

25 Ways to Reduce the Cost of College

#23: Reform Accreditation to Reduce Barriers to Entry

Abstract

Accreditation is an information device. Schools that are “accredited” meet at least minimal standards of quality. Unaccredited schools likely have weak academic standards, and some might even be diploma mills that simply give away degrees in return for a cash payment. It is widely accepted that the certification of minimal standards is a generally good idea, but there are legitimate concerns that the existing system of accreditation is far from optimal.

There are two major types of accreditation organizations –regional accreditors that evaluate entire institutions, and subject specific accreditors. Strong arguments can be made that the current organizational structure of accrediting agencies is flawed (as in having seven regional accreditors instead of one national one, for example). Historically, these agencies have focused on inputs, not outcomes. Because federal financial assistance is tied to accreditation, the accrediting agencies are gatekeepers as to who can offer higher educational services. The cost of achieving accreditation is often high, a big barrier to entry to new, smaller schools. The organizations also may suffer from major inherent conflicts of interest, with their governing boards often made up largely of representatives of organizations that they accredit. This may explain why new approaches to educational service delivery have trouble winning accreditation (the firm StraighterLine comes to mind). Accreditation also provides very limited information—schools are either acceptable or unacceptable, with no graduations in between. Their operations are highly secretive and non-transparent, with details of accrediting reports not available to the general public.

A good accreditation system would provide vastly more information to the public. It would require the accrediting organizations be governed by those without any vested interest in the results. It would be outcome-based, not input-oriented. We do not “accredit” auto makers, house-builders, or appliance makers, because there is adequate information on the quality of their products provided by independent third parties. The system works well for them. Maybe conventional accreditation needs to be replaced with a vast information system giving consumers, taxpayers, and donors information that would allow for more intelligent decisions.

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The purpose of accreditation is to ensure that the education provided by colleges and universities across the country adhere to certain standards, and in doing so ensure a minimally acceptable level of institutional quality. The federal government originally granted the accreditation agencies gatekeeper responsibilities over financial aid coffers in an effort to protect consumers (and the taxpayer's money) from subpar institutions offering bogus degrees. While reasonably effective at this task, the accreditation process has developed into a system that is plagued by structural problems that have resulted in a number of adverse outcomes.

We've identified three main structural characteristics of higher education accreditation that lead to negative outcomes: it is a monopolistic system; it is self-regulated and maintains secrecy on the part of nearly all participants; and it is essential to gain access to federal student financial aid programs. There are a number of negative outcomes that arise from these characteristics, namely, the suppression of innovation, the restriction of competition, and the prevention of information from reaching the consumer. These problems have contributed to the rising costs of college.

A brief history of accreditation is necessary to identify how we arrived at this strange system that is inundated with perverse systemic effects. After describing the structural characteristics and their resulting cost-inflations, we will propose some reforms of the accreditation system that will promote competition, innovation and a free flow of information in order to overcome the barriers that are currently in place.

A Brief History of Accreditation and How it Works

As it stands today, accreditation is a process that most people do not understand and is often taken for granted. Few realize that for many years universities operated outside of any federal regulation and even those that were accredited belonged to voluntary groups that used the process mainly to distinguish themselves from other institutions; it was analogous to a trade union or private club rather than a near universal mandate of academic life as it is today.

Accreditation developed from a need in the late 19th century to define what qualified as a college-level education and as a means to distinguish among institutions that provided it and those that did not. Colleges thus formed voluntary membership associations and established common definitions and admissions processes.⁵⁶⁵ In the early 20th century, these regional associations began to establish institutional standards in regard to faculty size, length of educational programs, library size, and largesse of endowments which applicants were required

⁵⁶⁵ Elaine El-Khawas, "Accreditation in the USA: Origins, Developments and Future Prospects," International Institute for Educational Planning, 2001.



to meet in order to gain accreditation.⁵⁶⁶ Accreditation decisions were based on information provided by the institutions themselves, a process that for the most part continues today.⁵⁶⁷ Accreditation status soon became a signal to the public that an institution was of high quality, distinguishing it from its competitors and providing an incentive for colleges to seek accreditation voluntarily.⁵⁶⁸ Accreditation in the late 19th and early 20th century was, in essence, membership in an exclusive club that adhered to a certain degree of collegiality and secrecy.⁵⁶⁹

