



Lessons from a Risk-Based Oversight Model Designed to Protect Students and Taxpayers

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Over the past 20 years, many higher education institutions have closed without warning, leaving student veterans without degrees and with few options to complete their degrees and get better jobs. Partially in response to these concerns, and recognizing the limited staffing and budgets of state approving agencies to provide quality assurance, Congress passed for the first time a law requiring risk-based reviews. Six pilot state approving agencies have now successfully implemented a process targeting reviews to schools most likely to leave veterans worse off—having used up their limited GI Bill benefits, often taking out loans, and lacking a marketable degree. The goal of this work is to protect student veterans and taxpayers from schools at risk of closure or persistent failure to deliver on their promise to students, given the problem of limited oversight capacity. Importantly, this piloted system is built on public data, making it replicable to other contexts, such as state and federal oversight of the nearly quarter trillion dollar annual federal investment in Title IV financial aid (student loans and Pell grants), Department of Defense Tuition Assistance, federal investments in workforce training, and college accreditation. In all of these contexts, regulators have limited resources that should be focused on improving or weeding out schools and providers that pose a greater level of risk.

These risk-based reviews are a critical example of the federal government taking bipartisan action to protect student veterans and taxpayers, and this pilot shows that such a system can—and does—work. This work provides important information and insight for policymakers and can serve as a model to inform higher education quality assurance and consumer protection more broadly.

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Executive Summary

For the past two decades, veterans and their families have been hurt by risky colleges and other postsecondary training programs because the generous benefits available through the Post 9/11 GI Bill make these students prime targets for low-quality institutions. The federal government is spending approximately \$12 billion per year for veterans and their family members to attend college. While much of this investment is well spent, some colleges target military-connected students with misleading ads and high-pressure sales tactics, sometimes even promising guaranteed jobs and six-figure incomes after graduating and consistently failing to deliver. These taxpayer dollars and the students who have wasted their limited benefits and precious time are particularly put at risk when schools close suddenly. For example, at least \$9 billion in Pell grants alone flowed to schools that closed between 2010 and 2018.¹ But veterans are also at risk of less obvious harms, including low quality, unmarketable educational offerings and wasting their hard-earned benefits on programs that do not give them the skills and credentials needed to significantly increase their earning power. Risky schools are often for-profit colleges, but not exclusively so. There are schools from every sector that are not financially sound, that have extremely poor student outcomes, with low rates of retention, and that often fail to lead to the better jobs and higher wages veterans were promised.



The state approving agencies (SAAs) tasked by Congress with overseeing GI Bill-eligible schools in service of veterans and taxpayers have focused their reviews mostly on auditing financial compliance—do the dollars disbursed by the U.S. Department of Veterans Affairs (VA) to the school match the dollars the school disbursed to students—rather than on whether schools leave student veterans better or worse off (and therefore whether directing taxpayer dollars to such schools is a reasonable investment). These compliance surveys have failed to identify schools that were consistently leaving veterans worse off or were dangerously at risk for abrupt closure, putting students and taxpayers at great risk.



Aware that the current review system was insufficient to counter the poor outcomes for veterans and risk to taxpayers, Congress in 2017 passed the Forever GI Bill² (or Colmery Act), including in it provisions that directed the SAAs to conduct risk-based reviews—evaluating whether a school was likely to leave students better or worse off and if taxpayers were getting a good return on their investment. In the first two years since passage, there

¹ Calculations of Title IV Program Volume Reports (2009-10 to 2019-20), conducted by TICAS and reflected in <https://ticas.org/wp-content/uploads/2021/11/Coalition-FP-Pell-Exclusion-Letter.pdf>

² Harry W. Colmery Veterans Educational Assistance Act of 2017 (P.L. 115-48)

was very limited implementation of risk-based reviews. In response to those two years of lack of progress, and with support from Lumina Foundation and pro bono support from Nelson, Mullins, Riley, and Scarborough, EducationCounsel (EdCounsel) and the National Association of State Approving Agencies (NASAA) undertook a project to develop and pilot an effective, data-informed approach to implement these risk-based reviews.

NASAA, EducationCounsel, and the six pilot SAAs have worked with a diverse 22-member advisory council representing veterans, schools, accreditors, and states to collaboratively create a first-of-its-kind GI Bill institutional risk model and successfully executed a multi-state pilot implementing the model. The pilot model leverages publicly available metrics to measure the likelihood of risk posed by all institutions receiving GI Bill dollars in each state and allow SAAs to prioritize limited oversight resources toward deeper review of the institutions evincing the most risk. The findings of the site visits conducted by the six pilots identified numerous risky institutional practices and outcomes, such as significant numbers of student complaints and poor institutional financial health that put students at risk of sudden college closure. The findings of this pilot also show that the risk filter was effective at predicting many of these negative outcomes—which is critical because such findings were not directly knowable from public data prior to conducting the deeper institutional review.

This risk-based model has received positive responses from VA, the SAAs, and lawmakers on the Congressional veterans authorizing committees. In 2020, Congress unanimously strengthened risk based reviews and the authority of the SAAs to conduct them as part of the Isakson and Roe Veterans Health Care and Benefits Improvement Act of 2020 (Isakson-Roe). As a result of the new statute, all SAAs will be required to review GI Bill-eligible institutions using risk-based reviews starting in October 2022.

This work is also significant for the broader higher education policy community focused on quality and oversight, not just student veterans. Because the model is based on public data, regulators and oversight entities in various other contexts can leverage both the lessons and specific metrics in this pilot to improve their own accountability mechanisms. The final section of this report includes specific policy recommendations for the U.S. Department of Education's (ED)



upcoming rulemaking on institutional accountability, Federal Student Aid (FSA) program reviews and enforcement, state authorization, accreditation, the U.S. Department of Defense (DOD) Tuition Assistance (TA) program, and workforce funding. The data collected in this pilot and the tools developed and used by the SAAs provide insights on how to improve the efficiency and effectiveness of limited oversight capacity to protect students and taxpayers in myriad other contexts.

Background on GI Bill, State Approving Agencies, and “Compliance Surveys”

Since 1944, the GI Bill has provided qualifying veterans with grants to cover all or some of the costs for postsecondary education or training.³ The modern-day GI Bill, which was enacted in 2008 and is commonly referred to as the Post-9/11 GI Bill, provides assistance for tuition and fees, books and supplies, and housing, similar to the original GI Bill. In award year 2019-2020, nearly one million students received GI Bill benefits totaling \$12 billion.

Given this enormous investment, the VA relies on a combination of ED safeguards and VA safeguards, including the SAAs. SAAs are responsible for the review of higher education institutions and the approval of programs that are eligible to enroll military students using GI Bill benefits. While traditionally accredited institutions of higher education can apply for approval to enroll GI Bill beneficiaries, so can unaccredited programs, including unaccredited flight schools, beauty schools, and vocational programs. SAAs are bodies authorized in federal law, but are staffed by state employees contracted by VA to conduct approvals and oversee schools in the state that are approved by SAAs and VA to receive GI Bill benefits.

In addition to conducting initial program approvals, SAAs also conduct institutional oversight using what are referred to as compliance surveys or compliance reviews. These compliance reviews are traditionally not assigned on the basis of risk—depending on the year, institutions have been selected for review either randomly, based on length of time since previous review, or using somewhat arbitrary factors such as type (e.g. flight schools) or sector (e.g. for-profits). The reviews themselves are essentially in-person payment audits—the SAAs review whether funding from VA was allocated to eligible students, and whether there were any overpayments or underpayments to resolve. The scope of these reviews is extremely limited, and the possible findings correspondingly limited to payment errors. The narrow scope of these reviews, combined with perennially low levels of oversight funding and shifting priorities from VA on how to select schools for deeper review have left SAAs largely unable to consistently identify and address schools or programs that pose significant risk to student veterans and taxpayers.

³ Department of Veterans Affairs Website: About the GI Bill <https://www.va.gov/education/about-gi-bill-benefits/>

Risky Schools, Focus on Veterans, and Broader Higher Education Impact

Over the past two decades, the limited ability to conduct consistent and comprehensive reviews coincided with the growth in tactics and practices by some colleges that harmed student veterans and students more broadly. Many of these practices made headlines, and the harm to students and taxpayers from deceptive and predatory recruiting tactics and financial collapse of high-risk institutions like ITT and Corinthian Colleges were obvious. These events are certainly damaging to students—who often are



unaware of the significant financial problems at these schools until they show up one day to find padlocks on the doors—and taxpayers, who end up footing the bill for closed school discharges, defaulted loans, and borrower defense claims. But a less obvious but equally harmful outcome of risky schools is consistently poor institutional performance, leaving majorities of their graduates without sufficient earnings to repay their loans, or simply failing to graduate most of their students at all.

Even though the number one reason students and veterans go to college is to get a job so they can have a stable and secure career,⁴ there are far too many institutions where most students don't get that kind of a quality education. Indeed, more than 1,800 Title IV-eligible institutions graduate less than 50 percent of their students, even after eight years. And some are particularly low-performing: There are more than 500 institutions that leave 75 percent of the students they enroll without any certificate or degree.⁵ Failing to complete a degree

makes a big difference to students' financial wellbeing, because students who start college but don't finish are three times as likely to default on their loans.⁶ This subset of particularly low-performing institutions presents a unique risk to students, because students enrolling in them are so much more likely to be left worse off by having attended them.

