

Online Learning in Higher Education

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Key Points

- Between 2002 and 2010, the number of students enrolled in online courses throughout the U.S. grew 283 percent, from 1.6 million to 6.1 million. Approximately 14 percent of courses at Tennessee four-year institutions, and over 23 percent at community colleges, are classified as e-learning courses (in which 50 percent or more of the content is delivered electronically).
- The University of Tennessee System and Tennessee Board of Regents have offered online classes and programs for the last decade to accommodate the needs of adult and working students.
- In an effort to increase the number of Tennesseans with a college degree or certificate, the 108th General Assembly appropriated \$5 million to establish Western Governors University Tennessee (WGU Tennessee), a nonprofit, online, competency-based public higher education institution designed to enroll adults who have some college credit but no college degree.
- Studies show that students who take hybrid courses – classes that combine online learning and face-to-face instruction – may perform better than students who take only online or only face-to-face courses.
- The cost of online education is dependent on a number of variables, including hardware and software development, faculty salaries, and class size.

Technological advances in communications, Internet speed, and classroom support tools have introduced new ways of delivering information in the classroom. Online classes and degree programs are commonly offered at all types of higher education institutions, with 31 percent of all higher education students taking at least one course online in 2011.¹

In 2013, Tennessee launched the “Drive to 55” initiative to increase the percentage of Tennesseans with a postsecondary credential from 32 percent to 55 percent by 2025.² Online classes and degree programs are one method to provide students, especially nontraditional adult students with work and family obligations, with greater access to postsecondary education.

Tennessee’s higher education institutions have offered flexible online course options for the last decade. Adult students with children, full-time jobs, and other commitments often require scheduling options that

allow for evening and weekend coursework. Traditional on-campus students often use online courses to fit part-time jobs into their schedules and stay on track with graduation requirements. Tennessee’s community colleges, universities, and the new Western Governors University Tennessee are accommodating the rise in demand for online courses and programs throughout the state.

What is Distance Education?

“Distance education simply means that there is a physical separation of the instructor and student. The means of communication can be in many forms including paper correspondence, video, audio, teleconference, Internet or any combination of such. Distance education programs are held to the same minimum standards as traditional on-site programs.”

Source: Tennessee Higher Education Commission, *School Authorization*, <http://www.tn.gov/thecl/>.

What is online education?

The term *online education* most often refers to courses where some or all of the content is delivered through online technology.³ Online education can be divided into three subcategories:

- *Distance education*: academic programs that allow students who are not physically present on the campus of a higher education institution to attend classes online, either synchronously or asynchronously. (See “Online Delivery Methods.”) Although some distance education programs require students to physically attend an orientation session or meetings on campus at some point during the program, students typically complete their degree coursework entirely online. A 2011 national survey found that 15 percent of respondents with a college degree who had taken an online course for academic credit had also earned a degree entirely online.⁴
- *Online courses*: online courses are those in which at least 80 percent of the course content is delivered online.⁵ These courses can be taken by students who physically attend some or most of their courses on campus. As of 2011, approximately 88 percent of residential colleges and universities that offered online courses made them available to students who lived on campus.⁶
- *Hybrid or blended courses*: courses that combine face-to-face instruction with online learning.⁷

The University of Tennessee (UT) and Tennessee Board of Regents (TBR) systems use course management software (CMS) to deliver online courses. CMS provides students with an electronic means to interact with the instructor, view grades, access course materials, and, for some select courses, attend live course sessions. Some online courses, such as those in UT-Knoxville’s M.S. in Information Sciences degree programs, are provided on a synchronous schedule. Courses are held live at a designated time each week and CMS allows the instructor and students to speak to one another using their computers’ microphone and speakers, view the same image on their respective computer screens, participate in a text chat, make presentations through use of a video or webcam, and respond using emoticons. (See “[University of Tennessee System](#).”)

TBR’s Regents Online Campus Collaborative (ROCC) courses are delivered asynchronously. (See also “[Tennessee Board of Regents: Regents Online Campus Collaborative](#).”) The instructor uploads course lectures and content, and students log in to the CMS to download materials and upload completed assignments.⁸

How many students are enrolled in online education?

The number of students in the U.S. enrolled in at least one online course has increased faster than overall enrollment growth in higher education. Between 2002 and 2010, the number of students enrolled in at least one online course grew 283 percent, from 1.6 million to 6.1 million. By comparison, the number of students in the U.S. enrolled in higher education grew 18 percent, from 16.6 million to 19.6 million.⁹ See [Exhibit 1](#).

In fall 2002, 9.6 percent of all enrolled students in the U.S. took at least one online course; by fall 2010, that number had increased to 31.3 percent.¹⁰ See [Exhibit 2](#).

Online Delivery Methods

Asynchronous delivery means course materials are available online for students to access at any time. Instructors upload course lectures and materials. Students then download the lectures and materials and upload completed assignments by designated due dates. This method of delivery gives students the flexibility to complete course requirements on their own time, without the constraints of a predetermined meeting time. Course material is presented via video, computer, or other means.

Synchronous delivery means the instructor and students interact in “real time” at a predetermined meeting time through two-way video conferencing, audio or desktop conferencing, Internet chat, or virtual world simulation.

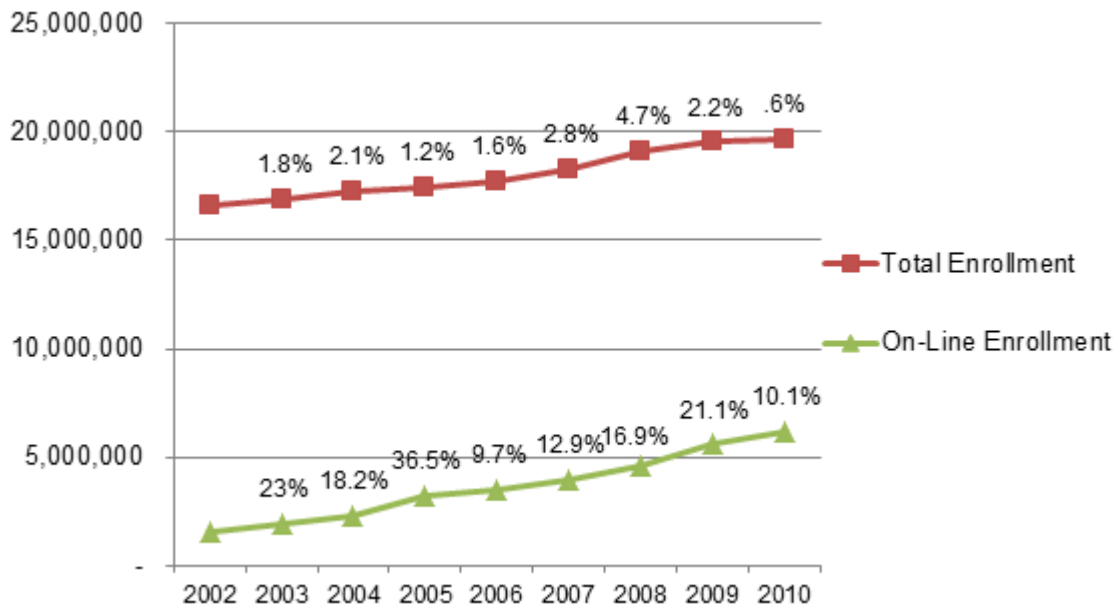
Source: Program Evaluation Division, North Carolina General Assembly, “[University Distance Education Courses Cost More to Develop but the Same to Deliver as On-Campus Courses: Final Report to the Joint Legislative Program Evaluation Oversight Committee](#), Report Number 2010–03,” April 28, 2010, p.6, <http://digital.ncdcr.gov/>.