Accreditation Linked to Federal Aid Programs

The accreditation agencies were modest in the beginning but quickly expanded as post-WW II America began shifting societal priorities from war to education and social change. One of the biggest shifts occurred with the Veteran's Readjustment Assistance Act (popularly known as the Korean GI Bill) in 1952, which provided Korean War veterans with financial assistance to attend college. With this legislation the federal government began recognizing accreditation agencies that were charged with determining which higher education institutions were eligible to receive federal funding. This assignment of responsibilities was a result of what was perceived as a lack of effective oversight with the original GI Bill passed in 1944, in which institutional eligibility was determined by state recognition of a school. It has been suggested that lax state oversight created an incentive for opportunistic operators to take advantage of the public's generosity, and a number of complaints of abuses were reported.

Rather than create a new federal agency in charge of oversight of the program, a public-private partnership was formed with the regional accreditation agencies that were already in place and had experience in providing exactly this type of service. Overnight, voluntary regional associations offering certification that distinguished one college over another were changed into agents of accountability charged with protecting taxpayer's money from fraud. It was a monumental change that allowed accreditation agencies to control which institutions would be seen as legitimate, and which would not. Thus, the 1952 GI Bill marked the beginning of the structural characteristics of accreditation that would develop over the next half century and remain intact today. It is doubtful that lawmakers nearly 60 years ago envisioned the unintended consequences that would result from their decision to appoint the accreditation associations as gatekeepers.

⁵⁶⁶ James F. Bemis "Regional Accreditation." Understanding Accreditation: Contemporary Perspectives on Issues and Practices in Evaluating Educational Quality, 1983; Elaine El-Khawas, "Accreditation in the USA: Origins, Developments and Future Prospects," International Institute for Educational Planning, 2001; George Leef et. al, "Can College Accreditation Live Up To Its Promise?" American Council of Trustees and Alumni, 2002.

⁵⁶⁷ Elaine El-Khawas, "Accreditation in the USA: Origins, Developments and Future Prospects," International Institute for Educational Planning, 2001.

⁵⁶⁸ George Leef et. al, "Can College Accreditation Live Up To Its Promise?" American Council of Trustees and Alumni, 2002.

⁵⁶⁹ Kevin Carey, "Asleep at the Seal: Just How Bad Does a College Have to Be to Lose Accreditation?" Washington Monthly, March / April 2010.



The accreditation association's powers would be expanded with passage of the historic Higher Education Act (HEA) in 1965 that created Title IV funding –the precursor to today's federal financial aid programs. The federal government's role in financing college was no longer limited to veterans who served the country in a time of war, as the bill would expand its financing of college education to low and middle-income students by making government scholarships, loans and work-study opportunities available.⁵⁷⁰ The 1965 HEA would pick up where the 1952 GI Bill left off in assigning the accreditation agencies oversight responsibilities. With a much larger pool of permanent taxpayer money on the table, institutions which may have previously survived without accreditation now had a huge incentive to seek it so as to gain access to the program funds that would enable a greater number of low and middle income students to pay for college.

The HEA would be reauthorized in 1972 and again would expand the federal government's role in financing postsecondary education, as well as increase the importance of accreditation. First, the 1972 bill would increase the government's role in the financing of higher education by developing a number of new programs, including Basic Grants (now called Pell Grants), State Student Incentive Grants, as well as chartering the Student Loan Marketing Association (Sallie Mae) to increase the liquidity and capital availability of the government's Guaranteed Student Loan program that was established in the 1965 HEA.⁵⁷¹

The 1972 HEA would also increase the importance of accreditation for colleges of all types. The bill substituted the term "postsecondary education" for "higher education", and in doing so, would open the federal coffers to not only traditional colleges and universities, but also to institutions that offered vocational and/or technical educational training.⁵⁷² That is, so long as they were accredited by a federally recognized agency. By this time however, another group of accreditation agencies—known as the national accreditors—began to position themselves to take advantage of the federal programs.

