

1 **MIDWESTERN STATE AUTHORIZATION RECIPROCITY AGREEMENT (M-SARA)**

2
3 (Final version certified by National Council for SARA, Nov. 1, 2013)



4
5 **PREAMBLE**

6
7 Americans deserve and require access to high quality postsecondary education, not only because the
8 economic vitality of the nation depends upon how well our population is educated but also because
9 a well educated population contributes greatly to the social and civic vitality of the nation.

10 Historically, the federal government, state governments, and the postsecondary education
11 community through its accrediting processes and organizations have collaborated to assure that the
12 providers of higher education services were meeting standards of quality and access to serve the
13 nation and its citizens well. Through what is often referred to as “the triad” (or the “accountability
14 triad”) the federal government has accepted responsibility for assessing the financial viability of
15 education providers; the states have accepted primary responsibility for assuring that students, as
16 the consumers of educational services, are protected from fraud, abuse, or inadequate provision of
17 services by educational providers; and the educational community through accreditation has
18 accepted responsibility for assuring the adequacy of educational services offered by educational
19 providers.

20
21 This three-way collaboration has traditionally worked well to assure reasonable quality,
22 accountability, and consumer protection.

23
24 As the nature of postsecondary education has evolved, particularly since the advent of the Internet
25 and the exponential growth of education offered “off campus,” each leg of the triad has faced
26 challenges; however, the states’ role in assuring consumer protection has come under particular
27 scrutiny. In particular, which state is responsible when an institution physically located in one state
28 (the traditional criteria for state oversight) provides education to students living in other states?
29 To clarify the federal government’s understanding of state responsibilities in this regard, in October
30 2010 the U.S. Department of Education issued regulations indicating that—consistent with existing
31 federal law—states were responsible for all education offered to residents within their state
32 boundaries regardless of where this education “originated.” This regulation appropriately applied to
33 all types of postsecondary education for which students qualified for federal student assistance,
34 regardless of the sector or level of higher education. While this was consistent with existing law, it
35 was counter to the way in which many states were overseeing education; relatively few states were
36 either overseeing or were even aware of the substantial amount of education being provided within
37 their boundaries by institutions from other states.

38
39 This clarification of federal expectations had major implications for postsecondary institutions and
40 states. In addition to existing state regulations, there was now a clear federal requirement that all
41 institutions offering education in other states be able to demonstrate that they had authorization to
42 serve students in each of those other states. With the expansion of distance education (via Internet-
43 based education, telecommunications, or other means) many institutions increasingly served
44 students from other states. While some institutions had sought and received such authorizations, in
45 many cases at substantial effort and expense, most institutions offering such instruction had not
46 done so. This federal clarification, therefore, had significant potential implications for institutions,
47 including incurring the costs of securing and maintaining such authorizations to operate and the
48 substantial time and effort invested to secure such authorizations. In some cases access for students

49 to quality higher education was eliminated if their institutions decided not to incur the cost of
50 complying. States also faced substantial new expectations, with the potential of thousands of
51 institutions requesting authorization from all states, well exceeding the management capacity of
52 current state authorization agencies.

53

54 Despite the difficulties arising from the federal regulatory action, the federal expectation of a strong
55 state role in authorization makes sense. This is, in fact, an appropriate state role and responsibility
56 with or without the federal mandate. Consistent with their collaborative missions, we believe that
57 the four existing regional higher education interstate compacts are uniquely positioned to quickly
58 and effectively assist on this issue. The compacts include the Midwestern Higher Education
59 Compact (MHEC), the New England Board of Higher Education (NEBHE), the Southern Regional
60 Educational Board (SREB), and the Western Interstate Commission for Higher Education (WICHE).
61 The compacts operate with the express purpose of expanding educational opportunity within their
62 respective regions. We believe that states within a region, working together and agreeing on terms
63 of engagement and collaboration, can trust each other to work cooperatively and consistently
64 toward reciprocally accepting each other's authorization of institutions to operate. Interstate
65 recognition within a region would also extend to cover all participating states regardless of region.
66 Trust, thus, becomes a guiding principle for a state authorization reciprocity agreement. Trust,
67 however, requires confidence that each of the partners takes seriously its responsibilities with
68 regard to authorizing only institutions that provide high quality education, whether that is through
69 traditional campus-based classroom experiences or through technology mediated or off-campus
70 based experiences.