Approximately 14 percent of courses at Tennessee four-year institutions, and over 23 percent at community colleges, are classified as e-learning courses, in which 50 percent or more of the content is delivered electronically. [Note: E-learning courses are distinct from *online courses*, where 80 percent or more of the content is delivered electronically.]¹¹ See Exhibit 3.

Why do students enroll in online classes and programs?

Students enroll in online courses and distance education programs for a number of reasons, most often citing flexibility and convenience. For institutions such as community colleges, which enroll a significant number of adult and nontraditional learners, online courses allow students to schedule study time and

Exhibit 1: Annual growth rates for online and overall enrollment, fall 2002 through fall 2010



Source: Elaine Allen and Jeff Seaman, *Going the Distance: Online Education in the United States, 2011*, Babson Survey Research Group, 2011, p. 11, <http://www.onlinelearningsurvey.com/> (accessed Aug. 1, 2013).

Exhibit 2: Total and online enrollment in degree-granting postsecondary institutions, fall 2002 through fall 2010

	Total Enrollment	Annual Growth Rate Total Enrollment	Students Taking at Least One Online Course	Online Enrollment Increase Over Previous Year	Annual Growth Rate Online Enrollment	Online Enrollment as a Percent of Total Enrollment
Fall 2002	16,611,710	NA	1,602,970	NA	NA	9.6%
Fall 2003	16,911,481	1.8%	1,971,397	368,427	23.0%	11.7%
Fall 2004	17,272,043	2.1%	2,329,783	358,386	18.2%	13.5%
Fall 2005	17,487,481	1.2%	3,180,050	850,267	36.5%	18.2%
Fall 2006	17,758,872	1.6%	3,488,381	308,331	9.7%	19.6%
Fall 2007	18,248,133	2.8%	3,938,111	449,730	12.9%	21.6%
Fall 2008	19,102,811	4.7%	4,606,353	668,242	16.9%	24.1%
Fall 2009	19,524,750	2.2%	5,579,022	972,669	21.1%	28.6%
Fall 2010	19,641,140	0.6%	6,142,280	563,258	10.1%	31.3%

Source: Elaine Allen and Jeff Seaman, *Going the Distance: Online Education in the United States, 2011*, Babson Survey Research Group, 2011, p. 11, <http://www.onlinelearningsurvey.com/> (accessed Aug. 1, 2013).

classes around work commitments, family obligations, and childcare arrangements.¹² Students enrolled at Western Governors University, an online degree-granting higher education institution, report their most active time for completing coursework is in the evenings after their children go to bed or on Sunday afternoons. WGU allows for additional flexibility with its course scheduling. WGU's longer semesters of six months versus the traditional semester length of 16 weeks make it easier for students to stay on track academically when job or family matters divert their attention from school work for several weeks or months at a time.¹³ (Also see “[Western Governors University Tennessee](#)” for more information about WGU and the new Tennessee affiliate.)

How many schools are offering online education?

As of 2011, 89 percent of four-year public colleges and universities in the U.S. reported offering online classes. Two-year institutions, which serve a large number of adult and nontraditional students, were the most likely of all institutions to offer online coursework (91 percent offered online courses in 2011). Sixty percent of private

four-year colleges reported offering online classes. Private four-year colleges offer fewer online classes than public institutions, with religiously affiliated and highly selective colleges offering significantly fewer than other schools.¹⁴ See [Exhibit 4](#).

How effective is online education?

The rise in the number of online courses has prompted researchers to study various facets of online education, including its effectiveness compared to traditional instructional methods. The U.S. Department of Education (USDE) conducted a meta-analysis of approximately 50 studies to compare student outcomes of online education with traditional face-to-face methods. The study found that, in general, “students in online conditions performed modestly better, on average, than those learning the same material through traditional face-to-face instruction.”¹⁵ Reviews of the USDE meta-analysis by outside researchers raised several concerns about the validity of the comparison groups. Critics noted that the online courses that exhibited a positive effect for online learning outcomes were hybrid courses that included additional time or learning materials that

Exhibit 3: Percent of undergraduate instruction through e-learning, 2011-12

Public Four-Year Institutions			Public Two-Year Colleges		
SREB States	Percent	Change from 2010-11	SREB States	Percent	Change from 2010-11
Maryland	18.3%	2.3%	North Carolina	32.9%	10.3%
Florida	18.3%	0.8%	Kentucky	29.4%	2.9%
Tennessee	14.2%	1.3%	Florida	28.9%	6.6%
Oklahoma	14.1%	1.8%	Oklahoma	27.9%	5.5%
Alabama	11.8%	1.8%	Virginia	25.5%	1.9%
Arkansas	11.8%	0.7%	Tennessee	23.5%	0.5%
Kentucky	11.1%	1.0%	Arkansas	21.7%	1.3%
West Virginia	9.9%	1.1%	West Virginia	20.0%	2.6%
Texas	9.8%	1.9%	Mississippi	19.5%	1.5%
North Carolina	9.2%	0.6%	Texas	18.6%	1.0%
Mississippi	9.0%	1.3%	South Carolina	18.2%	-2.1%
Virginia	3.9%	0.8%	Alabama	17.8%	1.3%
South Carolina	3.6%	0.6%	Delaware	16.3%	2.5%
Delaware	2.8%	-0.1%	Maryland	14.8%	2.1%
Georgia	--	--	Louisiana	--	--
Louisiana	--	--	Georgia	--	--

Sources: Tennessee Higher Education Commission, [Tennessee Higher Education Fact Book, 2012-13](#), p. 81, <http://www.tn.gov/thece/> (accessed Nov. 18, 2013); Southern Regional Education Board, [State Data Exchange: 2011-2012 Indicators Report](#), pp. 4 and 12, <http://publications.sreb.org/> (accessed Nov. 18, 2013).

Notes: Courses are termed “e-learning” when more than 50 percent of the content is delivered electronically. Florida four-year institutions used an 80 percent rule to define e-learning, and Florida and Mississippi two-year colleges used a 75 percent rule to define e-learning; therefore, figures for those states are lower than they would have been had they used the 50 percent rule.

were not available to students in the traditional instructional methods comparison group. Another criticism was that several of the studies included in the USDE meta-analysis were conducted at large institutions with selective entrance requirements. The influence of such studies may mean the conclusions of the USDE meta-analysis are less applicable to smaller institutions with different entrance requirements and student populations, such as community colleges and technical schools.¹⁶

Increased access to distance education courses and programs may improve degree progress and completion rates among students who typically experience a gap in their enrollment or are more likely to drop out of college, according to a recent study.¹⁷ Some researchers, therefore, recommend that online courses should be designed to address the unique needs of such students.¹⁸

Studies show that students who take hybrid courses – classes that combine online learning and face-to-face instruction – may perform better than students who take online or face-to-face courses. Researchers suggest the higher student performance may be attributable to the content and structure of hybrid courses, which may include additional learning time, extra materials, and more opportunities for collaboration.¹⁹ A 2012 study of hybrid courses for masters and doctoral education

students at the University of Tennessee at Chattanooga found the hybrid model enriched the face-to-face class time, as students were more willing to participate in face-to-face discussions after first posting their thoughts on an online discussion board.²⁰

How much do online courses cost?

