accountability is really a statement of shared responsibility. We all have a role. There's institutional responsibility for accountability, state, federal, faculty, students. This is a shared responsibility.

Third, interwoven with these two core

issues are questions of rising costs, resource limitations and essential investments. Higher education is on a price curve that is not sustainable, and we can't expand participation while maintaining quality without more cost-consciousness and cost-effectiveness.

These three complex policy issues are at the heart of any discussion of recognition, accreditation and aid eligibility. As I stated, we all have roles to play, and I'd like to share the SHEEO perspective, the state perspective on some of these.

First of all, states, along with the federal government, have an obvious and direct interest in the operation and integrity of federal Title IV programs. These programs are one of the primary means for expanding and broadening student access to higher education, and within the states, Title IV programs combine with institutional funding, tuition policies and state or institutionally funded financial aid to encourage students to enroll and complete.

Second, federal policy should continue to acknowledge the many ways through which states already monitor and ensure the legal, financial and educational integrity of programs and institutions operating within their jurisdiction.

It's important to remember that states have differing structures, policies and processes for these purposes, including licensing or approval to operate, periodic program review or other approval processes, financial review and other fiduciary roles, and laws designed to provide consumer protection or prosecute fraud.

Regardless of these differences, however, states are the direct owners and operators of a significant share of the postsecondary education represented by public colleges and universities, and they take very seriously their proprietary interest, as well as their interest in educational outcomes and improved quality of life within the states.

Third, state roles in program review and approval, financial review and consumer protection compliment rather than replicate or substitute for

the roles played by accreditors. A 2009 paper from the Oregon Office of Degree Authorization outlines the legal history and basis for state actions, including some of the things that Peter talked about, and the link to that is in my submitted paper.

It's this official state action that distinguishes legitimate degrees from those granted by what we might call degree or diploma mills. Both accreditors and states perform functions that help to maintain the integrity of academic programs and institutions which students receive Title IV funds.

Fourth, states have a very direct interest in the effectiveness of the broader quality assurance triad, to which the federal government, voluntary accreditors and states all contribute. To function well and meet public needs for quality assurance, the three legs of the triad must work in concert rather than in competition.

This requires mutual recognition and understanding of their respective roles, which in turn requires open channels of communication, greater public transparency and more frequent collaboration.

It really is too much to expect the accreditors, the states or the federal government alone to bear the full burden of strengthening the quality of higher education, and collaborative partnerships and open communication are needed to navigate these tricky issues.

The federal government needs to take into account the effects these decisions can have on the other partners in the quality assurance triad, and the potential for impacting educational quality and policies at the state level. As an example, changing existing consumer information guidelines or adopting FTC guidelines for one or more types of education providers will impact state consumer protection functions.

Sixth, the expansion of online and multi-site postsecondary programs provided by non-profit and for-profit institutions operating nationally and internationally is a particular challenge to states' jurisdictional responsibilities. To be clear, I'm not saying these institutions don't have a role, they shouldn't be functioning.

I'm just saying the reliance of these institutions is in fact an interesting challenge for all of us. Rapidly-changing technologies and educational delivery modes suggest the need for some rethinking of the related roles of the federal government, the accreditors and state agencies.

From the state perspective, the primary challenge is to maintain an appropriate balance between enhancing access to programs such as these for its students, on the one hand, while continuing to provide consumer protection and exercising essential fiduciary roles for the institutions on the other hand.

Seventh and last, the national marketplace for postsecondary education is likely to continue to expand, driven by public needs as well as the expansion of national providers. With these developments, it appears unavoidable that institutional participation in Title IV programs must require action by states to license or otherwise authorize institutions wishing to offer postsecondary education in each state.

This is essential given the duties and responsibilities of states to their students and residents, and in light of their roles in promoting access and quality in higher education. Some additional clarification of state roles is appropriate, including a requirement for positive state action to authorize institutions, after determining their ability to meet minimum standards.

Through such means, respecting the principles outlined above, the essential structure of the quality assurance triad involving distinct but mutually supportive roles of the government, the states and voluntary accreditation can and should be strengthened.

Ultimately, we all share the same goals, and SHEEO appreciates the opportunity to be part of this conversation. Thank you.

CHAIRMAN STAPLES: Thank you very much. I appreciate all of your presentations. Questions from members of the Committee?

COMMITTEE MEMBER ROTHKOPF: I have maybe two questions. The first one, both you and Sandy and

you David talked about the need for greater transparency. I mean I think that was implicit, Sandy, in your comments.