There are also instances where students are actively misled by claims or deceptive practices of institutions eager to enroll students with generous federal benefits.⁷ For years, military-connected students have been attractive to colleges because of their generous benefit packages.⁸ The explosive growth of for-profit colleges during the great recession occurred at the same time the Post 9/11 GI Bill benefits became available, and created a particularly poor set of policy incentives. For-profit colleges are subject to a requirement that at least 10 percent of revenue come from non-federal student aid sources—payments from students themselves or from employers willing to fund education for employees. Many were struggling to comply with this market viability test—failing to attract even 10 percent of students willing to pay for their education out of pocket or with employer support. Even though tax dollars fund the GI

⁴ New America, "College Decisions Survey: Deciding to Go to College." <https://www.newamerica.org/education-policy/edcentral/collegedecisions/>

⁵ Michael Itzkowitz, Third Way: "The State of American Higher Education Outcomes in 2019."

<https://www.thirdway.org/report/the-state-of-american-higher-education-outcomes-in-2019>

⁶ College Board, "Trends in Student Aid Highlights." <https://trends.collegeboard.org/student-aid/figures-tables/two-year-default-rates-sector-and-completion-status>

⁷ Veterans Education Success Report: VA Still Not Enforcing 1974 Ban on Schools that Engage in Deceptive Advertising and Recruiting <https://vetsedsuccess.org/va-still-not-enforcing-1974-ban-on-schools-that-engage-in-deceptive-advertising-and-recruiting/>

⁸ The Century Foundation Report: Truman, Eisenhower, and the First GI Bill Scandal <https://sites.ed.gov/naciqi/files/2018/05/Complete-History-Series.pdf>

Bill, the way the law was written, GI Bill benefits could be counted toward the 10 percent side of the equation.⁹ The result was a troubling increase in deceptive recruiting practices specifically targeting veterans, often by high-cost programs at schools that rarely lead to good outcomes for veterans and their families. Numerous state and federal investigations, independent reports, and a comprehensive Senate Committee investigation¹⁰ confirmed these findings and provided troubling details of the many instances of predatory recruiting behavior, especially on the part of for-profit colleges. In response, Congress passed and President Biden signed a law closing this loophole in March 2021. This should reduce some targeting of veterans by predatory providers that mislead students about the quality of the program in an effort to secure generous federal financial benefits, but other incentives to mislead students who can supply generous federal benefits to enroll in shoddy colleges remain.

In short, there are three primary types of risk institutions present to students and taxpayers: (1) institutions that pose financial or administrative risk, particularly that leads to precipitous closure; (2) institutions that offer high-cost, low quality programs that do not lead to sufficient earnings to justify the time or dollar investment; and (3) institutions that engage in predatory recruiting and enrollment practices that lead to large swings in enrollment, exceptionally high dropout rates, and significant numbers of students and veterans in default or having wasted their federal grant dollars. All three of these types of risk should be considered in determining which institutions present the most overall risk to students and taxpayers, and therefore how to allocate limited oversight resources.

Yet the current structure of the VA Compliance Survey process administered by the SAAs puts very little focus on elements like misleading and deceptive advertising and enrollment practices, exceptionally low completion rates and attainment of required credentials and licenses, and increased earning power or program quality. Instead, compliance reviews have been directed to focus almost entirely on payment accuracy to the exclusion of the overall financial health, recruiting and enrollment practices, academic quality, employment outcomes, or rapid growth or contraction of the college. The absence of meaningful oversight has led to both disproportionate veteran enrollment in low-quality programs and a higher proportion of veterans exposed to schools abruptly closing their doors.¹¹



To be clear, there are schools that serve the veterans they enroll well, and do not present significant risk to students or taxpayers. However, some colleges and some programs—more prevalent in the for-profit sector but existing across all sectors of higher education—can pose a genuine risk of leaving their students worse off, having wasted students’ time and limited federal benefits. All of these risks to students and taxpayers—precipitous institutional closure, chronically leaving students financially worse off, and predatory recruiting of federal grant recipients—are ones that the risk-based model described in this report tries to account for when allocating limited oversight resources.

⁹ The Brookings Institution Report: Understanding the 90/10 Rule https://www.brookings.edu/wp-content/uploads/2019/01/ES_20190116_Looney-90-10.pdf

¹⁰ For Profit Higher Education Report: The Failure to Safeguard the Federal Investment and Ensure Student Success https://www.help.senate.gov/imo/media/for_profit_report/Contents.pdf

¹¹ Veterans Education Success Report: Overemphasis on Payment Accuracy Impedes More Effective SAA Oversight of Schools Participating in the GI Bill <https://vetsedsuccess.org/overemphasis-on-payment-accuracy-impedes-more-effective-saa-oversight-of-schools-participating-in-the-gi-bill/>

Congress Acts in Response to Inspector General and Veterans Organizations

The House and Senate Veterans Affairs committees watched with growing bipartisan impatience as inadequate oversight allowed some schools to prey on veterans, capture millions in taxpayer dollars, and too often close with little warning. In response, in 2017, they included in the Harry W. Colmery Veterans Educational Assistance Act (also known as the Forever GI Bill) provisions that for the first time required SAAs to evaluate the risk of these programs: the risk of poor finances, of harming student veterans, and of leaving taxpayers holding the bag when schools consistently fail students or shut down suddenly. The Colmery Act also authorized a modest funding increase for SAAs and mandated the Government Accountability Office issue a report on SAA capacity and performance. That GAO report found that a focus on risk was indeed warranted.¹²

Recognizing that compliance surveys were insufficient as a tool to address the widespread use of misleading and deceptive tactics and low-quality education leaving students worse off, the Colmery Act required for the first time that SAAs begin evaluating the risk that schools approved to disburse GI Bill funds pose to students and taxpayers. This is the first time such a robust requirement for risk-based reviews was passed in any higher education context. In the first two years following passage, little progress was made. VA and the SAAs did not have experience designing and creating a risk-based system, and there was no publicly transparent precedent to use as a model.

In late 2020, the Colmery Act's focus on risk-based reviews was further strengthened with passage of the Isakson and Roe Veterans Health Care and Benefits Improvement Act of 2020 (Isakson-Roe), which was championed by veterans groups. Isakson-Roe further strengthened the SAAs' risk-based review authority, added triggering events necessitating a review, and required that SAAs exclusively conduct risk-based reviews beginning in October 2022 and further specified minimum criteria that must be examined in the course of risk-based reviews.

During drafting and negotiation of Isakson-Roe, NASAA—as the national body representing the SAAs—recognized the need for a dedicated effort to design, build, pilot, and scale a model that could be effectively used by all SAAs, from those in small states with only one full-time employee, to large states that have to oversee hundreds of GI Bill recipient institutions. This process resulted in the development and implementation of a quantitative model that evaluates programs based on risk to veterans and taxpayers and focuses limited resources on those programs evincing the highest level of risk—with



attendant requirements for improvement or risk of loss of GI Bill eligibility. This report summarizes the collective efforts to design, build, and pilot these statutorily required risk-based reviews, learn from the pilot and make any needed adjustments, and, in the coming year, scale to all 50 states by October 2022 consistent with the law; it also evaluates the extent to which this model might have applicability to a broader Title IV context.

With funding from Lumina Foundation and pro bono support from Nelson, Mullins, Riley, and Scarborough, NASAA and EdCounsel undertook the pilot design by convening an advisory council of 22 members representing student veterans, state approving agencies, institutions, accreditors, states, and other experts. These advisory council members—along with several others who

¹² GAO Report: VA Needs to Ensure That It Can Continue to Provide Effective School Oversight
<https://www.gao.gov/assets/700/695462.pdf>

were consulted throughout this process—provided regular and invaluable guidance on the overall structure and principles of the model. NASAA and EdCounsel also worked closely with six pilot SAAs (in addition to the two non-pilot SAAs serving on the advisory council) to understand their capacity and perspectives on risk. Research was also conducted on precedents and examples of risk-based reviews in other contexts, such as higher education oversight models from other countries and predicting housing foreclosure risk and financial oversight of publicly traded companies; and previous work on risk-based reviews.¹³ During the design of the initial risk filter and deeper review tools and forms, the focus was intentionally on feasibility of implementation and scaling across SAAs as well as other federal contexts.

In developing the risk-based review process, NASAA and EdCounsel consulted with several researchers, policy experts, and veterans’ advocates. Chief among these efforts to gather feedback and input from experts in the veterans and higher education fields was the establishment of an Advisory Council of 22 members representing a diverse set of perspectives, interests, and experiences. This group met regularly to discuss the priorities and effective design of a risk-based system and pilot. The Advisory Council provided critical input and feedback, but their participation in this effort does not imply individual or organizational endorsement.