The national associations, which have historically offered accreditation services to the proprietary and career college sectors, realized that their survival would depend upon their ability to help their members gain access to the federal student aid programs. So the national associations fought to become recognized by the federal government. As they gained recognition, they also gained membership applications from unaccredited schools eager to gain access to federal funds. Shortly after the passage of the 1972 HEA bill, it was estimated that less than 15 percent of proprietary institutions were accredited.⁵⁷³ Today, nearly all proprietary as well as all public and not-for-profit private institutions are accredited.

⁵⁷⁰ T.H. Bell, "Increasing Access to Postsecondary Education – The Federal Role," Paper presented to the International Conference on Education of the International Bureau of Education, 29 August 1975.

⁵⁷¹ Lawrence Gladieux, "Federal Student Aid Policy: A History and an Assessment," Financing Postsecondary Education: The Federal Role, October 1995.

⁵⁷² Ibid.

⁵⁷³ JH Jones, "Proprietary Schools as a National Resource," The Future in the Making, (San Francisco: Jossey-Bass) 177-181.



The Title IV financial aid programs created in the 1972 HEA remain the primary mechanism for many college students to finance their postsecondary education, making accreditation a vital aspect of the postsecondary education market. The federal government's role in financing college has continued to grow since the 1972 HEA bill. It expended nearly \$110 billion on its various aid programs (not including tax benefits) for the 2008-09 academic year, including nearly \$84 billion for its loan programs.⁵⁷⁴ This is 288 percent more (in inflation-adjusted dollars) than was spent on federal aid programs the first academic year following the 1972 HEA reauthorization (1973-74). This growing pile of taxpayer money has become an essential means for many students to pay for college, and access to this funding is protected by gatekeepers - the accreditation agencies.

The Monopolistic Structure of Accreditation

As college education spread across the U.S., the accreditation community became organized by region, with separate agencies responsible for the accreditation activities within a given region. This divisional assignment of duty became known as regional accreditation and persists to this day.

There are currently six regional accreditation agencies; each assigned a specific geographic area to operate, which comes with a guaranteed customer base. These are the same six agencies that were originally recognized by the federal government in the 1952 GI Bill and the same ones who have retained this authority with passage of the later HEA acts that would expand the federal government's role in financing college education. Since regional accreditation is considered to be the gold standard of accreditation,⁵⁷⁵ these six agencies have essentially been awarded regional monopoly power by the federal government.

In the beginning of and throughout the middle 20th century, regional organization likely made practical sense, as transportation and communication costs were relatively high. Having what Milton Friedman termed a "technical monopoly" may have even been the most efficient means of organizing accreditation due to the economies of scale derived by forming agencies that were assigned to accredit the colleges in a given region. But as the costs of transportation and communication have declined significantly with technological advancements in the late 20th and early 21st century, and as the diversity of colleges has continued to evolve, the argument for regional monopolies in accreditation has diminished. In fact, the presence of this monopolistic structure in accreditation has created a number of negative consequences that are traditionally associated with monopolies.

⁵⁷⁴ "Trends in Student Aid 2009," The College Board, 2009.

⁵⁷⁵ While colleges can seek accreditation from national accrediting bodies, regional accreditation is considered the best.



Accreditation is a Self-Regulated Process that Operates under a Veil of Secrecy

Accreditation is largely a self-reporting process in which colleges compile a report about themselves to be reviewed by accreditation representatives, who are often officials from other universities, to determine if all of the agencies standards have been met. These reports contain a wealth of data including information on the curriculum, the finances, and even student learning outcomes. Much of this information would be very useful to students, parents, and policy makers, but in the interests of encouraging colleges to share information and data about themselves freely, virtually all of this information is kept secret. In other words, college accreditation is in many ways self-regulation. As a consequence, “People from the outside have always perceived accreditation as being a closed circle of good old boys winking and nodding – a mutual back-scratching society.”⁵⁷⁶

That the results of the accreditation investigations are generally kept completely private and confidential casts a veil of secrecy that covers institutions from outside eyes. What information, if any, from the accreditation process that gets publicized is left to the discretion of the colleges. When given the choice, universities gladly boast about things that show them in a positive light, while censoring things that are negative.