71

72 Similarly, this agreement presumes the efficacy of *the triad* discussed heretofore.

73 This State Authorization Reciprocity Agreement (SARA), therefore, is built upon these three
74 partnerships: the first being between each higher education regional compact's member states as
75 reciprocal partners, the second being agreement between the four higher education regional
76 compacts, and the third being the partnership between nationally recognized accreditors, the federal
77 government, and the states.¹

78

79 **Definitions**

80 A good agreement must be easily and consistently understood by all partners. Definitions of terms,
81 therefore, become very important. Throughout this agreement, where references are made to
82 terms that might be interpreted differently by different partners, definitions are included in
83 footnotes to ensure maximum transparency.

84

85 **This is a Voluntary Agreement**

86 This agreement establishes reciprocity between willing regional compact member states that accept
87 each others' approval of accredited institutions to operate in their states to offer distance
88 educational services beyond state boundaries. Participation in this agreement is entirely voluntary
89 on the part of the state. This agreement is intended to facilitate expanded access to high quality
90 distance education opportunities for students by improving state policy and operational
91 mechanisms. This agreement applies only to distance educational services provided by institutions
92 outside of their home state boundaries. This agreement does not affect or alter the unique

¹ SARA is an agreement among states; it is not an agreement among institutions. Institutions need to seek approval from their home state to participate in the reciprocity agreement.

93 processes that states may use to authorize institutions boundaries to operate or to exempt such
94 institutions from oversight, physically within their state.

95
96 Just as participation in this agreement at the state level is voluntary, so too is participation at the
97 institution level. Institutions that wish not to subject themselves to the level of oversight consistent
98 with interstate reciprocity can opt not to participate and thus either choose not to provide distance
99 educational services beyond the boundaries of their state or to seek separate authorization to
100 operate in those states in which they wish to offer educational services.

101
102 **Benefits of Reciprocity**

103 Significant benefits will accrue to students, institutions and states if the current lack of uniformity
104 in the patchwork of state regulation can be improved through sharing in common, high quality and
105 consistently applied processes and standards.

106
107 Institutions will reap financial benefits by no longer having to engage in the confusing and duplicative
108 process of seeking approval to operate on an individual, case-by-case basis in each state in which it
109 serves students.

110
111 States will benefit by maintaining their rights and responsibilities to assure quality programs are
112 offered by institutions within their state. States will also benefit by focusing their limited resources
113 on the oversight of institutions within their state, regardless of where that institution serves
114 students. As the number of institutions serving students in multiple states continues to increase,
115 state regulatory offices would find it difficult to conduct meaningful reviews and on-going oversight
116 of the hundreds, if not thousands, of out-of-state institutions operating in their states.

117 Students will benefit as lower costs for institutions will mean fewer costs passed on to students.
118 Some students are finding their options limited as institutions choose not to serve students in states
119 with onerous authorization requirements. Since regulators will focus their reviews on their “home
120 state” institutions, they will have more confidence in the review process and that complaints will be
121 handled and resolved.

122
123 Ultimately, the quality of postsecondary education is reflected in the outcomes derived from
124 education. But quality outcomes result from quality processes, and state authorization must focus
125 on both the processes that enable students to acquire the pertinent knowledge and skill as well as
126 the outcomes that demonstrate the acquisition of knowledge and skills.

127
128 **Partnerships**

129 MHEC has benefitted greatly in the development of this agreement from the work of the Western
130 Interstate Commission for Higher Education, the Presidents’ Forum, the Council of State
131 Governments, and the Commission for the Regulation of Postsecondary Distance Education. With
132 support from Lumina Foundation, these entities engaged in an effort to create a model nationwide
133 interstate reciprocity program, establishing a framework for the four regional interstate compacts
134 (and states and territories that do not currently belong to one of the four interstate compacts) to
135 join together in a collaborative effort to ensure nationwide coverage through four collaborative
136 regional reciprocal agreements. We believe that collaboration between these well-established and
137 highly-regarded regional interstate compacts is the most cost-effective and viable approach to
138 achieve nationwide coverage.