Accrediting Commission of Career Schools and Colleges	Michale McComis
American Association of Collegiate Registrars and Admissions Officers	William Gil
American Council for Education	Anne H. Meehan
American Legion	Joseph Sharpe
Center for American Progress	Antoinette Flores Ben Miller
Distance Education Accrediting Commission	Leah Matthews
National Association of Independent Colleges and Universities	Stephanie Giesecke
National Association of Student Financial Aid Administrators	Jill Desjean
National Association of Veterans' Program Administrators	Dr. Jan Del Signore
New America	Clare McCann
New Jersey Office of the Secretary of Higher Education	Zakiya Smith Ellis
New Mexico State Approving Agency for Veterans’ and Training	Marilyn Dykman Katherine Snyder
New York State Division of Veterans' Services	William Clarke
State Higher Education Executive Officers Association	David Tandberg
Student Veterans of America	Lauren Augustine
The Education Trust	Dr. Kayla C. Elliott
University of Phoenix	Patrick Sutliff
Veterans Education Success	Carrie Wofford, Tanya Ang
WASC Senior College and University Commission	Jamienne S. Studley
Washington State Approving Agency	John Murray

¹³ For a deeper discussion of the theoretical foundations of this model, please see EducationCounsel’s previous policy briefs on this topic: “Framework for Risk-Informed, Differentiated Accreditation” at <https://educationcounsel.com/?publication=framework-risk-informed-differentiated-accreditation> and “Getting Our House in Order: Clarifying the Role of the State in Higher Education Quality Assurance” at <https://educationcounsel.com/?publication=getting-house-order-clarifying-role-state-higher-education-quality-assurance>.

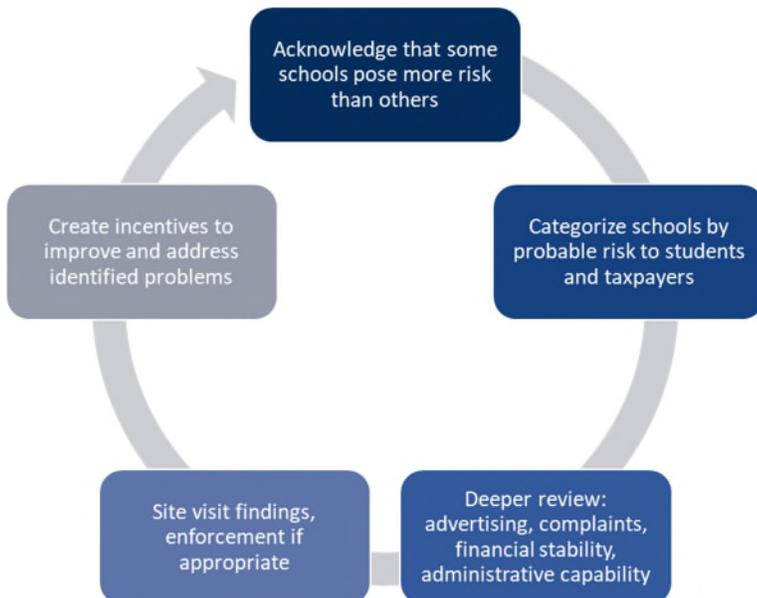
SAA Pilot States



Texas, Illinois, New York, Delaware, Virginia, Nevada

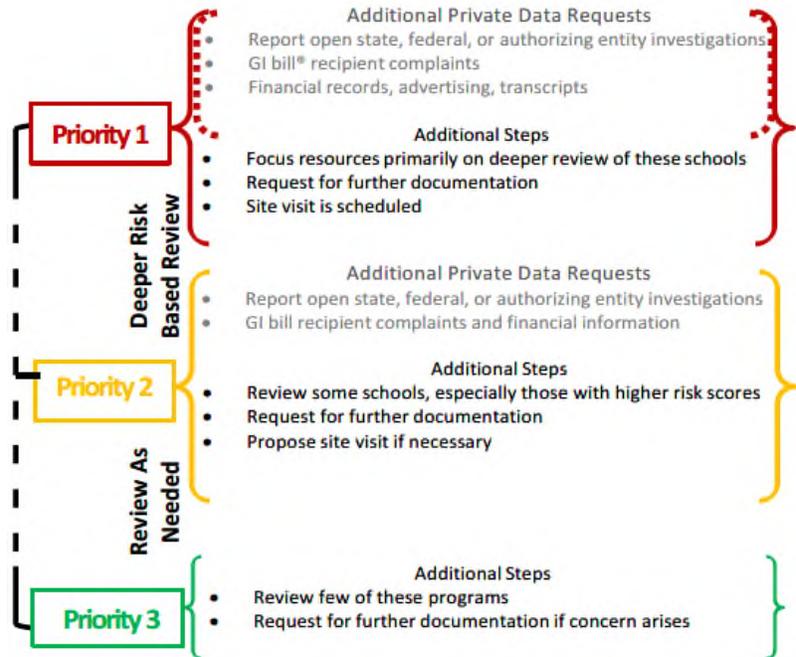
The Theory of Risk-Based Reviews

The underlying theory of this model presupposes that not all institutions pose an equivalent risk to students and taxpayers. In other words, an oversight or compliance system would be inefficiently allocating its limited resources if regulators spent equal time reviewing every institution or program under its purview rather than focusing those resources on institutions evincing indicators of potential harm to students and taxpayers. That's why this model is designed to maximize the effectiveness of regulators' capacity by making an initial determination of risk on the basis of readily-available data and then devoting relatively more resources to reviews at institutions that collect more tax dollars, have worse student outcomes, and have a higher risk of poor financial circumstances.



The purpose of a risk-based filter is to better identify and focus resources on schools that pose the most risk to taxpayers and to military-connected students. A risk-based review is premised on the idea that some schools pose less risk than others, and that limited State Approving Agency (SAA) resources should be focused on schools that pose a greater level of risk. But because SAAs do not have unlimited capacity to execute a deep and focused review of every single educational program in their state each year, there must first be a process that allows SAAs to initially assess the risk of all of the GI-Bill eligible programs in a state and determine which pose a greater risk than others—and therefore, which programs an SAA should prioritize for deeper review and site visits. Under current practice, there is no transparent process that establishes which schools pose the greatest risk and thus should receive the most attention from the SAAs.

The risk-based review system seeks to separate low-risk schools from high-risk schools using quantitative measures, and then prioritizes further data requests and site visits to those schools showing the highest levels of risk within a specific state. The system uses publicly available data to automate the process of ranking programs in a state from higher to lower risk. This allows SAAs to focus their risk-based review visits on those institutions most likely to present risk to students and taxpayers. SAAs then conduct a deep review of detailed data and documents furnished by schools identified by the risk filter, including financial information, recruiting practices, student outcomes, complaints, and advertising, among many other areas. SAAs then conduct a site review to follow up on identified areas of concern. The risk filter is a mechanism that allows an SAA to make an initial assessment of the risk of all of the GI Bill-eligible programs in a state and then use its own expertise and experience to determine which schools to ultimately select for deeper review using non-public metrics requested of and provided by the institution.



The goal of the risk-based filter is not to conclusively determine that a school is out of compliance or is not serving students effectively. The purpose of the filter is only to determine that the school merits a closer look. Thus, the metrics used to assess the risk level of a school in a risk filter are not, by themselves, grounds for action by an SAA against a school.

In order to be usable by state oversight entities, a risk-based filter should be composed of metrics that are relatively easy to access, and the risk filter used by the model includes more than a dozen publicly-available metrics. Isakson-Roe also lists non-exhaustive factors that could be included in analyzing risk (including enrollment, outcomes, default rates, numbers of complaints, and previous SAA compliance issues). The following section describes in detail the metrics that were used to determine which schools posed the most risk.

How the Risk-Based Model Works

The model is subdivided into four parts: (1) the risk-based filter, (2) the data and document request to selected institutions and review of the information furnished, (3) the site visit, and (4) findings, SAA and school actions, and potential consequences.

Risk-based filter

As described in the previous section, before an SAA (or analogous entity) can conduct deeper reviews and site visits, it must have a method by which to select those institutions it believes warrant additional oversight. To build a risk-based filter, publicly available data was compiled for all institutions under SAA jurisdiction in each of the six pilot states, including metrics that have not yet been widely utilized in oversight frameworks—such as graduate earnings, percent of institutional revenue spent on instruction, and completion rates disaggregated by student income and race. Also included were six metrics not publicly available but collected by and available to the pilot SAAs.

Publicly available metrics	SAA-provided metrics
Enrollment change over one and two years	Multi-state facilities
Veteran enrollment	Newly approved facilities
Tuition change over one and two years	Recent change of ownership
Average total net price to students	Recent expanded audit or training by SAA
Total complaints reported to VA	Recent suspension
Heightened cash monitoring status	Recent withdrawal
Three-year cohort default rate	
Completion rate – total and disaggregated by student group (With comparisons by Pell recipients and for Black and Latino students)	
Full- and part-time retention rate	
Ratio of graduate earnings to state high school graduate earnings	
Percent of revenue spent on instruction	

Each of these metrics represents a different vector of risk. For example, to reflect risks of potential harms to students, the risk filter includes measures of poor completion rates, both for all students and disaggregated by income (Pell status) and race to account for completion gaps between different demographic groups; it also includes a measure of the percentage of students earning more than the average high school graduate in the state, reflecting whether the institution can provide enough value to allow students to earn more than those with no degree or certificate. Risk of poor financial health are reflected in the ED heightened cash monitoring status (the only financial risk metric ED publicly releases), and significant increases or decreases in enrollment. In the case of public metrics, the risk filter includes as many potentially predictive metrics as possible with the intention of measuring the overall efficacy and eliminating potentially duplicative or contraindicative metrics. All six measures of potential risk available

privately to SAAs are also included in the risk filter, but those data are not publicly available, so are not replicable to other, non-GI Bill contexts.