I'd be interested in what areas you think ought to be disclosed and available, and right now, for many institutions, even the accreditation report is not available. I think it's generally available for public institutions and not for the, in the independent college area really.

So I guess I'd be interested in one, what sorts of information do you think needs to be part of that transparency, and then two, for you David, when you say that we need a separate quality assurance process, who would administer that process?

MR. LONGANECKER: On the first part, I've really changed my perspective over the years. I used to believe that the accreditation report should be public. But I think that there is real value to the ability to be more candid, with a report that is not made public.

Now for all practical purposes, you're right. In the public sector now, they are public,

because they've been told they'll be public. But that's not universally the case. I think what does need to be public is the performance of the institutions, and the performance on its various missions.

If it is a primarily undergraduate or student instruction-oriented institution, it should be on the success of those students. Do they, what share of them complete their education in one form or another? Did they learn something in the process? Do they have strong -- is their student learning outcomes assessment process valid, and externally validated?

Is it -- as a result, are they achieving their goals? Are they competitive with their reasonable peers? So I think on student learning outcomes, that should be very public, and should be very clear to regular consumers what it means.

We're doing some of that now for things like the voluntary system of accountability and transparency by design, some of those different activities. But those happened outside of

accreditation, not inside the Academy.

So I think that that's, and if it's a research institution, is it doing research, and does anybody else consider what it's doing, research, besides its own faculty. Those, I think, are the kinds of things that should absolutely be public, and I believe when I said a separate process, I believe that separate process should be managed and covered by the accrediting bodies.

I think the accrediting bodies should have two responsibilities. One is the internal quality assurance and the quality improvement, and that should be akin to what's done today, improve, what they do today, and the second should be that they should have a responsibility to grade these institutions on the extent to which they are reaching their mission, in a way that makes sense to regular folks, the consumers.

So that that gold seal of approval is in fact a reasonable seal of approval for a consumer. Is that responsive?

COMMITTEE MEMBER ROTHKOPF: Thank you.

Just let me ask maybe the two of you, what about things like for institutions where there are licensure requirements to go forward, say an engineering program. Should the pass rate on licensure be made available, so we can tell whether or not that institution was performing that function?

MR. LONGANECKER: Absolutely.

COMMITTEE MEMBER ROTHKOPF: Or admissions to medical school, law school, graduate programs, information, so that the consumer, and I know faculty don't like to talk about students as consumers, but so that the consumer knows before he or she applies what results are being obtained in the mission?

MR. LONGANECKER: I would say absolutely, and I think while that's a necessary, it's not a sufficient condition. The reason I say that is that many of those areas in the traditional college are the ones that the most able students are playing in.

So an institution can look a lot better than they might be if you're looking at those kinds of things, because many of the areas in which students are going don't have a similar outcome. But

I think those are very good measures.

MS. BAUM: So all of these things should be made public that David has mentioned, but when we say "clear to consumers," I mean that's almost impossible. I think we have a real problem and we have to be very careful when we dictate what information should be made public.

Because for example, graduation rates, right? So we all know the problems with measuring graduation rates, and how do you adjust the graduation rate so that somebody could actually compare institutions, when you know that the incoming, the characteristics of the incoming students, makes so much difference.

Price. I mean this effort at net price calculators. It would be great if you could go to an institution's website and at least find out their sticker price, which is very hard to do. But figuring out their net price and figuring out the net price that applies to you, it's not so simply to say make it clear.

Learning outcomes? I mean we should have

this debate. As a faculty member, I mean I long resisted measuring learning outcomes. Of course, we should do our best to measuring learning outcomes. But there's not going to be a number and a ranking of individual institutions that you can provide to students.

We have to be careful to be describing rather than to be just ranking institutions, I think, and we have to be very clear that we need to learn more about how to measure these things and how to describe them, and like test pass. I mean look at students who go to great law schools, we know, are less likely to pass the bar, right?

So just take something like that and think how do we really measure what students learn and how they succeed.

MR. LONGANECKER: If I can jump in on something, where I might disagree a little bit. This is actually where I think that second role of the accrediting bodies could be good.

You know, when I read Consumer Reports, and I'm looking at the different automobiles,

dreaming about what I might someday buy, I can get a pretty good sense on various issues where they stand.

But that's not based on any particular measurement. It is a judgment made by the professional staff for Consumer Reports, based on the information they have before them. We do this in higher education in a couple of other areas.