Rather than providing a transparent measure of quality, accreditation only confers a pass/fail notice to the public concerning its findings during accreditation review. If a college meets the bare minimum standards, then it receives a passing grade. If not, then it usually receives probation. This provides the public with virtually no information about a given institution’s relative quality, other than whether it is greater than the established bare minimum threshold. Yet, this certification allows a college to be portrayed as being on par with the highest quality of institutions. For example, the New England Association of Schools and Colleges confers the same accreditation certification to both Ivy League schools and community colleges. Exacerbating this problem is that fact that very few colleges have actually ever had their accreditation revoked.

This is a major failure on the part of the accreditation community. The details collected about institutions during the accreditation process and decennial reviews are kept secret, denying the public much-needed information about the quality of the thousands of colleges in operation. Keeping secret the information that it collects and uses to determine eligibility for federal financial aid programs is a disservice to the public and prospective students. This benefits the institutions by allowing them the privilege of not having to compete for students based on educational quality or value added. This information may not even have been collected, but even when it is, it is kept secret. This lack of transparency results in students and policy makers basing their decisions on artificially limited information.

⁵⁷⁶ Kay McClenney, The Chronicle of Higher Education, 1995.



Colleges are Reliant on Accreditation

Colleges must seek and maintain accreditation if they want to “indirectly receive large amounts of free government money” that comes with Title IV eligibility. With the accreditation agencies serving as gatekeepers of the growing federal support of college, it comes as no surprise that nearly every college and university is accredited in the U.S. today – those that fail to obtain accreditation generally succumb to financial ruin. Meanwhile, the financial solvency for those that are accredited is very nearly ensured. This relationship has made accreditation agencies the de facto regulators of the postsecondary education industry.⁵⁷⁷ With the accreditation agencies having been charged with protecting the interests of the consumer as well as the public’s money, the public has come to perceive accreditation as a sign of legitimacy and quality, and often associates unaccredited institutions with diploma mills that sell worthless pieces of paper. Most institutions would have serious trouble remaining in operation without accreditation and the federal dollars that are at stake, leading some critics to suggest that, “To lose accreditation would be a devastating and perhaps fatal blow,”⁵⁷⁸ and liken de-accreditation to the “death penalty” for a college.⁵⁷⁹

The exception tends to be small, religious based universities with an educational platform based on ministry and evangelism. Such faith-based institutions often have statements that embrace the fact that they are not accredited by the government approved agencies, but instead seek their legitimacy from a higher authority. For example, West Coast Baptist College (WCBC), with an enrollment of less than 1,000, openly embraces its lack of accreditation with a statement on its website from its president that reads, “There are several reasons for this decision [not to seek accreditation], not the least of which is my belief that the local church should have no approving agency over its ministry.”⁵⁸⁰

Negative Outcomes of Accreditation

Currently, college accreditation is a monopolistic, self-regulated industry that operates under a veil of secrecy. This industry has been granted the privilege of serving as gatekeeper to billions of dollars in government student aid programs that colleges have become reliant on. This structure has produced a number of negative outcomes that work against providing an affordable and productive higher education system.

⁵⁷⁷ Kevin Carey, “Asleep at the Seal: Just How Bad Does a College Have to Be to Lose Accreditation?” Washington Monthly, March / April 2010.

⁵⁷⁸ George Leef et. al, “Can College Accreditation Live Up To Its Promise?” American Council of Trustees and Alumni, 2002.

⁵⁷⁹ Kevin Carey, “Asleep at the Seal: Just How Bad Does a College Have to Be to Lose Accreditation?” Washington Monthly, March / April 2010.

⁵⁸⁰ “What About Accreditation?” West Coast Baptist College, 15 March 2010, <<http://wcbc.edu/academics/accreditation>>.



First, accreditation serves as a barrier to entry that can discourage new institutions from entering the market. Second, accreditation suppresses innovation, working against modernization and the adoption of new ideas and new technology. Third, the secretive process allows valuable information to be withheld from the public, skewing student and policy maker decisions. Lastly, accreditation imposes unnecessary costs on colleges.