Descriptive statistics for each indicator were then calculated within each state, such as the mean, median, standard deviation, and relative performance (by percentile) for each variable across all programs. The distribution of data was identified in order to create risk brackets for each indicator, using the following assumptions: highest risk = worst 10 percent of outcomes; high risk = worst 25 percent of outcomes; moderate risk = middle 50 percent of outcomes; and low risk = best 25 percent of outcomes, assigning a risk score (1.5, 1, 0.5, 0, respectively) to each of these outcomes. Finally, these numerical scores were aggregated to arrive at a total risk score for each institution in the six pilot states, and provided a listing of the institutions in the state ordered by risk score, divided into three priority risk groups: priority 1 institutions (the riskiest 15 percent of institutions in a state), priority 2 institutions (the middle 50 percent of institutions in a state) and priority 3 institutions (the 35 percent lowest-risk institutions in a state). This last step provided a clear layout to support the SAAs in their determinations of which schools were relatively high and low risk in their state, so they could easily determine which institutions they wanted to select for deeper review. SAAs were, however, encouraged to focus relatively more resources on higher-priority institutions given the theory of risk-based reviews.

Again, no final determinations of quality, harm, or performance were derived from this initial risk filter process; it simply provides SAAs with indicators of risk that they can leverage when determining how to select institutions for deeper review. Determinations of poor performance or noncompliance with federal law and regulations—and the potential for technical assistance, corrective action, consequences, or even positive feedback and relief from subsequent near-term reviews—are made only on the basis of institution-provided data and documentation and the SAA’s evaluation of the institution during a site visit.

FACC	UNITID	OPEID	OPEID6	INSTNM	STATE	AdjRiskScore	Z-score	PriorityLvl
100001	200001	300001	400001	School A	AB	17.000	2.5642	Priority 1
100002	200001	300001	400001	School B	AB	16.176	2.3294	Priority 1
100003	200001	300001	400001	School C	AB	14.519	1.8566	Priority 1
100004	200001	300001	400001	School D	AB	12.444	1.2652	Priority 1
100005	200001	300001	400001	School E	AB	12.000	1.1385	Priority 1
100006	200001	300001	400001	School F	AB	10.500	0.7107	Priority 1
100007	200001	300001	400001	School G	AB	9.852	0.5259	Priority 2
100008	200001	300001	400001	School H	AB	9.706	0.4843	Priority 2
100009	200001	300001	400001	School I	AB	9.563	0.4434	Priority 2
100010	200001	300001	400001	School J	AB	9.500	0.4296	Priority 2
100011	200001	300001	400001	School K	AB	9.422	0.4034	Priority 2
100012	200001	300001	400001	School L	AB	9.422	0.4034	Priority 2
100013	200001	300001	400001	School M	AB	9.333	0.3781	Priority 2
100014	200001	300001	400001	School N	AB	8.833	0.2355	Priority 2
100015	200001	300001	400001	School O	AB	8.667	0.1880	Priority 2
100016	200001	300001	400001	School P	AB	8.438	0.1226	Priority 2
100017	200001	300001	400001	School Q	AB	8.296	0.0824	Priority 2
100018	200001	300001	400001	School R	AB	7.778	-0.0655	Priority 2
100019	200001	300001	400001	School S	AB	7.778	-0.0655	Priority 2
100020	200001	300001	400001	School T	AB	7.778	-0.0655	Priority 2
100021	200001	300001	400001	School U	AB	7.549	-0.1307	Priority 2
100022	200001	300001	400001	School V	AB	7.259	-0.2137	Priority 2
100023	200001	300001	400001	School W	AB	7.000	-0.2873	Priority 2
100024	200001	300001	400001	School X	AB	6.741	-0.3612	Priority 2
100025	200001	300001	400001	School Y	AB	6.662	-0.3780	Priority 2
100026	200001	300001	400001	School Z	AB	5.889	-0.6041	Priority 2
100027	200001	300001	400001	School AA	AB	5.392	-0.7457	Priority 3
100028	200001	300001	400001	School AB	AB	5.231	-0.7918	Priority 3
100029	200001	300001	400001	School AC	AB	5.000	-0.8576	Priority 3
100030	200001	300001	400001	School AD	AB	4.577	-0.9782	Priority 3
100031	200001	300001	400001	School AE	AB	4.333	-1.0477	Priority 3
100032	200001	300001	400001	School AF	AB	4.314	-1.0532	Priority 3
100033	200001	300001	400001	School AG	AB	3.269	-1.3511	Priority 3
100034	200001	300001	400001	School AH	AB	3.000	-1.4278	Priority 3
100035	200001	300001	400001	School AI	AB	2.944	-1.4437	Priority 3
100036	200001	300001	400001	School AJ	AB	2.083	-1.6892	Priority 3

Data and document request for selected institutions

Priority 1 institutions are likely to show significant indication of risk, but this indication alone is an insufficient basis to make a comprehensive determination of institutional quality or likelihood of imminent closure, necessitating deeper review by the SAAs. The scope of this deeper review can depend on the capacity of the SAA and the type of program being evaluated (e.g. size, mission, dollars received, etc.) but as a first step will typically include additional requests for data that are not publicly available. Relative to compiling publicly available data, this is a more labor-intensive process for schools to furnish and for SAAs to review, which is why the initial risk-filter prevents the data and document request from being required of all schools each year—decreasing the burden for all involved and focusing resources on those evincing the most significant indicators of risk.

As part of this work and with the regular input of the pilot SAAs, several forms were developed that SAAs could leverage when requesting and analyzing nonpublic information to be furnished by selected

institutions. This included admissions documentation, advertising and third-party lead generation materials, complaints to various state and federal agencies, background on state and federal investigations of the school, and detailed financial data. For more detail on what was collected, see below. Several of the forms the pilot SAAs used are also included as an appendix to this report for those entities that are interested in leveraging these tools for their own use.

Information collected by SAAs from priority institutions prior to site visits

Student file review	Advertising, marketing, and lead generation
Enrollment Agreement	All digital print and video ads for the last year, including but not limited to:
Degree Evaluation	
Attendance Records	Information includes scholarships and discounts
Student Transcripts	Student handouts and brochures
Standards of Progress Reporting	All scripts used by enrollment counselors or other recruiters
Transcripts of Prior Training	List of all entities the institution has paid for advertising or marketing
Documentation of Credit for Prior Training	All websites created or used by third party contractors for purposes of advertising, marketing, or recruitment
Student Financial Records (including Title IV)	
Complaints	Financial Soundness Review
All student complaints made directly to the school by students	Prepared Financial Statement(s)
All available GI Bill complaints	Balance Sheet
Complaints in possession of the school filed by students at any local, state, federal, or consumer agency or accreditor	Income Statement
	Cash Flow Statement
	Compiled Financial Statement(s)
	90/10 revenue ratio for two years
	85/15 ratio of enrolled veterans

Once the SAA requested and received all documentation, they began a detailed review. NASAA and EdCounsel, in consultation with other subject-matter experts, developed and provided forms for the pilot SAAs to use in determining whether the information was evidence of poor performance or ran afoul of existing laws or regulations, and guides on how to make final determinations of findings by raising issues and questions as part of the site review. Critically, all of these documents and data were furnished prior to the site visit and the SAAs reviewed the materials in detail for several days, allowing SAAs to prepare their areas of inquiry and concern in advance of the site visit, rather than spending limited time on-site reviewing documents and then being ill-prepared to discuss findings.

Site visit

At this stage, the pilot SAAs were ready to conduct site visits. Using the forms described above to guide their visits, SAAs prepared questions using findings identified in the document request and identified ahead of time those individuals whose presence would be critical to answer these questions. During the site visit itself (many of which were conducted virtually due to COVID-19 restrictions), SAAs discussed their findings and concerns with relevant staff. This started a conversation between the SAA and the institution to do several things: give institutions an opportunity to clarify or justify findings the institution believes are inaccurate, alert the institution of worrying findings it might not have been previously aware of, and solidify for the SAAs which findings are sufficiently serious that they give rise to required corrective actions on the part of the institution or remediation or other consequences required by the SAA under the law. In addition to an evaluation of the concerning factors identified, the SAAs also made a qualitative assessment of factors that cannot be reviewed off-site, reviewed facilities and class instruction to ensure adequate resources and quality of instruction, and in some cases conducted interviews with students or faculty.

At the conclusion of the site visits, the SAAs and the institutions both have a deeper understanding of potential issues and problems and how they must be addressed. Just as critically, for institutions that have serious issues or where there is strong evidence of predatory actions or other affirmative wrongdoing, the totality of the findings reflected in these documents provide the basis to justify action needed to protect student veterans and taxpayers, such as suspension or termination of eligibility for federal GI Bill benefits.

Findings, SAA and school actions, and potential consequences

The findings and justification for those findings were then compiled by the pilot SAAs; this is a relatively straightforward process once the preceding forms are completed. Depending on the findings, SAAs made a determination of what corrective action the institution should take and whether referral to other oversight entities is necessary.

Depending on the findings of the deeper review, various types of consequences may be justified and carried out by the SAA. Some reviews will find the initial risk factors were not actually indicative of heightened risk and no reason for corrective action is warranted. Other reviews, however, will find academic shortcomings, financial noncompliance, or other harmful behaviors that necessitate action on the part of the SAA. In the pilot, states found numerous harmful practices, including findings of deceptive advertising of awards received by schools, enrollment quotas for recruiters, student complaints about academic quality that went unaddressed by state licensing agencies, and schools with severely limited cash reserves that posed a serious risk of collapse.