Gosh, whenever we want to borrow money to build a building, we go to Standard and Poor's or Moody's or Fitch, and they take a look at the information and some, I think pretty wise folks--I've done a lot of bonding in my time--and pretty critical folks look at those and they decide whether that's going to be a Triple A bond, Double A bond, junk bond, whatever, based on what they see in front of them.

That makes a difference, and we don't really very -- we wish we got a better rating sometimes, but we can't really argue with the logic that they used in putting it together. That's where I think having a new role, probably one that costs a little bit more than we do today, with professional

staff making some judgments, would be useful from the accreditors, so that we knew who was doing an exceptional job, who really needed to do some work.

COMMITTEE MEMBER ROTHKOPF: Thank you. I might add that when the information goes to Standard and Poor's and Moody's, it's kind of under penalty of law. So the CFO signs it and you can trust it.

I think a lot of data that schools put out sometimes on their websites are of dubious value, because they're put out by the Admissions Office and the PR Department. So I think that's maybe another feature. Thank you very much.

MR. L'ORANGE: That's exactly the challenge. I mean Sandy made reference to the fact that how do you make this information accessible to consumers? It's an inside baseball conversation when we talk about accreditation. There are well-informed, highly educated parents out there that have no idea what the term "accreditation" means.

There's a reason why U.S. News and World Report's annual issue on the 100 Best Colleges is one of their best-sellers. So finding that balance

between in fact having correct data from an unbiased third party observer, in a way that is accessible to the public, I think, has to be a critical part of this process.

CHAIRMAN STAPLES: Art, and then Jamie.

COMMITTEE MEMBER KEISER: Thank you folks for your very interesting presentation. Sandy, I'm just confused, because a good part of your presentation was talking about establishing standards so the market can make good judgments.

I assume that's what you were saying, and at the same time, your daughter went to a school and had nothing, and graduated, and had no intention of meeting that outcome that was originally suggested.

That's the trouble we face here, in that education's not a commodity in which you can -- any one school is alike or any one accrediting agency's decision, or anyone's specific decision made is alike.

When we tried, at least when the government tried to create a common set of standards which we thought would be easy, that being the

SPREES, I sat on the SPREE panel, and given the job of looking at what a definition of a retention rate was, and we had the for-profit sector had one rate at 50 percent; the community colleges had a qualified rate of 32 percent; the voc techs had a qualified rate at 20 percent; and we couldn't agree.

We submitted to, and in fact I think you were the Assistant Secretary then, we submitted the applicable state law and the government rejected that. But that's a problem in coming to an agreement of what should a college be for a particular student. How do you respond?

MS. BAUM: Well, one thing is I think that maybe I wasn't clear enough when I used the example of my daughter. The fact is that it was very clear. No one suggested, I mean she didn't pay all that money, I didn't pay all that money because the goal was for her to be an artist and make a living that way.

The institution doesn't claim that that's what it produces. That's not what people are buying when they go there. Some institutions do produce

vocational training; others don't.

I think we have to be careful not to measure the outcome of a liberal arts education by its vocational training in a specific area. That's just -- there are different missions for different institutions. I think that's very important.

I think what I'm saying like what should be regulated and when can the market work, the market obviously is never going to work perfectly. No amount of information we provide will make it be that way. We have to put some minimum standards on and protect students from using federal money to buy things where there is virtually no chance of success.

Where you draw the line, that's complicated. So but there are certainly standards that have to be applied for where students can spend federal money, and I think that's a very different question from just saying how do we make the market work.

COMMITTEE MEMBER KEISER: So if you take that logic in the program your daughter went to, which was an art program, and if we put a standard on

that institution saying federal dollars should go to programs which produce a return on investment for the government, we should not fund those kinds of programs?

MS. BAUM: If you look at any highly selective liberal arts college, you're going to find that the graduates of those institutions do just fine, and it's a very good investment for them. It's just that if you measured it as whether they are employed in their major, that would be a bad measure.

They're not, that says a very different thing. But they have a very high rate of return. I'm not worried about them. Let's just not get a measure that isn't appropriate to different kinds of institutions.

CHAIRMAN STAPLES: All right, Jamie.

COMMITTEE MEMBER STUDLEY: Since this panel is rich in people thinking about the state leg of that somewhat tippy three-legged stool, how does the role of the state--I think you have more clarity on it than I do? I'm still groping for what the states want to do, could do, should do in this. But

as I do that, I see the whole environment changing.