Accreditation Serves as a Barrier to Entry and Restricts Competition

The accreditation process is structured in a manner that serves as a barrier to entry for new schools. In order for a college to gain initial accreditation, it is common practice for agencies to require a college to undergo a self-study process to evaluate its institution for a period of two years or more before the agency will evaluate it and make an accreditation decision.⁵⁸¹ This process is complicated by accrediting agencies' requirement that schools seeking initial accreditation be operational with students enrolled in degree programs (some agencies require a graduating class) before it is eligible for accreditation⁵⁸²; however, a school must obtain authority to grant degrees from its state, which often requires that a school have enrolled students and offered classes for a period of two years or more prior to being eligible to receive authority to grant degrees.⁵⁸³

This process is a classic catch-22 scenario because institutions have trouble enrolling students without accreditation due to the stigma of possibly being a diploma mill as well as the fact that prospective students are not eligible to receive federal financial aid. The lack of students in turn means that such institutions are unable to receive authority to grant degrees by the state which in turn means that they are unable to obtain accreditation. This circular process is a huge barrier to entry that has severely restricted new institutions of higher education from emerging. Two main loopholes have become exploited to get around this circular process: purchase an already accredited school or get an accredited school to start a new program. Entrepreneur Michael Clifford has suggested that regional accreditation has a fair market value of around \$10 million to an acquirer, as that is the amount that it would take to start a regionally accredited college, a "process that could take up to ten years and has only a 50-50 chance of success."⁵⁸⁴

By imposing barriers to entry for new (and potentially better) colleges to become accredited, the existing schools face less competition than would likely develop if the market was more open. Competitors armed with new models of delivering high quality education and determined to compete on value have thus far been restricted from becoming serious players in the college

⁵⁸¹ "Institutional Accreditation: An Overview," The Higher Education Learning Commission, 2007 (see for example).

⁵⁸² "Becoming Accredited: Handbook for Applicants & Candidates for Accreditation," Middle States Commission on Higher Education, 1 March 2009 (see for example).

⁵⁸³ "Summary of Procedures about Applying for Degree-Granting Authority in Texas for Nonexempt Private Colleges," 14 January 2010, <www.theccb.state.tx.us/reports/pdf/0338.pdf>.

⁵⁸⁴ 587 Daniel Golden, "Your Taxes Support For-Profits as They Buy Colleges," Bloomberg, 4 March 2010.



education market. This is unfortunate for students, who would benefit from the increased quality and value that normally accompany greater competition.

Accreditation Suppresses Innovation

The regional accreditation agencies generally utilize a one-size-fits-all approach to certifying the quality of colleges and universities in order to determine their eligibility for the government student aid programs, utilizing common standards and a peer review process that nudges all colleges in the same direction, regardless of size or unique mission. These standards, tucked inside a system that operates in secrecy, inhibit colleges' incentive to seek innovative ways to offer quality education services that might reduce their costs. For instance, a hypothetical college wishing to utilize technology to create a 100 percent cyber-library or experiment with new teaching techniques might be punished by its accreditation agency if the new additions were not compliant with the standards.

Rather than encouraging experimentation that could potentially offer lower-cost educational options to students, accreditation pushes huge inefficiencies onto colleges. It does so by incentivizing them to continue to emulate the Ivy League residential campus model, rather than pursue a different approach to higher education that might involve less (or no) central campus meeting facilities. This Ivy League model is increasingly cost prohibitive for many schools.

The case of StraighterLine, which has been unable to obtain accreditation for its courses, offers a prime example of the resistance that revolutionary methods will likely continue to face. StraighterLine is an online school that offers unlimited introductory level coursework on a subscription basis. Students can take unlimited courses for a \$99 monthly flat fee, plus a \$39 per course fee. All of its courses are facilitated by instructors with advanced degrees in their field and the curriculum is provided by the textbook giant McGraw-Hill (the same textbooks often used in traditional schools). In addition, students have 24/7 access to live online tutors. StraighterLine is able to utilize its strictly online platform to reduce its costs, with the savings passed on to the student.