For example, if the financial soundness analysis demonstrates that the institution has worryingly low amounts of cash on hand, several appropriate steps might be warranted: there may be a need to have a plan to remediate the near-term cash flow problem; a teach-out agreement with another local institution might be warranted; and, in almost all cases, informing relevant state and federal authorities that an institution may be at risk of closure or significant degradation of administrative capability based on worsening financial circumstances. Other areas of inquiry may call for other interventions, and if an SAA finds evidence of serious wrongdoing, suspension or termination of the program or institution's eligibility for federal aid may be justified.

Of course, state oversight entities leveraging this model may not find significant areas of deficiency or clear explanations for why risk-filter indicators initially showed the institution in question had deficiencies on publicly available metrics—that's why the deeper review and site visit serve as the basis for findings and final determinations of risk and quality. And the response from SAAs need not only take the form of corrective actions or negative consequences—for institutions confirmed to be high performing, the SAA

might determine that deeper review might not be warranted in future years, even if a future year's risk score would normally justify further review. In addition, some problems discovered by SAAs in a given review year may not be quickly resolvable, such as poor retention rates that require an overhaul of the institution's student services or course design. Other problems may appear to be resolved but their potential severity could give rise to automatic reviews in subsequent years to ensure the problem is fully addressed.

Evaluation of Pilot Outcomes

One of the most significant benefits of the new statutory requirements for risk-based reviews is the direct positive impact on veterans and their families because it allows SAAs to prioritize their resources on schools that pose the most risk to taxpayers and to military-connected students, rather than a narrower focus on payment compliance.

But there are additional potential benefits from this work, particularly because the pilot SAAs are targeting their resources to evaluating higher risk programs on the basis of publicly available data and focusing on identified risk in a facility review. Since the risk filter uses publicly available data, there is nothing proprietary about this model that would prevent accreditors, states, or federal oversight entities from implementing a risk-based model now. There is a wide range of such agencies and their level of experience with oversight; through this method, state and federal oversight entities with limited resources can focus their capacity on addressing issues with schools presenting the highest degree of risk to students and taxpayers. In return, this creates time and money savings for the high-performing schools less likely to be subject to reviews based on risk.

In short, this pilot has demonstrated that risk-based, outcomes-focused reviews are feasible, effective for regulators and students, and can be realistically implemented—right now. Congress has recognized the importance and effectiveness of risk-based reviews. With the pilot's initial findings, and with significant work from the veterans advocacy community, Congress unanimously strengthened the risk-based review process by integrating key elements from this pilot and strengthening the risk-based oversight authority of the SAAs in Isakson-Roe that was unanimously passed and signed in early 2021. Veterans organizations have also recognized the value of this work—the American Legion unanimously passed a resolution in September 2021 supporting this pilot model and encouraging its use in scaling nationally to all SAAs.

The best case for the success of this model is the pilot SAAs themselves—the only entities that have used both compliance reviews and the risk-based system. Feedback from the SAAs included:

“This new type of review where we examine a wider range of data and information has allowed me to have conversations with the schools I oversee that I have never had before.”

“One school noted that questions asked were unlike accreditation—in a good way—and we looked at areas that are not covered in other reviews.”

“When I think about compliance surveys compared to the new risk-based process, it felt like I had blinders on that I’ve finally been able to take off.”

“During this review, most of my facilities had limited student record errors and in a compliance survey there would have been few to no findings. However, with a risk-based survey the majority of my schools had an area to improve on or an area of concern that required action.”

Comparing compliance surveys to the risk-based review model

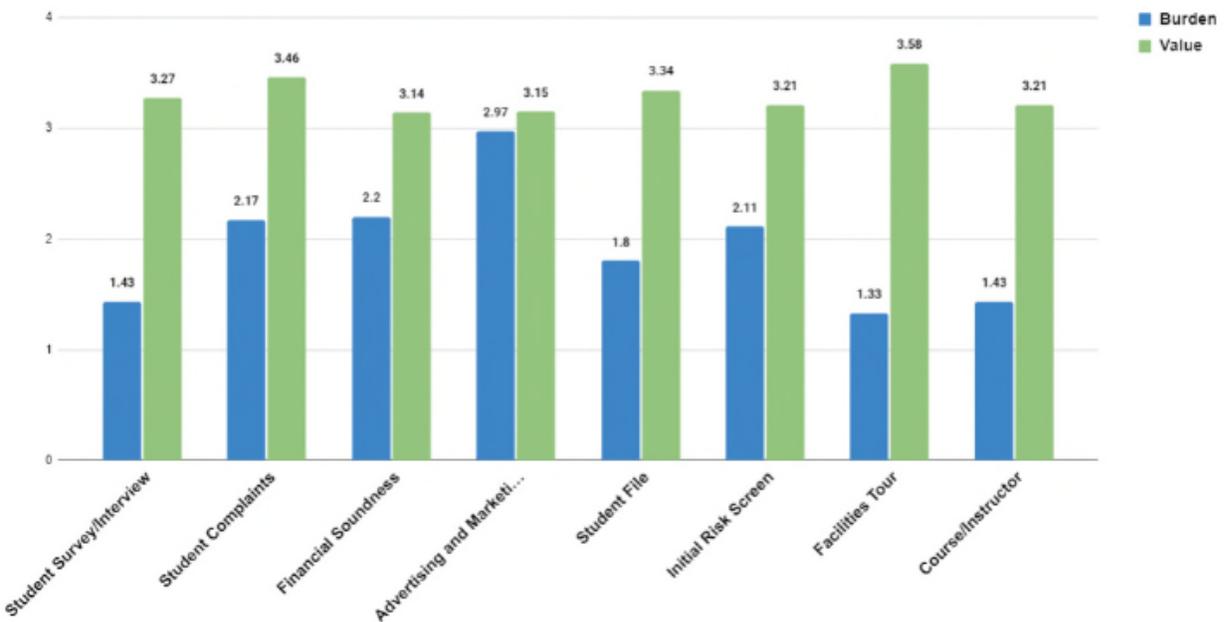
	Compliance survey	Risk-based review
Facility selection	Schools chosen at random, or using qualitative factors like size or sector type without regard to risk	Schools chosen using quantitative, publicly available metrics
Review Capability	Small number of facilities reviewed because of limited staff capacity, and random selection means many did not merit review	Small number of facilities reviewed because each review is deeper and more comprehensive, but risk filter ensures that most or all schools merit review
Documents/ data reviewed	No data or documents reviewed in advance	Robust data and document requests made of schools <i>in advance</i> of site visit based on insight from risk data to allow SAAs a week or more to review and prepare questions before site visit; documents provided include information about finances, complaints, advertisements
On site review	Most time spent reviewing student files; some limited interviews of staff if they happen to be available that day; no prepared questions possible because documents not reviewed in advance	SAAs come prepared with questions based on documents reviewed and ensure ahead of time that relevant staff will be present. Time is not spent reviewing documents; instead SAAs tour facilities, observe classes, and conduct interviews with staff
Findings	Only findings reasonably likely are compliance errors found in student files, e.g. GI Bill payment errors	SAAs are now capable of substantiating findings across all relevant lines of inquiry that could impact students and taxpayers, and can explain those findings to the school using its own data to demonstrate how it should improve

Pilot State Feedback on Risk-Based Reviews

The six pilot states also provided feedback on their perceptions of the relative effectiveness and burden of each of the components of the pilot. As demonstrated in the graph below, on a scale of 0 to 4, the SAAs found all elements of the pilot model to be worthwhile—all elements of the model scored on average above a 3 out of 4 on effectiveness, and most elements were rated about 2 out of 4 for burden or less. The most burdensome element—review of the advertising—was primarily because the pilot’s initial design required that SAAs review each piece of advertising using a separate form; that form has been revised to a single questionnaire reflecting the totality of advertising reviewed, significantly saving time and effort on the part of SAAs.

SAA-Reported Burden to Value Analysis of Reviews

Scale of 0-4 (0=low burden/value; 4=high burden/value)



These findings and positive feedback show how a risk-based quality assurance model would be a more impactful and cost-effective model for higher education oversight entities across the state and federal contexts beyond veterans. The reviews succeeded in identifying areas of concern and SAAs took corrective actions and made referrals to other agencies that never would have happened absent these reviews. Schools provided the detailed information SAAs requested without exception and generally in a timely manner. This work has strong support from the participating SAAs, who appreciated the ability to take a more comprehensive approach to their reviews. The model offers a benefit to low-risk institutions, who save time and money, and it is replicable to many contexts including accreditation, state authorization, Department of Defense (DOD) program reviews, and the Title IV oversight process.

Quantitative Findings

Overall risk filter to site visit correlations

The following are descriptions of how well the risk filter—which is driven by publicly available data—predicted instances of concerning findings and institutional practices not available to the public but observed and catalogued by the pilot SAAs during the site-review process. This is valuable because if the risk filter successfully predicts poor outcomes on site visits, it means that publicly available metrics can be leveraged by oversight entities to determine the likelihood of finding outcomes that are unknowable before deeper review and therefore conserve limited capacity for those institutions most likely to be problematic. In this context, poor outcomes on the site visit reflect a range of financial, administrative, and complaint elements—things like less cash on hand, high rates of student complaints, failure to award transfer credit, and misleading advertising or recruiting practices.

All the correlations described below reflect the frequency that a poor risk filter score occurred at an institution where a given problematic outcome was later found. All the findings discussed below are based on information collected during the site visit process by pilot SAAs—none of them are publicly available data and none are included among the metrics used in the risk filter calculations.