The cost of an online program or class will vary by institution based on the following variables:

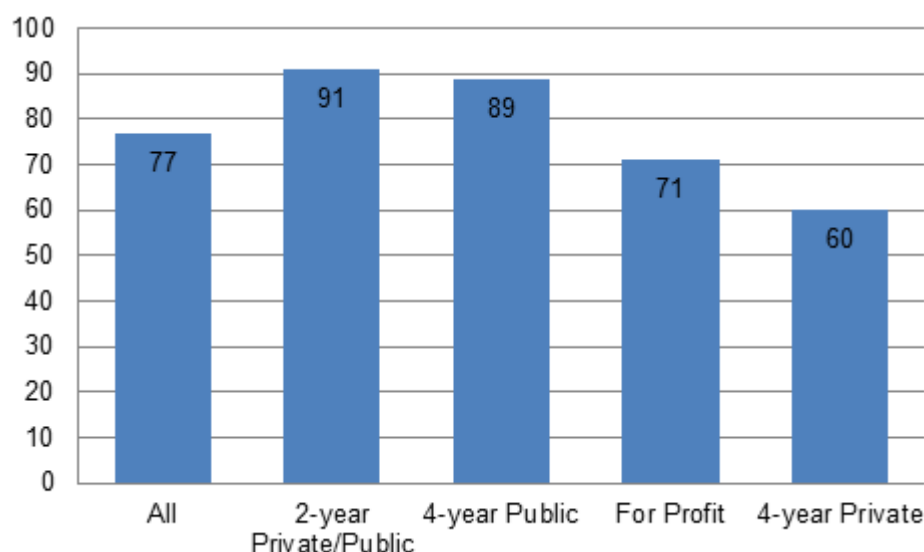
- hardware and software costs,
- how the technology is used, such as video conferencing, text chat, or discussion boards,
- differences in faculty salaries by institution,
- the amount of student-instructor or student-student interaction designed into a course, and
- class size.²¹

Neither the University of Tennessee-Knoxville (UTK) nor the Tennessee Board of Regents (TBR) have conducted a formal cost analysis of their online course offerings compared to face-to-face delivery. The Director of Online Programs at UTK acknowledges that the amount of time each instructor spends on both online courses and on-campus courses is dependent on the course structure and content as well as the individual instructor's teaching methods and organization.²²

TBR required all campuses to invest \$500,000 to cover the start-up costs for the Regents Online Campus

Collaborative (ROCC) program. (See also “[Tennessee Board of Regents: Regents Online Campus Collaborative](#).”) The program was self-supporting by its second year, with all campuses having recouped their investments through revenues generated through the ROCC program. Each campus receives approximately \$6,000 for each course it develops for ROCC. Each school sets its own tuition rate for on-campus and online ROCC courses. Students pay their home campus tuition costs plus an additional online course fee for each ROCC course, which is divided between the

Exhibit 4: Percent of national institutions offering online classes, 2011



Source: Pew Social Trends, *The Digital Revolution and Higher Education*, Aug. 28, 2011, p. 9, <http://www.pewsocialtrends.org/> (accessed Sept. 5, 2013).

student's home campus (40 percent) and TBR (60 percent) for administrative and technology purposes. This model allows institutions to raise revenue through ROCC: the more students who enroll in courses developed by the campus, the more revenue the campus receives from ROCC.²³ Tuition is charged per-credit hour.²⁴

Employing a qualified instructor to teach a required course or courses for which only a small number of students are enrolled may be cost-prohibitive for some institutions, especially small schools in isolated rural areas, and can consequently delay students' progress toward degree completion. The ROCC program leverages the combined enrollment of students in a given course from all TBR institutions to hire and retain online instructors who are shared by all TBR schools. The predictability of course offerings through ROCC ensures that students at all TBR institutions have access to required courses for degree completion.²⁵

A 2010 study of the University of North Carolina (UNC) system analyzed cost differences between on-campus instruction and distance education courses. The study found that while online education courses cost more to *develop* than on-campus courses, the cost to *provide* an online course was similar to that for a face-to-face course. Development costs for online courses in the UNC system included securing the necessary infrastructure and technical support and converting any existing course content to a digital format. For an on-campus course one faculty member designs the

syllabus and delivers the lectures; online courses often require coordination between academic departments and support services such as IT and campus libraries.²⁶

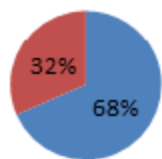
A similar cost analysis conducted by Indiana, Purdue, and Ball State Universities on their combined efforts at distance education programming found that online courses produced a savings of \$8.68 in classroom space for each student per credit hour. The study noted, however, that classroom space savings could be offset by the increased costs associated with reduced class sizes for online courses. Online education researchers recommend reduced class sizes for online courses (20 to 35 percent smaller than for face-to-face courses) to ensure effective engagement between the instructor and students.²⁷

Online Education in Tennessee

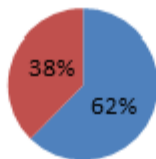
Tennessee's four-year universities and community colleges continue to increase the number of online courses and programs in response to demands from both traditional on-campus students and nontraditional adult students for more online course options and more flexible course schedules. The number and type of online courses and programs vary by school, reflecting the unique needs of each institution's student population. Community colleges have expanded online course offerings to meet the needs of nontraditional students, who often rely on the convenience and flexibility of online courses to incorporate their education within a busy family and work life. The number of online courses at four-year institutions has also increased, in

Exhibit 5: Student demographics by age at Tennessee public higher education institutions

**Tennessee Universities:
Average Student Age**



**Tennessee Community Colleges:
Average Student Age**



**WGU Tennessee:
Average Student Age**



■ 24 and under ■ 25 & Over

Source: Tennessee Higher Education Commission, *2012-13 Tennessee Higher Education Fact Book*, p. 15, <http://www.tn.gov/> (accessed Oct. 10, 2013).

Tennessee Higher Education Commission, *Annual Performance Report, 2013: Western Governors University*, p. 1, <http://www.tn.gov/> (accessed Oct. 10, 2013).

Note: The information for WGU Tennessee is based on Tennessee student enrollment through the Salt Lake City, Utah, national branch of WGU, prior to the creation of WGU Tennessee.

part to better meet the needs of nontraditional students, though such courses may also attract traditional college-age students (ages 18-24) who are seeking more flexible course schedules or prefer the online delivery method. See [Exhibit 5](#).

Western Governors University Tennessee

In 2013, the 108th General Assembly appropriated \$5 million to establish Western Governors University Tennessee (WGU Tennessee), a nonprofit, competency-based public higher education institution designed to enroll adults who have some college credit but no college degree.²⁸ WGU Tennessee, with its fully online instructional method and longer semesters (i.e., WGU semesters are six months long as opposed to the traditional semester length of 16 weeks) provides convenience and flexibility to its students. The majority of WGU's students are nontraditional: 93 percent of WGU Tennessee students are ages 25 and older.²⁹

In 2013, the administration launched the "Drive to 55" initiative to increase the number of Tennesseans with a college degree or technical certificate from 32 percent to 55 percent by the year 2025. The "Drive to 55" initiative

A **competency-based model** awards college credits to students who demonstrate competency in a subject by passing a test or other type of assessment.