Unfortunately these courses originally could not be counted towards a degree because StraighterLine is not a university in the traditional sense; it lacks the departments, faculty, bureaucrats and libraries required by the accreditation agencies. Seeking a way around the accreditation constraint, StraighterLine began seeking partner schools. When StraighterLine found its first partner school (Fort Hays State University), it faced serious opposition from students and faculty who assumed the quality of education would be lower with online classes. These accusations occurred despite the fact that StraighterLine's curriculums received a higher level of scrutiny by the both the college and the accreditors than the online courses that Fort Hays State was offering on its own. The North Central accreditors soon stepped in and took a look at StraighterLine, but they could not find anything that violated their policies. However, the threat of the loss of accreditation was enough for some of StraighterLine's other partner



schools to terminate their relationship. As of this writing StraighterLine continues to offer its low cost programs in conjunction with four different accredited colleges.⁵⁸⁵

Accreditation Withholds Important Information

The current accreditation process operates under a veil of secrecy, with information pertaining to the quality and quantity of services provided on college campuses presumed to be gathered, yet not made available to the public. Instead, this lack of transparency prevents institutions from being held accountable to the public and inhibits students and their parents from making informed decisions about where to attend college.

The case of the late Southeastern University epitomizes the negative consequences of accreditation's failure to provide useful information about the institutions that it oversees. After more than 30 years of on and off sanctions from its accrediting body for a range of issues, Southeastern was finally stripped of its accreditation in 2009. The reasons cited by the accreditor included dismal graduation rates, appallingly high student loan default rates, enrollment instability, evidence that students were not developing the knowledge, skills or competencies appropriate for higher education, and serious financial problems. But these problems did not materialize spontaneously in 2009 – they had been building for years. All the while, the university was permitted to enroll thousands of students and remain eligible for federal aid programs for decades, despite years of abysmal results and a clearly demonstrated lack of maintaining even a minimal level of academic standards. Southeastern students were kept in the dark about the state of their university until the 2009 decision forced the school to close its doors.⁵⁸⁶

There are few other quality assurance agencies that operate with such secrecy. When health inspectors visit restaurants, they provide a detailed report of their findings to the public that includes both strengths and weaknesses. These reports are not only freely available to the public, but they are often posted in restaurants for patrons to see, and sometimes published in local media outlets. Without this information, restaurant patrons would often have no mechanism to help them ascertain the sanitation and other health risks of many restaurants. Similarly, students are unable to make wise decisions concerning their many college options without information pertaining to educational quality or value.

Accreditation Imposes Unnecessary Costs

The accreditation process imposes additional costs on colleges, which must be absorbed in order to maintain access to the federal aid programs. The costs associated with accreditation include not only the direct costs of accreditation such as membership fees, site visits,

⁵⁸⁵ "Partnering Colleges," *Straighterline*, <www.straighterline.com>.

⁵⁸⁶ Kevin Carey, "Asleep at the Seal: Just How Bad Does a College Have to Be to Lose Accreditation?" *Washington Monthly*, March / April 2010.



evaluation and in-kind expenditures to prepare for the process, but also indirect costs that are a result of accreditation recommendations. Such recommendations often encourage money to be spent on inputs of dubious educational value in order to conform to accreditation standards.⁵⁸⁷ As one former university president said, “The accreditors are not interested in what or how the students learn, but how many square feet of classroom space we have per student.”⁵⁸⁸

Recommendations

The higher education system is a significant portion of the U.S. economy and is currently funded in large part by the public. Oversight is a necessity to ensure that funds are being used in a cost effective way to provide a quality education to students. The current primary means of oversight is through the public-private partnership with the accreditation agencies. As described above, the monopolistic, secretive and self-regulated nature of accreditation has led to a number of negative outcomes that are detrimental to students and the public in general. This system is in desperate need of reform, the goals of which are explored below.

Goal #1: Public Disclosure of Accreditation Information

The accreditation bodies collect an abundance of information from their member institutions. Much of this information is related to a school’s structure of educational programs, curriculum effectiveness and student learning, and would be very useful for prospective students in their decision making process, as well as for policymakers in the legislative and regulatory spheres. Yet the information collected during the accreditation process is kept secret, with the public only notified as to whether an institution received a pass or fail grade. This provides little information about the quality of an institution, other than recognition that it exceeds the bare minimum standards that have been established by the accreditation agency.