Student complaints, oversight investigations, and accretor actions

Institutions with higher risk scores are much more likely than those with lower risk scores to have higher instances and rates of student complaints. For example, such an institution is more likely to have complaints reported to federal and state oversight entities ($r = .19$), and consumer agencies ($r = .37$). It is also extremely likely to have higher rates of complaints (i.e. not just the presence or absence of complaints) with respect to specific areas of concern, such as rates of complaints about costs ($r = .45$) and recruiting practices ($r = .79$). A higher risk score was also predictive of SAA perceptions that an institution had failed to make any changes to resolve the complaints identified ($r = -.32$). Interestingly, in spite of all these strong correlations about complaints to third parties, there is effectively no correlation between risk score and complaints made directly to the institution ($r = -.01$), perhaps reflecting an unwillingness or inability of students to make such complaints directly.

An institution rated by the risk filter as riskier is effectively no more or less likely to have been under investigation by an oversight entity within the past three years ($r = -.004$). It should be noted, however,

What are correlation coefficients?

A correlation coefficient (denoted by the variable “ r ”) is a number between -1 and $+1$ calculated so as to represent the linear dependence of two variables or sets of data. A correlation of 1.0 means that there is perfect correlation between two variables—if one occurs, the other always occurs as well. On the other hand, a correlation of -1.0 means that there is perfect inverse correlation between two variables—if one occurs, the other will never occur. A correlation of 0 means that there is no correlation between the two variables—if one occurs, there is a 50 percent chance of the other occurring or not.

For this work, a correlation between a poor risk filter score (i.e., the school is rated as risky) and a poor site visit finding means that the (previously unknown) site visit finding in question occurs more frequently the more risky a school is rated by the risk filter. For example, a poor risk filter score is correlated with SAAs finding more student complaints made to consumer agencies, with a correlation coefficient of $r = .37$. That means that as the risk score gets worse, it is 37 percent more likely that an SAA will find complaints to consumer agencies when conducting the deeper review of the institution.

that there are some individual metrics in the risk filter that are more strongly predictive of investigations by oversight entities and therefore poor performance on such metrics may give rise to additional scrutiny by oversight entities (see “Individual metrics that more effectively predict review by oversight entities” section below). The institution’s accreditor is effectively no more or less likely to have placed it or one of its programs on “warning,” “probation,” or “show cause” ($r = .03$).¹⁴

Overall, the risk filter does a very good job predicting both the presence and volume of student complaints. It does not strongly predict (in either direction) accreditor or other investigations by oversight entities. Ironically, the latter might actually be a function of an insufficient number of justified oversight actions by accreditors and enforcement entities, rather than poor predictive validity of the risk filter, particularly given the risk filter’s strong prediction of student complaints.

Financial health

There are several financial indicators where the overall risk filter shows some—though not strong—ability to correctly predict relatively poorer financial health. For example, a higher risk filter predicts relatively lower total current assets in the current fiscal year ($r = -.07$) and the previous FY ($r = -.07$); relatively lower net worth than other institutions in the current FY ($r = -.07$) and the previous FY ($r = -.07$); and relatively lower amounts of cash and cash equivalents in the current FY ($r = -.06$) and previous FY ($r = -.05$).

Overall, the risk filter correctly predicts elements of poor financial health, but not as strongly as it predicts other poor site visit outcomes such as student complaints or instances of misleading marketing. This is not completely unexpected because the risk filter only includes a single metric directly accounting for financial health—heightened cash-monitoring status—and relatively few schools in the country are placed by the U.S. Department of Education (ED) on the heightened cash-monitoring list, which limits its predictive utility. **It should be noted, however, that there are some individual metrics that are more strongly predictive of bad financial outcomes and therefore may justify additional financial responsibility oversight** in such instances (see “Potential metrics for ED to consider as discretionary financial triggers” section below).

Advertising, marketing, and misrepresentation

Institutions with higher risk scores are more likely than those with lower risk scores to contract with a third party to generate leads to recruit students based on advertising ($r = .28$) or via an intermediary website ($r = .17$). Institutions rated as higher risk are also more likely to make claims and assurances about job placement, including high demand for graduates or assurances about job placement ($r = .20$). Such institutions are also much more likely than those with low risk scores to employ advertising materials with improper or inadequate explanation of military affiliations with the school ($r = .37$).

Overall, the risk score effectively predicts institutions’ use of third-party lead generators and instances of misleading advertising and marketing.

¹⁴ Overall, most of the metrics included in our risk filter did not do a good job of predicting accreditor oversight actions such as probation. However, three metrics that did predict accreditor actions: Heightened cash monitoring status ($r = .39$), Cohort default rate ($r = .17$), and a change in school ownership changed in the past year ($r = .39$). These results are consistent with accreditors taking actions in situations where established metrics and school status are already under review (or will likely be soon). This is consistent with the reality that accreditors are not already undertaking reviews and actions on a risk-based approach, but rather in response to noncompliance with statutory requirements or because of accreditor requirements for review.

Administrative capability

Institutions with higher risk scores are much more likely than those with lower risk scores to have instances where it should have awarded prior credit based on previous coursework completed, but it failed to award such credit to the student ($r = .45$). Such institutions are also very unlikely to have satisfactory records of high school completion on file ($r = -.32$). Institutions rated as higher risk also are somewhat less likely to have charged students the correct tuition and fees as reflected in its catalogue or other public materials ($r = -.10$).

Overall, the risk filter effectively predict whether an institution has demonstrated effective administrative capability with respect to its records, tuition charges, and awarding of prior credits.

Summary of key correlations between risk filter scores and site visit findings

Indicator	Correlation coefficient
Student complaints, oversight investigations, and accreditor actions	
Higher rates of complaints made to federal and state oversight entities	$r = .19$
Higher rates of complaints made to consumer agencies	$r = .37$
Higher rates of complaints about costs	$r = .45$
Higher rates of complaints about recruiting practices	$r = .79$
Lower likelihood of institution resolving complaints identified	$r = -.32$
Null prediction: Complaints made to the institution	$r = -.01$
Financial Health	
Lower total current assets, current and prior FY	$r = -.07$
Lower net worth, current and prior FY	$r = -.07$
Lower amounts of cash and cash equivalents, current and prior FY	$r = -.06$
Advertising, marketing, and misrepresentation	
Likelier to contract with third-party lead generation advertising	$r = .28$
Likelier to contract with third-party lead generation website	$r = .17$
Advertising likelier to make assurances about job placement	$r = .20$
Likelier to use advertising with misleading military affiliation/endorsement	$r = .37$
Administrative capability	
Failure to award credit for prior coursework completed	$r = .45$
Less likely to have records of high school completion on file	$r = -.32$
Less likely to charge students proper published tuition	$r = -.10$

Overall conclusion: The pilot model risk filter appears to effectively predict and differentiate between higher-risk institutions and lower-risk institutions across nearly all key areas of deeper site visit inquiry—though it does a better job of predicting the presence of some negative findings than others.

This shows that focusing deeper institutional reviews on the basis of this pilot model risk filter is an effective method to allocate limited oversight resources to those institutions presenting the most risk and harm to students and taxpayers. Implicitly, it also demonstrates that with additional and better-reported publicly available data, more metrics would be available to populate a more effective risk filter that could be further improved over time.

Potential metrics for ED to consider as discretionary financial triggers

As described above, the overall risk filter has a relatively smaller level of predictive validity with respect to financial metrics. However, there were some elements of the risk filter that did a more effective job of predicting poor financial health than the risk filter overall. The five individual metrics that appear to have the best predictive validity for areas of imminent financial risk are (1) poor completion rates overall (2) poor completion rates for Pell recipients in particular, (3) high net prices, (4) large year-over-year changes in tuition, and (5) enrollment.¹⁵ As shown in the table below, these metrics all predict with fairly strong accuracy institutions that have a limited ability to quickly address or withstand a financially distressing event. Though not as strongly predictive, ED may also consider using high cohort default rates (CDRs). As explained in the following section of this report, these results support including at least some metrics in proposed ED regulations governing financial risk to students and taxpayers (see “Recommendations for Higher Education Policymakers and Oversight Entities” section, below).

Indicator	Fewer total current assets	Lower cash and equivalents	Lower net worth
Lower completion rate	r = -.37	r = -.36	r = -.38
Lower completion rate – Pell recipients	r = -.35	r = -.32	r = -.37
Higher net price	r = -.39	r = -.37	r = -.32
Larger YoY change in tuition	r = -.43	r = -.40	r = -.13
Bigger increases/decreases in enrollment	r = -.25	r = -.26	r = -.18
Higher cohort default rates	r = -.06	r = -.07	r = -.25

Individual metrics that more effectively predict review by oversight entities

The overall risk filter does not effectively predict in either direction the likelihood that a school has been under investigation by a state or federal oversight entity within the past three years. However, there were four elements of the risk filter that more effectively predicted such an oversight investigation as shown in the table below. Oversight entities may want to consider reviewing institutional outcomes on these metrics when determining whether to conduct additional oversight.

¹⁵ The correlations for these metrics were calculated for reviews conducted at private nonprofit and proprietary institutions given that the Department’s regulations on financial responsibility in Title 34, Subpart K only apply to such institutions—under the theory that public institutions backed by the full faith and credit of a state are not at risk of imminent closure. However, correlations for individual metrics were also calculated with respect to institutions from all sectors of higher education and the values were broadly similar.