So what is an appropriate and feasible state responsibility as institutions and the transmission of post-secondary education changes so radically with regard to any kind of border containment? Every graduate, every business graduate school I know seems to have a location in some either warmer or more populous or wealthier or just other community.

I trip over Johns Hopkins and Columbia in San Francisco unexpectedly, and the airwaves beam knowledge all the time. So how do you think about what states should do, and I know at least Hans and David must have experience on that.

MR. L'ORANGE: It is a balancing act. I think there's an acknowledgment that the providers that are crossing state boundaries are providing a valuable purpose. I mean they're making opportunity available to students, and we are fully supportive of that, encouraging that.

The potential troublesome line comes in if institutions are in fact offering opportunity that

doesn't meet the standards for quality that the state feels are appropriate, given that they're operating within that state. The concern is not with the major providers, the folks that are well-known, that are across the country, have high qualities of standards, and they are in fact not at issue with the states.

Where we get a little more concerned is the institutions that show up that only have a post office box in a state. They're offering "an education from that," and the interpretation is "from that state," and in fact they're just a diploma mill.

So finding that line between the quality institutions and the institutions that are, I'll use the term "fly by night," is a responsibility that the states do in fact take on. They want to make sure that it is in fact quality that is being offered.

CHAIRMAN STAPLES: David?

MR. LONGANECKER: If I can jump in on that one, two things I'd say. One is that there is a new federal requirement that the states are responsible for overseeing an institution that is delivering, whether it's on the ground or in the air, and that

will go into effect on July 1st of this year, and many of the states are trying to figure out how in the world they will respond to that level, given that's applying itself to now maybe 1,000 institutions in the country that might be delivering in their arena.

So that one's -- this is a very serious question right now within the higher education community, as to how the states will respond. A cavalier response would be the states have 50 different views on this, and that's -- but it's not quite that bad.

I think there are three different general, generic ways in which the states respond. Many of the states, most of the states are very serious about regulating the level of quality of the institutions offered in their state, and they have reasonable oversight systems to do that.

They aren't all contemporary, but they take the job seriously. They've in the general in the past focused on those that had a physical presence in the state, and not those that had an

ethereal presence in the state.

There's a second group that don't give a damn. California is one of those. California, their regulation of for-profit institutions is basically a function of getting a business license. That's a state that educates about 15 to 20 percent of the students in the United States, and a sector that has a very large for-profit sector, and that has relatively no oversight of that sector for all practical purposes.

Then there are a group of states, and I work with a lot of these, that take this job seriously, but really don't have critical mass to do it well. So they work at it, but they don't have the capacity. You take a state like North Dakota or South Dakota or Montana or Wyoming, where they've got a few schools that they oversee today.

They really don't have a critical mass and resources enough to monitor a large influx of institutions. So while they believe they're doing well, they want to do well, you don't build up a major infrastructure to oversee three or four

institutions, which is what they might be talking about today, and what they've got today certainly isn't capable of dealing with what they're going to have on July 1st.

MR. L'ORANGE: This is where the relationship between the states and the accreditors continues to be important, because again, North Dakota wants to provide access to their students. They want to provide opportunity to their students. They don't have the ability to ramp up a huge infrastructure, but they want to have some sort of acknowledgment or satisfaction that the opportunity being offered is in fact valid and the students aren't being taken advantage of.

CHAIRMAN STAPLES: Larry?

COMMITTEE MEMBER VANDERHOEF: This follows quite nicely in the comments that were just made. I wonder if you, any of you, could talk some more about this, just the general concept of quality improvement. It's something that it seems to me is very easily identified by the institution. But when you get out into groups of institutions, there are

all kinds of definitions of what quality is and what improvement is.

Where do you think that should end up? Are there going to be specific recommendations or specific requirements for quality improvement? I wonder how you think about that. Everybody seems to accept it as a natural, but what do you think?

MR. LONGANECKER: Larry, I think that's a tough one. You probably, you and I are roughly the same age, so I suspect you and I have zen on the quality of motorcycle maintenance, or zen in the art of motorcycle maintenance, and it was really a sort of a long discussion about what quality is.

You know what it is, but you don't know what it is. But if you don't know what it is, then for all practical purposes it doesn't exist, but it does exist. So on and on you go around this. That's, I think, the dilemma with quality improvement, is that we heard in the last about how we have the best system of higher education in the world and the best quality improvement or quality assurance system in the world.