A **credit-hour model** awards college credits to students based on a set amount of time spent in a course. In a typical 16-week semester, one hour of class time per week equals one credit hour.

will channel more attention and resources of Tennessee higher education toward adults who have earned college credit but have not yet completed a degree. WGU Tennessee is one important tool for achieving the 55 percent goal.³⁰

Although its structure mirrors that of the national WGU institution, WGU Tennessee will include programs and initiatives unique to Tennessee.³¹ (See also "[The WGU Model: Competency Based Education](#).")

The 2013 Memorandum of Understanding (MOU) between WGU Tennessee and the state requires WGU Tennessee to:

- Create an advisory board, with members jointly appointed by WGU and the Governor;
- Be domiciled in Tennessee and staff its state-based office with Tennesseans in positions for which they are qualified;
- Provide the Tennessee Higher Education Commission with the necessary enrollment, completion, and financial aid data to assess WGU Tennessee's performance and impact on the state;
- Maintain its status as a nonprofit, private, accredited institution;
- Collaborate with Tennessee employers and economic development officials to address the state's workforce needs; and
- Collaborate with existing public institutions of higher education to provide seamless transfer and articulation of community college graduates into WGU Tennessee.³²

Revisions to *Tennessee Code Annotated* 49-7-2004(a), Exemptions for Postsecondary Education, Public Chapter 185 (2013):

Section 1. Tennessee Code Annotated, Section 49-7-2004(a), is amended by adding the following language as a new, appropriately designated subdivision:

(10) A nonprofit, regionally accredited educational institution:

(A) Offering online, competency-based education to adult students;

(B) Led by a chief executive or chancellor domiciled in Tennessee; and

(C) With activities and operations limited to the scope of a memorandum of understanding executed with the state of Tennessee in 2013.

The MOU also requires several state agencies, including THEC, the Tennessee Student Assistance Corporation, the Department of Education, the Department of Labor and Workforce Development, and the Department of Veterans Affairs, to assist with institutional evaluation, financial aid assistance for students, licensure of future graduates, and job placements. WGU Tennessee is expected to create between 15 and 20 new positions in Tennessee for faculty mentors and staff members; the school

anticipates the number of faculty mentors to increase as enrollment numbers rise.³³

WGU Tennessee's tuition will average approximately \$2,890 per each six-month term for full-time enrollment of at least 12 competency hours. By comparison, tuition and fees for undergraduate students at the University of Tennessee-Knoxville will total \$5,597 per semester for full-time enrollment in 2013-14; tuition and fees for MTSU will be \$3,920.³⁴

State Authorization

In Tennessee, postsecondary education institutions are required to obtain authorization from the Tennessee Higher Education Commission (THEC) to operate in the state. Public Chapter 185 (2013) granted WGU Tennessee exemption status from state authorization requirements, allowing the institution to bypass many of the steps required of other new institutions. For more information, see Appendix B: Postsecondary Education Authorization Act of 1974 – Exempt Institutions. See also Appendix A: State Authorization of Postsecondary Education Institutions.

The Tennessee Higher Education Commission requires that:

any entity that offers or conducts a program, course(s) or training toward a vocational end or that offers an educational credential must be authorized. Authorization is also required for any educational provider that directly solicits, advertises or recruits in the state and for any out-of-state school, including distance education providers that have physical presence in Tennessee.

Physical presence applies to both in-state entities and out-of-state distance education providers that conduct activity related to a postsecondary education institution; an educational service; dissemination of educational credentials; enrollment; solicitation or advertising. THEC interprets this definition to also include advertisements on the webpages of local newspapers, and facilitating or entering into arrangements with Tennessee businesses or organizations to provide internships, externships, practicums, clinical credit, student teaching, or other similar programs.

Institutions exempt from the authorization process in Tennessee include, but are not limited to:

- K-12 institutions;
- public postsecondary institutions such as those operated by the University of Tennessee and the Tennessee Board of Regents, including state technology centers;
- those with 10 consecutive years or more of accreditation recognized by the U.S. Department of Education;
- those with nonprofit charters in Tennessee for 10 consecutive years or more;
- barber, cosmetology, and electrician schools;
- law schools;
- state-licensed healthcare institutions.

Public Chapter 185 (2013) established an additional exemption category for a nonprofit, regionally accredited education institution that offers online, competency-based education to adult students. WGU Tennessee qualifies for an exemption from the authorization requirements under this law.

Sources: Tennessee Higher Education Commission, "School Authorization: Distance Education," <http://www.tn.gov/theec/>. Rules of Tennessee Higher Education Commission, Rule 1540-01-02.03(1)(dd), <http://www.tennessee.gov/sos/>. Tennessee Code Annotated 49-7-2004.

Because they are required to have some postsecondary experience to apply for admission, WGU Tennessee does not currently qualify as an eligible postsecondary institution for the application of lottery scholarships toward tuition costs.³⁵ Students may be eligible, however, for the Tennessee Student Assistance Award (TSA), the state's need-based grant.³⁶

WGU Tennessee has confirmed reverse transfer agreements with several Tennessee community colleges and is working toward a statewide initiative with all Tennessee higher education institutions. These agreements ensure that students who have completed some course work at a Tennessee community college will be able to easily transfer those credits to WGU Tennessee. A student with some past credits who did not complete an associate's degree from a Tennessee community college will be able to apply those credits toward a bachelor's degree program at WGU. Although WGU does not award associate-level degrees, students with past credits toward an associate's degree can complete assessments at WGU, which can then be applied back to the community college for matriculation in an associate's degree program. Allowing students to finish associate-level degrees while working toward bachelor's degrees not only increases the likelihood that students will complete programs at WGU, but also helps community colleges increase their graduation numbers for reporting purposes.³⁷

The WGU Model: Competency Based Education

In 1997, the governors of 19 states created Western Governors University (WGU), an accredited online postsecondary institution that awards bachelor's and master's degrees in four professional fields: teaching, information technology, business, and health.³⁸ WGU's structure of limited degree offerings, a competency-based model for earning college credits, asynchronous course delivery, and longer semesters (six-month long semesters versus the traditional semester length of four months) provides nontraditional students, whose busy schedules include work and family responsibilities, with an affordable means to obtain a postsecondary degree.³⁹ WGU is the only accredited, nonprofit university in the U.S. that provides fully online competency-based degree programs.⁴⁰

WGU has partnerships with several other states, including Indiana, Missouri, Texas, and Washington. Today, WGU serves over 38,000 students in all 50 states.⁴¹ WGU is regionally-accredited through the Northwest Commission on Colleges and Universities (NWCCU). WGU Tennessee will retain NWCCU's accreditation. NWCCU also accredits major universities such as the University of Washington, University of Oregon, Gonzaga University, and University of Utah, among others.⁴² (See also "[What is accreditation?](#)")

Traditional higher education programs use a credit hour model whereby students earn college credit hours by successfully completing a course.⁴³ A competency-based model, which is used by WGU, awards college credits to students who demonstrate competency in a subject by passing a test.⁴⁴ Students may take a competency assessment for a particular class at any

What is accreditation?