Metrics that correlate most strongly with investigations by oversight entities

Indicator	Under investigation by oversight entity in last three years
Lower rates of earnings above high school graduates	r = .62
Higher incidence of VA-reported complaints	r = .37
Wider completion gap between white and Latino students	r = .22
School ownership changed in past year	r = .24

Recommendations for Higher Education Policymakers and Oversight Entities

This work has produced a number of findings relating specifically to the VA context that have already been communicated to relevant VA staff and are described in more detail below. Although this work takes place in a veterans context, the lessons learned, tools developed, and findings from deeper review of institutions demonstrate that this pilot model can form the basis for policy and practice in analogous circumstances, particularly in the Title IV context. The sections below include recommendations for policymakers in the Title IV, Higher Education Act (HEA) rulemaking context, Federal Student Aid program review, oversight, and enforcement functions, accreditors and state authorizers, the DOD Tuition Assistance (TA) program, and for Congress more broadly.

ED negotiated rulemaking and executive action

In its forthcoming rulemaking, ED plans to pursue a renewed accountability and oversight agenda, with the potential to regulate in areas of gainful employment in a recognized occupation, financial oversight of institutions, and requirements for institutional certification for student aid eligibility.¹⁶ The pilot model described in this report should inform several areas of ED's forthcoming rulemaking.

Legal authority to regulate in areas of institutional oversight and accountability

In addition to the direct statutory authority the HEA grants to ED to regulate on topics relating to institutional quality, financial solvency, and institutional oversight,¹⁷ there is additional reason for ED to regulate to protect students and taxpayers. Certainly, there has been significant scholarly and real-world evidence demonstrating the need for regulatory oversight of poor performing, risky, and predatory institutions.¹⁸

What this risk-based pilot demonstrates is that the precedent and authority exists in federal law for governmental oversight of institutions on the basis of risk to students and taxpayers, and that such oversight can be effective for determinations of potential harm to students and cause for subsequent

¹⁶ ED Notice of Intention to Establish Rulemaking Committees, May 24, 2021.

<https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/frnintentionegotiateunoffcopy.docx>

¹⁷ See HEA sections 101(b)(1), 487, and 498.

¹⁸ See, e.g., Cellini, Stephanie R. and Chaudhary, L. (2012). "The Labor Market Returns to For-Profit College Education," Avery, C., and Turner, S. "Student Loans: Do College Students Borrow Too Much Or Not Enough? The Journal of Economic Perspectives 26, no. 1 (2012), and Cellini, S. R., and Darolia, R. (2013). College Costs and Financial Constraints: Student Borrowing at For-Profit Institutions."

action. The circumstances for this oversight are highly analogous to the Title IV context—not only are many of the same schools approved to enroll GI Bill, Federal Pell grant, student loan recipients, but both also have several metrics and data sources in common. This law and its implementation—i.e. carrying out oversight of institutions evincing risk on publicly available metrics—establishes a proof of concept to carry out similar types of oversight and provide for regulatory requirements on the basis of student outcomes in the Title IV context. This pilot also provides additional evidence that such a course of action would be effective in protecting student and taxpayer interests.

Gainful employment in a recognized occupation

Advocates and policymakers have been particularly interested in earnings metrics in recent years, not only because of the inclusion of this metric in ED’s college scorecard and the ability to distinguish between different graduates’ earning potential, but also because this metric is relevant for ED’s forthcoming rulemaking on gainful employment. The connection between a graduate’s ability to earn more than if they had not attended the program at all (i.e. a high-school graduate in the state) certainly speaks to a student’s ability to secure gainful employment as a result of completing the program. In addition, the “earnings above high school graduate” metric was strongly correlated with complaints and investigations made to state and federal oversight entities, and in particular complaints made with respect to academic quality. In addition to all the other reasons why an earnings metric is a valid way to evaluate whether a school is providing students with an education of sufficient quality to secure gainful employment, these findings provide more evidence that ED should consider whether use of earnings in any forthcoming gainful employment regulations would be appropriate and effective.

Site-visit findings that correlate most strongly to the College Scorecard earnings metric

Site visit finding	Correlation with earnings metric
Investigations by state or federal oversight entity	r = .62
Complaints made to oversight entities	r = .35
Complaints made relating to academic quality	r = .39

Financial responsibility

Given ED’s re-regulation of the Trump Administration’s borrower defense regulations, it is also planning to re-regulate the related financial responsibility provisions to ensure sufficient oversight and taxpayer collateral with respect to financially risky schools. One likely area of regulation is providing for automatic and discretionary financial risk triggers given what was included in the final Obama borrower defense regulations: schools that had certain investigations, numbers of borrower defense claims, or that were put on accreditor probation, for example, might be required to submit financial collateral to ED to continue participating in the Title IV programs.

As discussed in the quantitative results section above, titled “Potential metrics for ED to consider as discretionary financial triggers,” the pilot’s correlations justify adding at least five, and possibly as many as six, publicly available metrics to the list of discretionary financial risk triggers, given the extent to which these elements predict poor financial health (i.e., lower completion rate; lower completion rate – Pell recipients; higher net price; larger year-over-year change in tuition; bigger changes in enrollment; and higher cohort default rates¹⁹).

¹⁹ The 2016 borrower defense regulations already included a financial trigger for CDRs above 30 percent, demonstrating that ED may already be considering including these types of triggers in its regulatory regime. To the

Based on the findings of this pilot, ED should also require any institution triggering a financial responsibility event or surety to also fill out the financial soundness spreadsheet included in the appendix to this report (or a close analogue) to inform whether additional financial oversight or protection is required. For example, if a private institution had an extremely low completion rate and therefore could be at higher risk for poor financial health, ED should not only consider requiring financial collateral for continued participation in the Title IV programs on the basis of that poor completion rate (i.e. a discretionary trigger), it should also require the institution to provide sufficient information to determine whether it has sufficient cash and cash equivalents to make payroll in subsequent months, or to cover continued costs in the event of an enrollment decline.²⁰ Such findings may justify additional financial collateral (including from majority and minority owners to protect against the risk of sudden closure) or other actions on the part of ED.

Institutional certification

ED has also signaled its intention to update the regulations governing the institutional certification requirements to be approved to participate in the Title IV grant and loan programs.²¹ These requirements are both a critical element of ED's regularized oversight of institutions through its program review system and a closely comparable analogue to the SAA oversight system. The findings in this report support two primary recommendations for ED in this area.

First, the regulations governing institutional certification should include a requirement that ED's selection of program reviews and duration of institutional certification should use a risk-based approach. The specifics such as metrics used in a risk model, the detailed inquiries made of institutions evincing risk, and consequences and duration of certification terms should not be codified in regulation to allow flexibility and improvement of such practices over time. But the general approach of allocating Departmental resources to institutions demonstrating multiple indicators of risk—including indicators not available to the public but known by ED—should be a required practice for ED that persists across administrations.

Second, ED should require minimum program review protocols that include requirements that institutions provide specified and regularized data submission consistent with the elements requested by SAAs when conducting deeper review and site visits. Again, the specific contents of the forms should not be codified in regulation to allow for flexibility in implementation and use. However, ED should require that upon request, institutions provide detailed data regarding present and future financial soundness including liquidity measures, full and complete documentation of recruiting and advertising practices including enrollment scripts and call records as well as all advertising and lead generation by contracted third parties, identification of investigations by local state and federal enforcement agencies, as well as actions by accreditors and state authorizers. Finally, all student complaints in the possession of the school should be reviewed for a pattern and practice of common issues.

Additionally, the law implemented through this pilot—Isakson-Roe—codifies the ED definition of misrepresentation. The process the pilot SAAs used for judging misrepresentative statements in advertising, marketing, and statements to students should also be part of the regular institutional

extent that CDR predicted poor financial health in our pilot model, the other five metrics have even stronger correlations, which would justify their inclusion if CDR is deemed a sufficient risk trigger.

²⁰ Note that in both the Obama 2016 Borrower Defense regulations and in policy discussions governing financial risk triggers, only those institutions that are not backed by the full faith and credit of a state are subject to requirements to post financial collateral, i.e. private nonprofit and proprietary institutions. That is because public institutions backed by the state are not considered at risk for precipitous closure due to insufficient funds.

²¹ ED Notice of Intention to Establish Rulemaking Committees, May 24, 2021.

<https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/frnintentionnegotiateunoffcopy.docx>

certification for all Title IV eligible institutions (see appendix to this report for sample forms covering recommendations in all these areas).

Federal Student Aid oversight and enforcement

As outlined broadly in the regulatory recommendations above, the pilot model described in this report has applicability to the FSA program reviews, oversight, and enforcement contexts. From selecting the institutions and programs it reviews, to determining which elements need additional reporting, to corrective action and time between reviews, FSA should evaluate its program compliance model in light of the findings in this pilot and determine both what updates to its own processes are necessary and what elements can be shared across regulators to make one another aware of bad practices at institutions the oversight bodies have in common.