I don't know how we know either one of those. I mean I say that in my speeches, but I can say that because we don't measure either one of those, and nobody can prove me wrong.

(Laughter.)

MR. LONGANECKER: I think this is one of the dilemmas we have with quality improvement. The process, and I really believe that self improvement process is a really good process for us. But if it's so great, why do we have the results of the Social Science Research Institute's results from the last few weeks, that showed that a lot of students don't gain critical thinking skills in college.

Why do we have graduation rates that seem impermeable to change? Why do we -- I mean there are a lot of questions about our system that I think really we need that system, but we probably need what Peter is talking about, which is more discipline and rigor around what it is we mean.

It doesn't mean everybody has to be the same. We self-select as a group within our community the peers that we associate with, and we could be

measured against those peers. That's sort of what we're doing with VSA and transparency by design and some of those other systems.

But we've got to have something that we can hang onto, that's more than just self-referential, I think, as we move toward this, to get a sense of whether we're good or not so good or getting better or not so good.

MS. BAUM: I think it's important to make a distinction between setting minimum standards and general ongoing improvement, because every institution, every organization, every firm should constantly be engaging in improving its quality, and there's no way to say anybody is beyond that, any institution is perfect.

On the other hand, and we can't define that. It's very hard to measure, and many of the complaints about measuring learning outcomes come actually from institutions that think we're so great that how could we measure this, and whose students would pass most, you know, measures when they come in.

It is probably harder to measure in those cases, but necessary for improvement. But that doesn't mean that we can't set minimum standards. It's hard to draw bright lines, but there are cases where we all know these standards aren't being met, and those examples tend to be in the limelight and they should be.

But it doesn't mean that just because you can say you're not meeting minimum standards that every institution could be ranked all along the hierarchy. We can't rank every institution, and that isn't what we should think of as measuring or improving quality.

MR. L'ORANGE: I think we also need to be careful there's not a single measurement, as you pointed out, that Sandy made reference to multiple and different missions, and acknowledging the different missions as a critical part of this. I think it does come back to some common data definitions, some common data standards, that we know that we're talking about the same thing when we're discussing graduation rates, for example.

I think the idea, the whole concept of quality assurance and revisiting what an institution is doing is just as applicable as it is to what many of us go through with staff assessments. My Office of Staff Assessment is not what did you do wrong last year, but what are you going to do different next year?

I think having the forward-looking view at improving quality is a critical part of the process.

CHAIRMAN STAPLES: Anne will be our last questioner. All right, Anne.

COMMITTEE MEMBER NEAL: First with David and then with Sandy. So we heard it here. You're saying that the Good Housekeeping seal of approval is really duping the public, that it is not an accountability measure or an indication that an institution is producing educated students. Am I right on that?

And second, and I want to talk about as you look at Consumer Reports and some of these other avenues for providing consumer information, I note that these are actually voluntary systems that are

functioning in the marketplace, that give you information as a consumer, as to whether or not one car might be better than another.

So I'm wondering maybe we can't, we can get the government out of this. We can let the accreditors do their job, provide information to the consumer voluntarily, and get away from the problems that we're seeing with accreditors as enforcers, where we go to the lowest common denominator, and allow the market to work through voluntary systems that will help parents and students decide what car or what institution they'd rather have.

MR. LONGANECKER: Well, I'm going to break my rule about transparency. I didn't really mean to say that we're duping the public. We're just not fully informing the public with the process. What we've said is this is an adequate institution. What they believe, as we've said, this is a good institution.

That's, I think, one of the differences that I think we have to make it clearer. For the common public, when they hear an institution is

accredited, they think it's got thumbs up. What we know is that some of those are kind of here, and we know that because it's a death knell if we cut them off, some of them aren't actually very good, but we hope they'll get better, and we're trying to help them get better.

That doesn't help the public understand the difference between this. A week ago I saw a report out that was condemning one of the for-profit institutions, claiming that it should be cut off from federal, and saying how dare it say it's as good as - - I think it was Yale or Harvard.

Well, the reason it can say that is it has exactly the same quality assurance measure. It's accredited. So it's not inappropriate for it to say what is true. There's no distinction in that regard between those various institutions.

On the voluntary system, a couple of points. One, as you know, it is a voluntary system. Institutions don't have to be accredited. They chose whether to be accredited or not.

COMMITTEE MEMBER NEAL: Well now is that

really the case?