Regional accreditation is a process of non-governmental peer review for quality control in higher education institutions that are largely degree-granting nonprofits. Six independent, non-governmental associations grant regional accreditation to higher education institutions based on geographic region: North Central, Northwest, Western, Southern, New England, and Middle States. Each association develops its own accreditation standards. *National accrediting organizations* operate nationwide and tend to review a larger percentage of non-degree granting institutions, many of which are for-profit entities. The federal government requires higher education institutions to obtain accreditation through approved regional or national private education associations that have adopted criteria reflecting the qualities of a sound educational program and have developed procedures for evaluating the quality of the schools' programs. Accreditation is required to qualify for federal student aid, as well as federal teaching and research funding.

Sources: OREA, "Protecting Tennesseans from Education Fraud," March 2007, p. 1, <http://www.comptroller.tn.gov/>. U.S. Department of Education, "Accreditation in the U.S.," <http://www2.ed.gov/>.

point over the course of a semester.⁴⁵ After passing the assessment, a student may begin the next course in the program sequence in the same semester. The standard tuition cost of \$2,890 per six-month term allows students to earn more credits per semester under the competency-based model than under the credit hour model where tuition is charged on a per-credit fee schedule.^{46, 47}

All WGU students are assigned a faculty mentor, who is responsible for guiding students throughout their enrollment. Faculty mentors help students create individual course plans, access learning resources (e.g., textbooks, e-learning modules, study guides, simulations, virtual labs, and tutorials), and schedule assessments.⁴⁸

University of Tennessee System

All University of Tennessee campuses offer online courses and programs; each campus is responsible for developing, implementing, and managing its online courses and distance education programs.⁴⁹ Enrollment in distance and online education at the UTK campus has increased by approximately 175 percent over the last decade, increasing from 514 students during the 2000-01 academic year to 1,413 students by spring 2013.^{50, 51, 52} UTK attributes the rise in online enrollment

to several factors, including increased enrollment by nontraditional students who typically prefer the flexibility of online courses, greater availability of high-speed Internet technology, and an increase in home computer ownership.⁵³

UTK currently offers several undergraduate and dozens of master's programs through distance education, including a Bachelor of Science in Nursing, a Bachelor of Arts in Interdisciplinary Studies, and master's degrees in education, information science, social work, business, and nursing.⁵⁴

Tennessee Board of Regents: Regents Online Campus Collaborative

Founded in 2001, the Regents Online Campus Collaborative (ROCC) is a partnership among the 46 Tennessee Board of Regents (TBR) schools⁵⁵ to provide online classes and degrees for 35 programs, including associate's, bachelor's, master's, nursing post-master's, and teacher education programs, as well as technical certificates and technical diplomas.

Home Campus: Students can enroll in the ROCC program through any TBR campus, which serves as the student's "home campus" and is responsible for all major administrative functions, including advising,

Measuring Learning: Competency-Based Assessments and the Credit Hour

The Carnegie Foundation developed the "credit unit" or "credit hour" in the early 1900s as a measurement of time in higher education institutions. Andrew Carnegie, a trustee of Cornell University, concerned with low faculty compensation, proposed a free pension system for professors in conjunction with implementing high school and college reforms. The foundation required any colleges that participated in this new pension program to use a "standard unit" (known today as the "Carnegie Unit") to determine high school graduation and college admission requirements. In turn, higher education institutions eventually expanded their use of the credit unit to measure faculty workloads for the qualification of the new pension programs. The credit unit eventually became a standard method for measurement of educational quality and student learning. Today, the standard credit unit is used by all sectors of higher education as a way to determine state and federal funding, structure degree programs, and quantify full-time or part-time status as a student. Proponents of competency-based assessments and critics of the credit unit assert that time spent on a subject does not always result in learning and some people learn at different paces than their peers.

WGU converts students' competency-based credits to credit hours for federal financial aid purposes and to calculate the number of credit hours required for completion of a degree (typically 120 credit hours for a bachelor's degree).

Sources: Amy Laitinen, *Cracking the Credit Hour*, New America Foundation and Education Sector, Sept. 2012, p. 4, <http://higheredwatch.newamerica.net/>.
Doug Lederman, "Credit Hour (Still) Rules," Inside Higher Ed, April 30, 2012, <http://www.insidehighered.com/>.

enrollment and registration, tuition billing and collection, and degree awarding.⁵⁶

Combined Resources: All ROCC courses have been developed from existing courses at TBR campuses. ROCC gives students the ability to enroll in an online version of existing courses that are either unavailable or sporadically offered at the TBR campuses closest to their residence. For example, some TBR universities struggle to attract and retain a sufficient number of qualified instructors for master's level nursing programs. This situation can delay students' progress toward degree completion as staffing problems reduce the number of required courses offered each semester. By leveraging the statewide demand for such nursing courses across all TBR campuses, the ROCC provides students with reliable access to nursing courses taught by highly qualified instructors.⁵⁷

Transfer Credit: While some degrees can be completed almost entirely online through the ROCC program, many ROCC courses act as credit-bearing additions to a student's on-campus course load. For example, a student who attends face-to-face classes at Austin Peay could earn additional credits toward a degree by taking an ROCC course offered through MTSU while remaining enrolled at Austin Peay.⁵⁸ The student could then transfer these ROCC credits to Austin Peay since ROCC credits earned at any TBR institution are fully transferable to any other TBR institution. The student does not have to apply to MTSU separately. Many general education courses are available through the ROCC. By enrolling in ROCC courses students may be able to solve scheduling problems at the home campus that might otherwise delay completion of degree requirements.⁵⁹

Tennessee Board of Regents: Universities and Community Colleges

Online education is often viewed as a method of course delivery to accommodate the lives of working adults, and online degree programs frequently target nontraditional students. Yet many TBR institutions are increasing their online offerings to meet demand among all students for more flexible course schedules.

TBR universities and community colleges also offer additional online courses and distance education programs that are unique to a school or region. For example, Chattanooga State Community College offers an online AAS degree in Fire Science Technology,⁶⁰ and ETSU offers several online-only certificate programs, including Archival Studies, Forensic Document Examination, and Healthcare Translation and Interpreting.⁶¹

No TBR school requires that students take an online course during any degree program. Some schools, however, such as Volunteer State Community College (VSCC), require that all new students take an orientation session for Desire2Learn, the online course management software used at VSCC and ROCC. VSCC plans to make all instructional materials for its courses, including traditional on-campus courses, available online. Course materials would then be available through online course management software, and in the event that classes had to be cancelled due to weather or other circumstances, students could still access the instructional materials.⁶²

Prior Learning Assessments

WGU is the only nonprofit university in the U.S. that provides fully online competency-based degree programs. However, some UT and TBR schools already allow students to take "Prior Learning Assessments" as a way to earn college credit by demonstrating knowledge gained from previous experiences such as work, employer training programs, military service, independent study, and voluntary or community service. Students can earn credit by taking an examination, creating portfolio assessments, or providing documentation of past professional (often workplace or military) training.

Sources: Tennessee.Gov, "WGU Tennessee," <http://www.tn.gov/>.
College for TN, "Prior Learning Assessment," <https://secure.collegefortn.org/>.
College for TN, "What is PLA? What Types of PLA Are There?" <https://secure.collegefortn.org/>.

The MOOC Movement

Policy discussions about online learning in higher education increasingly refer to “massive open online courses” or MOOCs. MOOCs resemble regular online courses, with content delivered through a combination of readings, videos, and lectures, and students contributing to discussion boards and completing quizzes and tests. Unlike regular online courses, however, enrollment is open to anyone who wishes to participate, and there is often no limit to the number of students who may enroll in the course.