In addition to the public metrics leveraged as part of this pilot, it is likely FSA has access to other nonpublic data and indicators it could use to inform whether institutions merit deeper review. Use of student loan debt and repayment data, borrower defense claims, financial responsibility composite scores, 90/10 reviews that flag suspected manipulation, CDR appeals and discrepancies between 3 and 5 year rates, complaints made to FSA or ED more generally, ongoing investigations by the Office of the General Council and Office of the Inspector General, and other elements could supplement publicly available metrics to make FSA's own risk filter effective at predicting findings upon deeper review. Choosing which elements to prioritize in a risk filter and what elements to require for institutional reporting should also be informed by the findings of FSA's own program reviews, both in the past and going forward. To the extent that FSA can establish a broader sample of site review findings to further fine-tune the elements of a risk filter, that will lead to both higher confidence intervals regarding the predictive validity of risk filter metrics and better determinations about relative weighting of factors included in the risk filters. FSA should also review and consider whether some or all elements from the forms used in this pilot and reproduced in the appendix to this report have applicability to their own processes, particularly the financial soundness worksheet, advertising and lead generation reporting, and student complaints to various consumer, regulatory and licensing bodies.

Accreditors and State authorizers

The Title IV context that is perhaps most directly comparable to the SAA risk-based model is the quality assurance and oversight functions carried out by accreditors and state authorizers. The findings from this model directly support the notion that these actors should evaluate the risk presented by the institutions they oversee and prioritize their limited capacity reviewing institutions based on that risk.

There is a great degree of variance in size, experience, sophistication, and funding of these state, regional, and national actors and there are a few oversight bodies that already use elements of risk in their oversight. This pilot shows that such an approach is both a feasible and effective way for all entities to address the challenges of limited funding and time, regardless of their size or expertise.

In addition to leveraging public data to filter and select institutions on the basis of risk, accreditors and state authorizers should also require deeper reporting of the elements included in the sample forms as described in previous sections and included in the appendix to this report (i.e. the financial soundness worksheet, advertising and lead-generation reporting, identification of lawsuits, enforcement activity, and law enforcement investigations, and complaints to various regulatory and licensing bodies). Again, some entities may already be leveraging some or many of these types of tools, but the tools used in this pilot are salient for two reasons.

First, because SAAs, accreditors, and state authorizers all have common oversight over several of the same institutions, it would be advantageous to collect the information identified in these forms in a

standardized format and to share these data with other oversight entities with responsibility over the same institutions. This would allow (1) partner enforcement entities to be made aware of issues in the institutions they oversee in a common format and (2) institutions would be able to fill out a single form to be used in reporting compliance with all relevant oversight entities, and would be relieved of the time it takes to fill out forms containing the same information to multiple agencies.

Second, state, regional, and national oversight entities should have generalized agreement about the types of poor outcomes that give rise to bigger concerns about administrative capacity and quality of institutions. They should all be broadly focused on categories like student complaints, misrepresentation, poor finances, poor student outcomes, and lack of administrative capability. The elements requested of schools in these forms represent the most critical elements of student and taxpayer protection that should be commonly reviewed and considered by oversight entities.

Finally, in two years of designing and implementing this pilot, it has become clearer than ever that improved coordination is needed within and among states. Many of the historical failures to proactively identify risky schools share a common denominator: a need for better communication among actors within a state and nationally, among states. Often, bad actors benefit from a lack of coordination. This is because multiple agencies responsible for different components of a school's compliance aren't aware that other agencies are finding problems with the same school, failing to see the big picture of a school in trouble on multiple fronts. Colleges operating multi-state online programs pose additional challenges for regulators. Lack of coordination leads to a lack of clear responsibility, where even in obviously harmful situations different oversight bodies wait for others to act first. Building a consistent, agreed-upon set of elements of institutional quality will help improve coordination among oversight entities and ultimately lead to better oversight of risky institutions.

Department of Defense (DOD) Tuition Assistance (TA) Program

Much like the state authorizer and accreditor contexts, the oversight process for the DOD TA program has a similar overall structure to the oversight required of GI Bill benefits. DOD allocates limited resources toward (typically randomly) assigning review "audits" of schools participating in the GI Bill program. All of the considerations and dangers described in this report and applicable to student veterans are also true of the DOD TA program, particularly that military servicemembers have limited but generous tuition assistance benefits that makes them a target for unscrupulous providers.

For this reason, DOD should evaluate its current audit selection process to determine the feasibility of selecting institutions for deeper review based on risk, particularly if its current process continues to be based on random assignment. DOD should also consider deeper review using the tools reproduced in the appendix to this report to guide those audits to factors most relevant to risks to students and taxpayers.

Department of Veterans Affairs (VA)

The Isakson and Roe Veterans Health Care and Benefits Improvement Act of 2020 requires that all SAAs no longer conduct compliance surveys and, starting in October 2022, will conduct only risk-based reviews going forward. NASAA continues to assist SAAs in preparing for national scaling of a risk-based review model and is collaborating with VA to maximize the likelihood of success when implementing risk-based reviews.

VA should continue its collaborative efforts with NASAA to scale this risk-based model—which not only complies with all components of Isakson-Roe, but also has significant evidence of effectiveness, strong support from the pilot SAAs, and can be implemented immediately. The SAAs would benefit from training on certain aspects of the risk-based reviews, particularly the financial health review and the experience of the pilot SAAs is a valuable resource to be leveraged in communicating those lessons. This would ensure sufficient preparation of SAA personnel in advance of the statutory deadline.

In addition, ensuring that the identification and selection of institutions is predicated on risk is a fundamental aspect of the implementation of VA’s new statutory directives. The data included in this report demonstrate that VA should use this pilot risk filter to select sites for deeper review; VA may also have access to nonpublic data that could supplement the pilot risk filter and provide additional accuracy.

Finally, VA should work closely with the SAAs to ensure easily comparable site-visit findings are collected in an easily accessible national database as required by statute, so that the risk filter can be adjusted to make its predictions even stronger. For example, additional site-visit data may inform choices about which metrics should be weighted more heavily in future iterations of the risk filter.

The statutory imperative to conduct risk-based reviews of GI Bill eligible institutions presents VA and the SAAs with a critical opportunity to protect students and taxpayers, and the lessons and tools from this work give clear directions on how the new law can be effectively implemented.



Congress

The risk-based review structure and authority was first established by a bipartisan act of Congress in the Colmery Act in 2017 and strengthened by a unanimous Congress in Isakson-Roe. In the veterans context, Congress has recognized the need for student and taxpayer protections by establishing a comprehensive system of risk-based evaluation that maximizes limited oversight resources available to states. This pilot has demonstrated that the bipartisan action taken to protect students and taxpayers can and does work.

As policymakers review the lessons of this effort, they should consider what elements from this model are applicable to the Title IV oversight context. One area of potential efficacy is to consider which elements from the risk-based sections of Isakson-Roe are applicable to the Title IV context and whether to require use of risk as a basis for institutional oversight by ED, accreditors, and state authorizers.

This pilot has also demonstrated that data availability and quality are key. Without robust, valid, publicly available data, there is no basis to build a risk model and nothing to distinguish a high-risk school from a low-risk school. Some metrics are only available for certain types of programs, and some data are poorly reported, limiting which metrics can be used in a risk filter. Instituting a privacy-protected national student-level data network would provide policymakers with a more complete picture of student outcomes to construct a more precise risk model.

Finally, this work has shown that the intent of policy will not often fit neatly with the complex realities of the country's higher education system, and so policymakers will need to design oversight structures that fit the real world. When requiring oversight from state authorizers, accreditors, and ED, Congress should consider what these regulators are capable of implementing. Given that some SAAs have more than a dozen employees and others have only one full-time staffer, the pilot model was designed to be used by oversight entities that varied widely in size, capacity, experience, and expertise. A risk-based review focuses limited budgets, time, and staff on the areas of inquiry that matter—completion, debt, earnings, risk of closure, complaints, and misleading practices—and on the programs impacting the most students. With the impact of COVID, it becomes even more important to design a system that accounts for identified risk factors and allows for oversight of program quality when in-person site visits are impracticable.

Conclusion

As demonstrated by two pieces of bipartisan legislation and the successful implementation of this pilot model, risk-based reviews are an effective way for the federal government to ensure that oversight entities across higher education contexts actually improve the higher education system's protection of students and taxpayers. It is a feasible way to allocate scarce resources and focus oversight on those institutions creating the greatest risk exposure—not just of precipitous closure, but of chronically poor outcomes that leave students misled, ill-prepared, unlikely to graduate, or unable to earn an income sufficient to repay their loans.

This pilot has demonstrated that risk-based, outcomes-focused reviews are feasible, effective for regulators and students, and can be realistically implemented, right now. The evidence from this pilot shows that public data can be used to effectively prioritize limited oversight resources, and this is a model that can be used by accreditors, state authorizers, and Department of Education program reviews and enforcement.

The risk filter in the model correctly predicted bad outcomes at institutions that were unknowable before conducting deeper review. Schools identified by the filter as higher risk had:

- Higher rates of student complaints to federal, state, and consumer agencies
- Much higher rates of complaints about costs and high-pressure or misleading recruiting tactics
- Greater likelihood of concerning advertising practices, particularly implying nonexistent military endorsements; and
- Lower likelihood of getting the basics right, like awarding transfer credit or even charging the correct published tuition, among many other negative findings.

This model is built for the real world: Every school examined fully complied with all requirements of the reviews and the pilot states implementing risk-based reviews are strong supporters. The findings from this pilot provide justification for several critical provisions of ED's ongoing rulemaking, including support for use of a scorecard earnings threshold as a gainful employment metric and several specific metrics that correctly predict if a school is unlikely to withstand a financially distressing event and close suddenly.

State and federal policymakers in the Title IV context should adopt relevant elements from this model and increase the scale and scope of the effective practices outlined in this report. Additional iteration and improvement of the pilot model will produce further benefits across the system of higher education and make sure tax dollars are serving all students better.