139

140 **PURPOSES**

141
142 This agreement builds upon and strengthens the existing efforts of states, accrediting bodies, and the
143 federal government to facilitate expanded access to high quality education by:

- 144
- 145 • Establishing common, high quality and consistently applied processes and standards
146 endorsed by participating states, which are efficient and cost-effective;
- 147
- 148 • Providing for consumer protection and a complaint resolution process;
- 149
- 150 • Providing for the uniform collection and sharing of information between and among
151 member states for the purposes of assuring adequate quality for distance education
152 services provided by institutions operating outside of their home state boundaries;
- 153
- 154 • Reducing barriers to innovation in educational delivery;
- 155
- 156 • Increasing access to postsecondary education and degree completion.
- 157

158 **RESPONSIBILITIES OF THE REGIONAL COMPACTS AND THE RECIPROCATING STATES**

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160 **Responsibilities of the Regional Compacts**

161 Each of the regional higher education compacts will manage reciprocity between its member *states*²
162 in the acceptance of state approval from all reciprocating states that meet the criteria for reciprocity
163 as defined in this agreement. Each compact will establish a regional State Authorization Reciprocity
164 Agreement (SARA) steering committee. The regional steering committees shall be composed of one
165 representative from each state participating in the reciprocity program selected by the regional
166 compact's commissioners from that state, and up to five additional members selected by the
167 regional compact's commissioners from a slate developed by the respective compact's chief
168 executive officer to represent communities of interest in this agreement that have not been
169 included naturally through the selection process outlined above. Examples of communities of
170 interest include, but are not limited to: state regulators, accreditors, institutions from all sectors of
171 higher education, and state government. Steering committee members' terms of service will be
172 determined by the respective regional compact's governing board.

173
174 Three states (New Jersey, New York, and Pennsylvania), the District of Columbia, and all of the U.S.
175 territories and protectorates, do not currently belong to a regional compact. They all have access to
176 all federal education programs and thus are captured at least by the federal government's interest in
177 this set of regulatory issues. These states and territories, subsequently referred to as "non-affiliated"
178 states in this agreement, have the option of paying a \$50,000 annual fee to align with one of the
179 regional compacts so that they can participate in the reciprocity agreement. If they do so, they will
180 each have one representative on the respective compact's regional steering committee.

181 Each of the regional State Authorization Reciprocity Agreement (SARA) steering committees will
182 establish the criteria for state participation in this reciprocity program and will adjust these criteria,
183 as appropriate, over time. A state seeking to participate in its region's SARA program will submit a
184 plan as to how it will meet the criteria for participation. The regional steering committee will review

² **State** means: any state, commonwealth, district, or territory of the United States.

185 the plan and work with the state to improve the plan until the committee is able to recommend its
186 approval by that region’s regional compact. The steering committee also recommends other
187 procedural details and actions regarding participation in SARA to their regional compact’s
188 commissioners.

189

190 Each regional compact will develop processes for informing states of the requirements for joining the
191 regional reciprocity agreement, accepting states into the reciprocal arrangement, rejecting states
192 from acceptance into the reciprocal arrangement, sanctioning states that fail to meet fully the
193 requirements for participation, and dismissing from the reciprocal arrangement states that fail to
194 respond to concerns that they are not meeting the requirements for participation. These processes
195 must include a process for appeal in the event that a state disagrees with the compact’s decision. All
196 states entering into the reciprocity agreement will be reviewed on an annual basis by their
197 respective regional compact to assure that their institutional approval processes and participating
198 institutions continue to meet all of the criteria for inclusion in the reciprocity agreement.
199 The program will be operated by each regional compact under its bylaws, consistent with all other
200 programs that are under its control. Each regional compact will oversee the agreement within its
201 own region.