MR. LONGANECKER: No, that's not really --

COMMITTEE MEMBER NEAL: Of course not.

MR. LONGANECKER: Of course not. We could go that direction. I'd prefer not to go that direction for what Sandy was saying. The federal government has to have a viable system of assuring quality. Today it tries to do that through the partnership, the triad partnership of the states, the accreditors and the federal government's role.

I believe that the accreditors do the best job on the true quality and should be able to do the best job, and would do better than the government would, or do better than the states would, quite frankly. Now I've worked most of my life in the states, and I believe very significantly in what they do. But it's real variable.

So I think accreditation is still our best bet as a mandatory voluntary system that it is today.

COMMITTEE MEMBER NEAL: But let's pursue that a minute, in terms of the federal interest, in

terms of the federal interest in protecting the taxpayer dollar. I think we all agree --

MR. LONGANECKER: Well, and the students that are served, the citizens that receive the federal service.

COMMITTEE MEMBER NEAL: So we want to protect the federal dollar, and obviously we hope that that student will be benefitted by the use of that federal dollar. Why would it not be reasonable to allow there to be a basic financial certification, some kind of financial audit for an institution in terms of its financial viability and solvency, and then permit the institutions themselves to report on certain key factors, such as things that you've mentioned, graduation rates, how they do on various normed examinations?

So that the public would have that information. It would be supplied by the institution. You would not need a vast accrediting intervention unless the institution wanted it, and you could potentially hold the institution on the line. If it certified inappropriately or

erroneously, then it could be sued for fraud. Why not try a system along those lines?

MR. LONGANECKER: I'd rather go back to basically what Sandy said. In a perfect market environment, I think that would work great. But we have lots of market failure and we have lots of evidence of market failure in higher education, and we have a lot of marketing that creates the market failure in higher education, and I just don't have trust that that would lead to informed consumer behavior.

That would be fine if we put a caution on the cigarette pack, and didn't give them a high subsidy. I think when we provide the kind of resources to students, we're also providing that kind of resource to providers, and it wouldn't, I don't believe, lead to a self-regulated system that was a viable system.

COMMITTEE MEMBER NEAL: So a consumer could make a mistake, and we don't want that to happen. So we want to regulate Sandy, as I understand it, because information is never enough.

We need to regulate to protect the student or to protect the family from themselves?

So I'm wondering, but since I know you also are concerned about cost, when I look at what Shirley Tighlman has indicated to us, she says there's evidence that "The cost of this regulatory system that we have now, which we are hearing is not adequate, and is going through an accreditation review that's been escalating at an alarming rate, it's become common for institutions to report that the cost of preparing for a decennial review exceeded a million dollars, and occupied hundreds of hours of staff time.

"One institution reported a 250 percent increase in costs over the last ten years. Few university presidents believe that this effort is even remotely commensurate with the benefit that the review provides to the institution," and I should add to the student.

Is this a cost and a regulation that's benefitting both the taxpayer and the student?

CHAIRMAN STAPLES: Sandy, just before you

respond, that's going to have to be our last question for this panel, just because -- and you can answer it, because we don't want to encroach too much on the next panel. Thank you.

MS. BAUM: We're not just protecting consumers from themselves. We're protecting consumers also from producers who have, in an industry where market forces do not lead to necessarily efficient outcomes. We never think that market forces necessarily lead to equitable outcomes.

But in this case, the idea that you could just publish lots of information about institutions and all these young people and people who do not have a high level of education could make wise choices based on this imperfect information, is just unreasonable.

It's a decision that we think is more important than, you know, what brand of bread you buy. So we don't let consumers buy cars that aren't safe and die, and then you know. I mean so in other words, we let consumers choose among cars, but with minimum safety standards.

It's very clear that students, all you have to do is listen to the stories of students who have made choices, spent lots of time and money, and it's not simple to just make a different choice next time. It's just impossible that only information throughout the whole scheme, just if you're financially viable, would be sufficient.

That doesn't mean we should be assigning students to institutions, and there could easily be institutions that we would think should continue to exist, but not get federal funds. I mean if somebody wants to pay for something, that's fine. But as taxpayers, we shouldn't be paying for something that has such a low probability of success for students that we can predict it being a waste of money.

CHAIRMAN STAPLES: I want to thank you very much. That was very engaging discussion again, and we really appreciate your time and your comments. At this time, I'll move right to our next panel. I would like to invite -- oh, I didn't see that.