In the spring of 2013, the University of Tennessee System (UT) and Tennessee Board of Regents (TBR) signed a contract with Coursera, a company that provides the software platforms many higher education institutions use for broadcasting their MOOCs online. UT and TBR are not creating a traditional MOOC, open to anyone who wishes to enroll, but will use the company’s technology to develop an 18-month pilot program to determine whether the Coursera platform can be used for more online and campus-based blended learning courses. Coursera’s technology enables instructors to create a more interactive asynchronous experience for students. For example, instructors can provide a short video (between eight and 12 minutes) that requires students to answer questions every few minutes before the rest of the video will play, an interactive feature designed to keep students engaged with the course material. Although traditional MOOCs allow for open enrollment at no charge to students, the UT and TBR pilot will include two courses open to students already enrolled at the universities.

MOOCs are usually not credit-bearing; students typically do not earn credits toward a certificate or degree by completing a MOOC. However, some higher education institutions are considering offering credit for their own MOOC courses and degrees. San Jose State University launched a pilot program in January 2013 to develop credit-bearing courses with Udacity, an online provider of MOOC software, as a way to offer remedial education to local high school students and incoming freshmen. The Georgia Institute of Technology will offer the first accredited Online Masters of Science in Computer Science to be offered using MOOC technology in spring 2014 through partnerships with AT&T and Udacity.

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Federal Regulations on Secondary School Authorization

In June 2010, the U.S. Department of Education (USDE) issued proposed regulations pertaining to state authorization of postsecondary institutions for public/stakeholder review and comment.¹ Distance education was not addressed in the proposed regulations, but the final regulations, which were issued in October 2010, included a section on state authorization of institutions that provide distance education.² This version (34 C.F.R., Part 600) requires institutions to meet state requirements:

If an institution is offering postsecondary education through distance or correspondence education to students in a State in which it is not physically located or in which it is otherwise subject to State jurisdiction as determined by the State, the institution must meet any State requirements for it to be legally offering distance or correspondence education in that State. An institution must be able to document to the Secretary [of the USDE] the State's approval upon request.³

Because each state has its own laws, rules, and definitions pertaining to postsecondary school authorization, distance education institutions must verify that they have met the requirements and completed the process for authorization in every state from which they have students enrolled. Institutions not in compliance with this regulation would be subject to losing eligibility for Title IV federal student aid funding.⁴

Distance education institutions indicated collecting, reviewing, and completing the authorization requirements for every qualifying state would be a substantial administrative task.⁵ Both distance education institutions and state authorizing agencies protested the absence of a comment period for these new sections of the regulations and raised concerns about the compliance timeframe (i.e., the regulation required that all institutions that provided distance education or correspondence study must ensure compliance with their students' home state's authorization requirements by July 1, 2011). USDE responded to these concerns by issuing statements clarifying that an institution would remain in good standing for federal Title IV funds⁶ so long as it demonstrated a "good-faith effort" to comply with the distance education regulations for each necessary state authorization.^{7,8} The USDE also pushed back the deadline by which institutions must have received authorization to operate in each state by two years, to July 1, 2013.⁹

The Career College Association and the Association of Private Sector Colleges and Universities filed a lawsuit to challenge the absence of the comment period for the rulemaking process. In July 2011, the U.S. District Court for the District of Columbia ruled in favor of the two organizations. The court struck down the distance education portion of the USDE's state authorization regulations due to the USDE's failure "to provide notice and opportunity for comment" during the initial notice of proposed rulemaking.¹⁰ The U.S. Court of Appeals upheld the lower court's ruling in June 2012.¹¹

Although the courts ruled against the federal government on procedural grounds in this case, the USDE could reissue the distance education and state authorization requirements in the future. This possibility has prompted many states to conduct reviews of current authorization rules and statutes relative to other states and to determine whether some distance education providers are operating without proper state authorization.¹² Some distance education advocates fear that some institutions may not have the resources to comply with the new authorization requirements and will be forced to either scale back programs or discontinue providing online education.¹³

Policy Considerations

Despite the courts' ruling, the publication of the proposed rule highlighted the issue that some institutions may be operating in some states without proper authorization.¹⁴ Although most states already have some sort of

authorization structure in place, many state authorizing agencies began to evaluate their state requirements and compare them to those of other states. Despite the appellate court's ruling on the USDE's distance education proposed rule changes, state regulations predated the federal regulations; state regulations are unaffected by the rulings and are still enforceable.¹⁵ A review of current authorization requirements found that many states require almost no institutions to apply for authorization while others require almost every institution to apply. The review also found that

the need to seek authorization depends on the specific combination of that state's laws and the activities that the institution is conducting in that state. For many states, if all you are doing in the state is offering distance education courses, you will not need to apply. However, if you are also conducting any one of a list of "trigger" activities (e.g., advertising in local media, using direct advertising, requiring local proctors, employing faculty or markets in that state, conducting internships or practica in the state), you could be required to apply. The list of "trigger" activities varies by state.¹⁶

A December 2012 survey of state authorizing agencies showed authorizing policies varied across states, especially concerning the "triggers" that determine whether a distance education institution is required to obtain authorization. For example, Tennessee, along with 40 other state authorizing agencies, uses the trigger "physical presence" to determine whether an institution is operating within the state and is subject to authorization by the Tennessee Higher Education Commission (THEC). Other state authorizing agencies, however, require all institutions operating within state borders to obtain authorization, regardless of whether a physical presence standard is met.¹⁷

In January 2013, THEC published "Distance Education Authorization Requirements in Tennessee" to clarify the trigger activities that require an institution to seek authorization in the state.¹⁸ In response to a May 2013 survey conducted by the State Higher Education Executive Officers (SHEEO) pertaining to individual states' policies on postsecondary school authorization, THEC indicated that it has no immediate plans to seek legislation to change current school authorization regulations or statutes.¹⁹

State Reciprocity Agreements

On a national level, however, many state authorizing agencies are discussing the possibility of streamlining the school authorization process through the use of reciprocal agreements between states. One voluntary interstate agreement proposal known as SARA²⁰ would govern the regulation of distance education programs by allowing participating states to

agree on a uniform set of standards for state authorization that ensure that institutions can easily operate distance education programs in multiple states as long as they meet certain criteria relating to institutional quality, consumer protection, and institutional financial responsibility... Participating institutions must be authorized by their 'home state' (which is, presumptively, the institution's state of legal domicile). Once designated, the home state should have responsibility for authorizing the institution for purposes of interstate reciprocity and be the default forum for consumer complaints.²¹

Administration of the agreement would be overseen by the four regional higher education compacts,²² and the reciprocity agreement applies only to out-of-state distance education providers. States would be responsible for overseeing their own home-state institutions and the in-state activities of institutions that have physical presence in state borders.²³

States that sign on to this reciprocity agreement must accept the agreement's definition of "physical presence," a stipulation that would change many states' current guidelines for institutions that must seek authorization, including Tennessee's. See "[Proposed Definition of Physical Presence Under SARA.](#)"

THEC is a member of SHEEO, one of the partner organizations responsible for drafting SARA. However, THEC has not officially signed on to the proposed agreement and has communicated questions and concerns to USDE regarding the implementation of a reciprocity agreement. Some of THEC’s concerns involve how student complaints would be resolved across state lines, SREB’s role in monitoring states’ compliance, the definition of home state versus state of incorporation, and reciprocity for programs that require professional licensure in a particular state.²⁴

Proposed Definition of Physical Presence Under SARA:

In Figure 1, items in red indicate areas where Tennessee’s current definition of “physical presence” may conflict with SARA’s proposed definition.