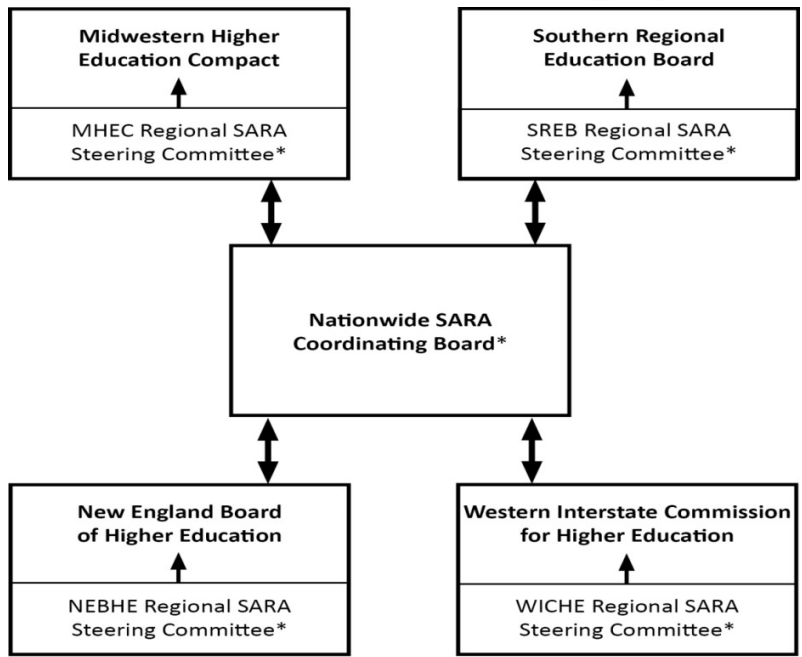
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203 **Creating Reciprocity Nationwide**

204 The four regional compacts jointly accept the responsibility for working together and with states and
205 territories that currently do not belong to a regional compact, for the purposes of harmonizing the
206 State Authorization Reciprocity Agreement across the regions and assuring that the quilt of regional
207 agreements will cover the nation as a whole. This will include creating an organizational structure
208 for the coordination of efforts between these various entities.

209

210 Below is a diagram of how this network of collaborative efforts will fit together to provide a
211 nationwide framework. An organizational flow chart follows.



* Refer to the Responsibilities of the Regional Compacts and the Creating Reciprocity Nationwide sections for information on the composition of the committees and board.

212 This organizational structure will work as follows. The states will be the principal guardians of
213 consumer protection. They will develop processes for approving and overseeing all accredited
214 degree granting *postsecondary education*³ *institutions*⁴ within their state that wish to offer distance
215 educational services outside the state’s boundaries. The regional SARA Steering
216 Committees will develop processes for *recognizing*⁵, for purposes of reciprocity in state
217 authorization, states that demonstrate that they have developed and operate agencies that
218 appropriately *authorize*⁶ *and approve* for SARA purposes and oversee for SARA purposes all degree
219 granting postsecondary education institutions within their state that wish to offer distance
220 educational services outside state boundaries. The nationwide coordinating board will develop
221 processes for recognizing reciprocity between regional SARAs, for assuring that each regional
222 compact and SARA is appropriately overseeing the states within its regional reciprocity agreement,
223 and for harmonizing procedures among the regions to make the reciprocal recognition of state
224 authorization as it pertains to SARA as seamless and uniform as possible for all participating
225 institutions.

226

227 **Responsibilities of the Reciprocating States**

228 States participating in this reciprocity agreement have two major areas of responsibility.

229

230 I. **Authorizing and Approving Responsibility**

231

232 First, the states must assure that they have appropriate laws, policy, practice, and processes for
233 authorizing all *accredited*⁷ postsecondary education institutions that operate from their state. The
234 state is defined as the *home state*⁸ for all institutions claiming the state as its principle location for
235 accreditation purposes. This includes authorizing all distance learning activities of these institutions
236 in the home state, and approving all distance learning activities offered by participating SARA
237 institutions in all other states that are members of SARA (defined as *host states*⁹). . After initial SARA

³ **Postsecondary education** includes all education beyond high school and includes all public, non-profit private, and for-profit private institutions as well as all institutions offering certificates, diplomas, and/or degrees. For purposes of this reciprocity agreement, however, institutional participation will be restricted only to degree granting institutions.

⁴ **Institution** means: a college, university, or other postsecondary education institution or collection of such entities doing business as one organization, with an institutional identification from the Office of Postsecondary Education within the U.S. Department of Education (OPEID).

⁵ **Recognize** means: states participating in the reciprocity agreement agree to accept each other’s institutional approval decisions.

⁶ **Authorized** means: holding a current valid charter, license or other written document issued by a state, federal government or government of a recognized Indian tribe, granting the named entity the authority to issue degrees.

⁷ **Accredited** means: holding institutional accreditation by name to offer distance education as a U.S.-based institution from an accreditor recognized by the U.S. Department of Education. Only institutions holding such accreditation can participate in interstate state authorization reciprocity.