Instead, colleges should be required to disclose to the public most of the information collected by their accrediting body in a consumer friendly, digestible manner as a condition of being eligible for government student aid programs. This information should reveal both strengths and weaknesses in areas related to, at a minimum, student outcomes and educational quality. By making this information publicly available, consumers and policymakers would have a better means of evaluating the relative value of various colleges with empirical evidence as opposed to the arbitrary evaluations of prestige and sticker price that are currently used. Colleges that perform well would benefit by being able to advertise their achievement, similar to how car companies make it known when they win an award from *J.D. Power and Associates* or *Car and Driver Magazine*.

⁵⁸⁷ George Leef et. al, “Can College Accreditation Live Up To Its Promise?” American Council of Trustees and Alumni, 2002.

⁵⁸⁸ William Honan, “Some Say College Accreditation is Out of Control,” *New York Times*, 11 November 1998.



In addition to the disclosure of more information, the pass/fail system should be abandoned in order to provide more information to the public and students concerning the relative quality of an institution. One possible replacement is a sliding scale system, similar to that used by health inspectors. A numeric score (0-100) or a letter grade (A, B,...F) would provide a tool that would allow the public to effectively differentiate among institutions based on their quality, rather than on reputation. For instance, a school that is rated 'D' in academic areas would have a hard time justifying charging above average tuition. Such a low grade would provide the institution with the motivation to use its resources to improve its academics, rather than use them to add amenities that are unrelated to educational goals.

Goal #2: Promote Competition and Innovation

Currently, the two main purposes for a college to be accredited are for access to government student aid programs and to avoid being thought of as a diploma mill. While in theory it is a noble idea to establish a mechanism to protect the taxpayer's money and the students from fraud and abuse, the current accreditation system in practice serves as a barrier to entry which stifles both competition and innovation in higher education. The accreditation process is a catch-22 situation that makes it very difficult for new and different types of colleges to enter the market. A big part of the problem is the method of accrediting entire institutions as the avenue for determining eligibility for federal student aid. The standards used for institutional accreditation breed conformity and are biased towards the status quo in higher education, often penalizing rather than rewarding new approaches to providing quality education at a lower cost. As a result, the traditional residential college model has been relatively unchanged with a limited number of providers for decades, despite the emergence and relative success of online education. Accreditation needs to be reformed in a way that reduces the extent to which it acts as a barrier to entry and instead encourages healthy competition and innovation in higher education.

Successful reform that promotes competition and innovation would provide colleges, both old and new, with the opportunity to pursue new ways of offering education, as well as more choice and flexibility in their accrediting body. Currently, taxpayers and students are denied the potential benefits from many innovative institutions because the accreditation process deters them. Rather than accreditation being focused on the practices that promote student learning, it remains committed to an institutional model that rewards and replicates the traditional structure of the industry. The accreditation agencies promote the status quo in higher education, as they continue to measure inputs over outputs, tradition over innovation and institutions over students. One critic described this as analogous to Honda being required by federal law to "adopt the pre-established labor practices, management structure, dealer network, and vehicle portfolio of General Motors" in order to compete in the U.S. market.⁵⁸⁹

⁵⁸⁹ Kevin Carey, "College for \$99 a Month," *Washington Monthly*, September/October 2009.



Conclusion

The current accreditation process is severely flawed. It operates in a monopolistic, self-regulated and secretive manner as gatekeeper to the federal financial aid system. This structure has resulted in a number of negative outcomes: it serves as a barrier to entry, restricts competition, suppresses innovation, withholds useful information from the public and imposes unnecessary costs on colleges. The goals of accreditation reform are two-fold. First, the information collected by accreditation agencies should be disclosed to the public, especially information related to student learning and educational quality. Second, accreditation should be reformed so that it does not discourage competition and innovation. Providing more information to students and policy makers will result more informed decisions, and greater competition will yield more innovation and lower costs.