States that agree to participate in SARA must meet several stipulations, including the elimination of fees charged to out-of-state distance education institutions that provide services to Tennessee residents.²⁵ Under current policy, THEC charges \$3,000 for the initial application plus \$500 for each proposed program. Institutions wishing to offer degrees must pay between \$1,000 and \$4,000 for the highest degree program level being offered (associate to doctorate) while unaccredited institutions must pay \$1,000 for authority to grant degrees.²⁶ Reauthorization fees for in-state institutions are based on annual gross tuition revenue collected during the previous fiscal year; out-of-state institutions’ fees are based on annual gross tuition revenue collected during the previous fiscal year for Tennessee students only. The reauthorization fee is 0.75 percent of the annual gross tuition collected, with a \$500 minimum and \$25,000 maximum.²⁷ Out-of-state institutions must also secure a \$20,000 surety bond, pay an agent fee of

Figure 1: Comparison of Tennessee’s definition of physical presence to the proposed definition in SARA

<p>Activities that Trigger Physical Presence in a State Participating states may require institutions that perform these activities to seek authorization for in-state activities.</p>	<p>Activities that Do NOT Trigger Physical Presence Participating states may not require institutions that perform only these activities to seek authorization for in-state activities.</p>
<ul style="list-style-type: none"> ▪ Ongoing occupation of physical location for instructional purposes ▪ Maintenance of an administrative office to facilitate instruction 	<ul style="list-style-type: none"> ▪ Offering instruction through pure online format ▪ Advertising ▪ Recruiting (e.g., hosting or attending recruitment fairs) ▪ Contractual agreements ▪ Courses on military instillations (limited to active and reserve military personnel, dependents, and civilian employees of the military instillation) ▪ Faculty residing in the state ▪ Field trips ▪ Proctored exams ▪ Operation of server or other electronic service device ▪ Short courses ▪ Courses for which 25 percent or less of class requirements involve instructor and students meeting in a physical location ▪ Experiential learning opportunities such as clinical, practicum, residency, or internship provided that: <ul style="list-style-type: none"> ○ The institution has already obtained all the necessary professional and licensure approvals necessary (if any) to conduct the learning opportunity in the state, and ○ Only 10 students from each institution are physically present simultaneously at a single field site

Source: Commission on the Regulation of Postsecondary Distance Education, *Advancing Access through Regulatory Reform: Findings, Principles and Recommendations for the State Authorization Reciprocity Agreement (SARA)*, p. 16, <http://wcet.wiche.edu/> (accessed June 26, 2013).
 Tennessee Higher Education Commission, “Distance Education Authorization Requirements in Tennessee,” <http://www.tn.gov/thecc/> (accessed June 26, 2013).

\$600 per agent, and obtain a \$5,000 surety bond for each agent.²⁸ If THEC were to sign onto SARA in its current version, the state may lose a significant amount of revenue associated with the collection of authorization fees from out-of-state distance education providers.

The University of Tennessee-Knoxville (UTK) currently provides distance education programming to students in 41 states outside Tennessee. UTK's Director of Online Programs notes that while the school is monitoring the status of SARA, the system already has an administrative process in place to oversee compliance with other states' postsecondary school authorization processes and requirements. Although some states may begin to reevaluate their fee structures and compliance requirements, UTK has not experienced any significant changes in its processes for seeking authorizations from other states.²⁹ Logistical considerations and concerns with some provisions of SARA make it likely that little progress will be made on Tennessee's position on the agreement for at least a year or longer. THEC is following the progress closely and is in discussions with USDE as well as other SARA stakeholders and drafters.³⁰

¹ 34 CFR § 600.9(c), <http://www.ecfr.gov/> (current as of Nov. 15, 2013).

² Federal Register, Vol. 75, No. 209, Friday, Oct. 29, 2010, Rules and Regulations, Part II, Department of Education: 34 CFR Parts 600, 602, 603, et al., Program Integrity Issues; Final Rule, p. 66858, <http://www.gpo.gov/>.

³ 34 CFR § 600.9(c), <http://www.ecfr.gov/> (current as of Nov. 15, 2013).

⁴ U.S. Department of Education, Office of Postsecondary Education, "Amended – State authorization under the Program Integrity Regulations: GEN-11-11," <http://ifap.ed.gov/> (accessed June 26, 2013).

⁵ Author's summary.

⁶ The programs authorized under Title IV of the Higher Education Act of 1965 provide grants, loans, and work-study funds from the federal government to eligible students enrolled in college or career school. Under the state authorization regulations, a student who is enrolled in an educational program offered by an institution cannot use Title IV HEA program funds for that program if the institution the student is attending does not have state authorization in the state in which the student resides. This is true for all educational programs, including distance education. U.S. Department of Education, Federal Student Aid, "Federal Student Aid Programs," <http://studentaid.ed.gov/> (accessed June 26, 2013); U.S. Department of Education, Office of Postsecondary Education, "Amended – State authorization under the Program Integrity Regulations: GEN-11-11," <http://ifap.ed.gov/dpccletters/GEN1111.html> (accessed June 26, 2013).

⁷ U.S. Department of Education, Office of Postsecondary Education, "Implementation of Program Integrity Regulations: GEN-11-05," <http://ifap.ed.gov/> (accessed June 26, 2013).

⁸ Good-faith efforts included at least one of the following: documentation that an institution is developing a distance education management process for tracking students' place of residence when engaged in distance education; documentation that an institution has contacted a state directly to discuss programs the institution is providing to students in that state to determine whether authorization is needed; an application to a state, even if it is not yet approved; documentation from a state that an application is pending. U.S. Department of Education, Office of Postsecondary Education, "Amended – State authorization under the Program Integrity Regulations: GEN-11-11," <http://ifap.ed.gov/> (accessed June 26, 2013).

⁹ U.S. Department of Education, Office of Postsecondary Education, "Amended – State authorization under the Program Integrity Regulations: GEN-11-11," <http://ifap.ed.gov/> (accessed June 26, 2013).

¹⁰ *Civil Action No. 11-0138 (RMC)*, Career College Association d/b/a Association of Private Sector Colleges and Universities, Plaintiff, v. Arne Duncan, Secretary, U.S. Department of Education, et. al., Defendants, p. 37, <https://ecf.dcd.uscourts.gov/> (accessed June 26, 2013).