⁸ **Home State** means: a state where the institution holds its principal institutional accreditation.

⁹ **Host State** means: a state in which an institution operates under the terms of this agreement, other than the home state.

238 approval, the home state must review the institution annually for the purposes of affirming or
239 denying approval as a participant of the SARA. To demonstrate a state’s adequacy in authorizing
240 institutions, the state must demonstrate to the regional SARA that it meets all of the criteria for
241 approving institutions outlined in the next section of this agreement.

242

243 **A. Physical Presence**

244

245 One of the most difficult tasks in crafting an interstate agreement on state authorization is
246 determining what activities an institution can or cannot conduct in a state, whether those activities
247 be at a distance or face-to-face. While states use different monikers for these criteria used to
248 determine which activities are allowed in a state, they tend to fall under the notion of “physical
249 presence.” It is imperative, therefore, to clearly define what “physical presence” means for
250 institutions participating in SARA for two reasons: 1) because institutions with a physical presence in
251 a host state will not be eligible for reciprocal authorization; and 2) to clearly define what activities can
252 be conducted in a state as a result of participating in this agreement.

253

254 The following sections begin to describe the activities that an institution participating in SARA can or
255 cannot conduct in other states that are part of the Agreement. There are so many variations on
256 these activities that it is impossible to cover all contingencies. The items listed below provide initial
257 guidelines to each regional compact, but it is anticipated that each region’s steering committee will
258 need to review specific instances of activities conducted in other states and provide additional
259 guidance.

260

Activities in a Host State Allowed under SARA

261 **(These activities DO NOT constitute a Physical Presence that would require State Authorization)**

262

263 If an institution is authorized by its home state and that home state is an approved participant in
264 SARA, the institution is eligible to conduct the following activities in any of the SARA states. Physical
265 presence (or “to operate”) is not triggered in a state participating in this agreement by any of the
266 following activities:

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- 268 1. Courses offered at a distance (online, through the United States mail, or similar
269 delivery service) that do not require the physical meeting of a student with
270 instructional staff in a host state.
- 271
- 272 2. Academic offerings among institutions from SARA states that are participating in a
273 consortia agreement approved by each of those participating institutions.
- 274
- 275 3. Advertising to students within a state, whether through print, billboard, direct mail,
276 internet, radio, television or other medium.
- 277
- 278 4. Recruiting.
- 279
- 280 5. Experiential learning opportunities arranged for an individual student, such as a
281 clinical, practicum, residency, or internship, provided that:
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- 283 a. The institution has already obtained all of the professional and licensure approvals
284 necessary (if any) to conduct the learning opportunity in the state, or only a small

- 285 number of students from each institution is physically present simultaneously at a
286 single field site; and
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288 b. There is no multi-year contract between the institution and a field site.
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290 6. An educational field experience arranged for a group of students that are participating
291 in campus-based programs in another state.
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293 7. An offering in the nature of a short course or seminar, if instruction for the short
294 course or seminar takes no more than twenty classroom hours.
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296 8. A portion of a full-term course, up to two meetings and up to six clock hours, that
297 takes place in a setting where the instructor and students physically meet.
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299 9. Course offerings by an accredited institution on a U.S. military installation, limited to
300 active and reserve military personnel, dependents of military personnel, and civilian
301 employees working on the military installation.
302
303 10. Operation of a server, router or similar electronic service device when such device is
304 not housed in a facility that otherwise would constitute a physical presence; the
305 presence of a server or similar pass-through switching device in a state.
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307 11. Having faculty, adjunct faculty, mentors, tutors, recruiters, or other personnel residing
308 in a state. The presence of instructional faculty in a state, when those faculty offer
309 entirely online or other distance-education instruction and never meet their students
310 in person for educational purposes while in that state, does not establish a presence
311 of the institution in that state or an offer of a course or program from that state for
312 purposes of this agreement.
313
314 12. Requiring a student to take a proctored exam at a location or with an entity in the
315 host state prescribed by the institution.
316
317 13. Having a contractual arrangement in a state.
318

319 **Activities in a Host State Not Allowed under SARA**

320 **(These activities DO constitute a Physical Presence that would require State Authorization)**

321
322 For purposes of this agreement, any of the following activities in a host state are not covered by this
323 agreement since they constitute a “physical presence.” An institution would be subject to the
324 default authorization laws and regulations of each individual state in which it conducts these
325 activities:
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- 327 1. Establishing a physical location in a state for students to receive synchronous or
328 asynchronous instruction; or
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330 2. Requiring students to physically meet in a location in the state for instructional
331 purposes as required for the course; or

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3. Establishing an administrative office in the state, including:
 - a. Maintaining an administrative office in the state for purposes of providing information to prospective students or the general public about the institution, enrolling students, or providing services to enrolled students;
 - b. Providing office space to instructional or non-instructional staff; or
 - c. Establishing an institutional mailing address, street address, or phone number in the state.

B . Complaint Resolution Responsibility

The states must assure that they have reasonable processes for monitoring SARA approved institutions and for addressing and redressing complaints or concerns that are raised concerning the delivery of distance education outside state boundaries by these institutions. To demonstrate a state’s adequacy in monitoring and adjudicating the actions of SARA approved institutions, the state must demonstrate to the respective regional compact’s SARA entity that it meets all of the criteria for monitoring and adjudicating actions of SARA approved institutions, as outlined in the next section of this agreement.

C. Criteria for State Authorization, Approval, and Oversight

The previous section introduced the responsibility of states in two essential, related, but distinctly different types of activities: *authorization and approval* of accredited institutions to operate and participate in SARA and *oversight* of such institutions. Because the criteria for these two functions differ, they are detailed separately in this section.

Criteria for Approving Institutions to Operate and to Continue Operating

1. **Academic Integrity**

States wishing to participate in this regional interstate reciprocity agreement will agree to accept accreditation by a federally-recognized accrediting agency as both necessary and sufficient evidence of reasonable institutional academic quality for purposes of delivering distance educational services outside their home state or receiving services from other states participating in the reciprocity agreement. Accreditation, therefore, will be acceptable evidence of adequacy with respect to curriculum, measurement and achievement of student learning outcomes, award of credit, faculty qualifications, student support services, and academic support services. For purposes of reciprocal acceptance of institutional approval from other states to offer distance educational services beyond state boundaries, accreditation by an accrediting agency recognized by the U.S. Secretary of Education upon the advice of the U.S. Department of Education’s National Advisory Council on Institutional Quality and Integrity (NACIQI) must be accepted as sufficient evidence of reasonable institutional academic quality. Additional criteria to be used in resolving student academic complaints about an institution are provided in the complaint section below.

Additionally, In order to participate in SARA, an institution must agree to abide by all of the standards set forth in the *Interregional Guidelines for the Evaluation of Distance Education (Online*

380 *Learning*) that were developed by the Council of Regional Accrediting Commissions (C-RAC) to assist
381 institutions in planning distance education and to provide an assessment framework for institutions
382 already involved in distance education. They are based on two documents: a 2006 report prepared
383 by the U.S. General Accounting Office, *Evidence of Quality in Distance Education Drawn from*
384 *Interviews with the Accreditation Community, and Best Practice Strategies to Promote Academic*
385 *Integrity in Online Education*, prepared by the Western Interstate Commission for Higher Education
386 Cooperative for Educational Technologies (WCET). These standards are incorporated in the
387 requirements of all regional accrediting associations and SARA.¹⁰
388

389 2. Financial Integrity

390
391 States wishing to participate in this interstate reciprocity agreement will agree to accept the
392 standards established by the federal government for demonstrating financial responsibility. The U.S.
393 Department of Education (the Department) considers a public institution to be financially
394 responsible if its debts and liabilities are backed by the full faith and credit of the state or other
395 government entity. The school must provide the Department with a letter verifying that backing
396 from the state, local, or municipal government entity, tribal authority, or other government entity
397 that has the legal authority to make that designation.
398

399 While accrediting associations also collect financial information, the federal government has
400 developed a robust and well-accepted process for assessing independent, nonprofit and for-profit
401 institutions' financial data based on audited financial statements. Relying on this federal information
402 provides a high quality mark that is updated annually and reduces redundancy of reporting by
403 institutions, thus reducing administrative burden. The Department uses a financial responsibility
404 composite score to provide an initial evaluation of an institution's financial health and determines a
405 score on a range between -1.0 and 3.0. The Department has identified a score of 1.5 or greater as an
406 indication that an institution is financially responsible, although institutions with lower scores also
407 may continue to receive federal funding if they meet additional fiscal requirements.
408