- ¹¹ U.S. Court of Appeals for the District of Columbia, June 5, 2013, no. 11-5174, <http://www.cadc.uscourts.gov/> (accessed Nov. 19, 2013).
- ¹² Russell Poulin, Deputy Director, Research and Analysis, WCET – WICHE Cooperative for Educational Technologies, e-mail, Oct. 30, 2013.
- ¹³ Suzanne Weiss, “Online-U,” *State Legislatures Magazine*, National Conference of State Legislatures, May 2011, <http://www.ncsl.org/> (accessed Sept. 5, 2013).
- ¹⁴ WICHE Cooperative for Educational Technologies, “2010 Federal Regulation on State Approval of Out-of-State Providers,” <http://wcet.wiche.edu/> (accessed Oct. 31, 2013).
- ¹⁵ Russell Poulin, Deputy Director, Research and Analysis, WCET – WICHE Cooperative for Educational Technologies, e-mail, Oct. 30, 2013.
- ¹⁶ WICHE Cooperative for Educational Technologies, “Talking Points: State and Federal Regulations on ‘State Authorization’ of Distance Education,” April 2013, <http://wcet.wiche.edu/> (accessed June 26, 2013).
- ¹⁷ SHEEO, “List of Agencies by Physical Presence Trigger,” <http://www.sheeo.org/> (accessed June 26, 2013).
- ¹⁸ Tennessee Higher Education Commission, “Distance Education Authorization Requirements in Tennessee,” <http://www.tn.gov/theec/> (accessed June 26, 2013).
- ¹⁹ State Higher Education Executive Officers, “SHEEO State Authorization Survey: Tennessee,” p. 19, <http://www.sheeo.org/> (accessed June 26, 2013).
- ²⁰ In April 2013, the Commission on the Regulation of Postsecondary Distance Education, a collaboration between SHEEO and the American Association of Public and Land-Grant Universities (APLU), released its final draft of proposed reciprocity policy recommendations, more commonly known as “SARA.” Commission on the Regulation of Postsecondary Distance Education, *Advancing Access through Regulatory Reform: Findings, Principles and Recommendations for the State Authorization Reciprocity Agreement (SARA)*, p. 3, <http://wcet.wiche.edu/> (accessed June 26, 2013).
- ²¹ Ibid.
- ²² Western Interstate Commission for Higher Education (WICHE), New England Board of Higher Education (NEBHE), Midwestern Higher Education Compact (MHEC), and Southern Regional Education Board (SREB). Tennessee is a member of SREB.
- ²³ Commission on the Regulation of Postsecondary Distance Education, *Advancing Access through Regulatory Reform: Findings, Principles and Recommendations for the State Authorization Reciprocity Agreement (SARA)*, p. 4, <http://wcet.wiche.edu/> (accessed June 26, 2013).
- ²⁴ Stephanie Bellard-Chase, Assistant Executive Director for Postsecondary School Authorization, Tennessee Higher Education Commission, e-mail, Tuesday, June 18, 2013.
- ²⁵ Commission on the Regulation of Postsecondary Distance Education, *Advancing Access through Regulatory Reform: Findings, Principles and Recommendations for the State Authorization Reciprocity Agreement (SARA)*, p. 31, <http://wcet.wiche.edu/> (accessed June 26, 2013).
- ²⁶ State Higher Education Executive Officers, “SHEEO State Authorization Survey: Tennessee,” p. 15, <http://www.sheeo.org/> (accessed June 26, 2013).
- ²⁷ Rules of the Tennessee Higher Education Commission, Chapter 1540-01-02-.25, Authorization and Regulation of Postsecondary Education Institutions and their Agents, “Fees,” effective Nov. 2011, <http://www.tn.gov/sos/> (accessed Nov. 19, 2013).
- ²⁸ State Higher Education Executive Officers, *SHEEO State Authorization Survey: Tennessee*, p. 15, <http://www.sheeo.org/> (accessed June 26, 2013).
- ²⁹ Dr. Jennifer Gramling, Director of Online Programs, University of Tennessee-Knoxville, telephone interview, July 11, 2013.
- ³⁰ Stephanie Bellard-Chase, Assistant Executive Director for Postsecondary School Authorization, Tennessee Higher Education Commission, telephone interview, June 14, 2013.

Appendix B: Postsecondary Education Authorization Act of 1974 – Exempt Institutions

49-7-2004. Exempt institutions.

(a) The following education and educational institutions are exempted from this part:

- (1) Institutions exclusively offering instruction at any or all levels from preschool through the twelfth grade;
- (2) Education sponsored by a bona fide trade, business, professional or fraternal organization, so recognized by the commission, solely for that organization's membership or offered on a no-fee basis;
- (3) Education solely a vocational or recreational in nature, as determined by the commission, and institutions offering such education exclusively;
- (4) Education offered by eleemosynary institutions, organizations or agencies, so recognized by the commission; provided, that the education is not advertised or promoted as leading toward educational credentials;
- (5) Postsecondary educational institutions established, operated and governed by this state or its political subdivisions, including the state technology centers established under authority of chapter 11, parts 3-5 of this title, which shall continue under the exclusive control and jurisdiction of the state board for vocational education. The board may contract with a local board of education for the operation of a state technology center, but the contract shall be reviewed each year to ensure the maintenance of a quality educational program; and upon cancellation of the contract, the operation of the center shall revert to the state board for vocational education;
- (6) Postsecondary educational institutions:
 - (A) With its primary campus domiciled in this state for at least ten (10) consecutive years;
 - (B) That have been accredited by an accrediting agency recognized by the United States department of education for at least ten (10) consecutive years;
 - (C) That have been chartered in this state as a not-for-profit entity for at least ten (10) consecutive years; and
 - (D) That meet and maintain financial standards established by the commission or maintain financial standards as established by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS);
- (7) Institutions operated solely as barber schools, schools of cosmetology or schools of electrology;
- (8) Institutions operated solely as schools for the study of law and subject to the approval of the board of law examiners for this state; and
- (9) Educational programs conducted by state-licensed health care institutions.
- (10) Educational instruction that:
 - (A) Does not lead to a degree;
 - (B) Is regulated by the federal aviation administration; and
 - (C) Is offered by a postsecondary educational institution that does not require students receiving the instruction to enter into written or oral contracts of indebtedness; and
- (11) A nonprofit, regionally accredited educational institution:
 - (A) Offering online, competency-based education to adult students;
 - (B) Led by a chief executive or chancellor domiciled in Tennessee; and
 - (C) With activities and operations limited to the scope of a memorandum of understanding executed with the state of Tennessee in 2013.

(b) Any postsecondary educational institution exempt from this part by virtue of subdivision (a)(6) shall lose the exemption upon the occurrence of one (1) of the following events, subject to appeal to the commission as provided at 49-7-2010:

- (1) Loss or failure to meet any of the listed criteria for exemption;
- (2) Loss of Title IV federal student aid funding; or
- (3) A federal financial aid cohort default rate of twenty percent (20%) or higher for three (3) consecutive years or any single year over thirty-five percent (35%) as reported by the United States department of education, office of postsecondary educational institutional data system.

(c) Notwithstanding anything in this section to the contrary, an institution that has lost its exemption due to the occurrence of one (1) of the conditions listed in subdivisions (b)(1)-(3) will not be required to reestablish the ten (10)

consecutive year standards in order to regain its exempt status. Instead, the commission shall have the authority to reinstate the exemption once the condition that caused the loss of exemption has, in the opinion of the commission, been remedied.

Acts 1961, ch. 112, 4; 1974, ch. 781, 4; 1976, ch. 543, 1; 1976, ch. 802, 1; 1978, ch. 609, 1; 1980, ch. 541, 1; 1983, ch. 398, 3; T.C.A., 49-3904; Acts 1989, ch. 425, 4; 1993, ch. 113, 1; 1994, ch. 685, 3; 1998, ch. 695, 5-7; 2013, ch. 185.



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