409 For the purposes of this agreement, public institutions, consistent with U.S. Department of
410 Education policies, are presumed to be financially responsible by virtue of their status as state or
411 municipal institutions enjoying the financial backing of their state or municipal government.
412 A private non-profit or for-profit institution is determined to demonstrate sufficient financial
413 strength for participation in the reciprocity agreement if the institution is eligible for federal Title IV
414 student financial aid programs plus the U.S. Department of Education, for the institution's most
415 recent fiscal year for which data is available, has not determined it to have a financial responsibility
416 composite score below 1.5 (only institutions with composite scores of 1.4 or lower are currently
417 notified of their scores); or the institution is otherwise eligible for federal Title IV student aid
418 programs, has a financial responsibility composite score of at least 1.0 but less than 1.5, and the
419 state has determined, upon examination of additional supporting material, that the institution has
420 sufficient financial strength for inclusion or that the reason for the score being at least 1.0 but less
421 than 1.5 is the result of accounting error or the misapplication of generally accepted accounting
422 standards in the calculation of that score
423

424 A private non-profit or for-profit institution that is currently included in its state's reciprocity
425 agreement but that the Department determines in a given year to have a financial responsibility

¹⁰ C-RAC Standards are appended to this agreement as Appendix A.

426 composite score of at least 1.0 but less than 1.5 and remains eligible for federal Title IV student aid
427 programs, may, upon approval of its state, be deemed conditionally financially responsible for up to
428 two years.

429
430 A private non-profit or for-profit institution that is currently included in its state's reciprocity
431 agreement but that the Department determines to have a financial responsibility composite score
432 below 1.5 for a second, consecutive year may no longer participate in the state's reciprocity
433 agreement, unless the institution demonstrates to the state that the cause of the score is the result
434 of accounting error or the misapplication of generally accepted accounting principles in the
435 calculation of that score. A private non-profit or for-profit institution that has lost its approval to
436 participate in its state's reciprocity agreement under this provision but remains eligible to
437 participate in federal Title IV student aid programs will meet the financial responsibility
438 requirements of the reciprocity agreement if and when the U.S. Department of Education
439 determines the institution no longer has a financial responsibility composite score below 1.5.
440 No institution with a federal composite financial responsibility score of less than 1.0 will be
441 considered eligible for interstate reciprocity, even if it has been deemed to be Title IV eligible by the
442 U.S. Department of Education.

443
444 Any institution that wishes to participate in the State Authorization Reciprocity Agreement but that
445 does not have an established federal composite financial responsibility score because it has chosen
446 not to participate in federal Title IV programs must be determined by the state authorizing entity in
447 its home state to be financially responsible based on audited financial information and calculations
448 comparable to those used by the U.S. Department of Education.

449
450 The above provisions do not limit the right of the home state to require more demanding financial
451 responsibility requirements for its home state institutions. A SARA member state may require a higher
452 federal financial responsibility score for its participating nonpublic colleges and universities if that
453 standard is applied to the institutions as part of the state's general rules for operating in the state.
454 The state cannot apply a standard higher than the SARA standard solely for eligibility screening for
455 an institution's participation in SARA. For this reason, in a state that applies a higher standard to its
456 nonpublic providers, those providers will by definition operate under a higher standard for the
457 purposes of SARA, but not because of SARA rules.

458
459 3. Consumer Protection

460
461 The triad discussed heretofore gives states the lead responsibility for protecting consumers of
462 postsecondary education. Some of the criteria in this arena are also included within institutional
463 accreditation and within federal oversight, but the primary responsibility of the states lies in this
464 area. The potential adverse consequences for the citizens of the states are so significant that these
465 criteria cannot be assigned solely to either the accreditors or the federal government. States will
466 maintain responsibility for:

467
468 **Recruitment, Marketing, and Other Institutional Disclosures:** To qualify for acceptance into the
469 State Authorization Reciprocity Agreement, a state must demonstrate that institutions approved by
470 the state are held accountable for and have attested to the veracity and adequacy of the institutions'
471 recruitment material, marketing efforts, and other institutional disclosures. This must include each
472 institution being held accountable for and attesting to at least the following:

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- Providing full information about institutional and program requirements in a format that prospective students and the public can easily understand and access.
- Assuring that program advertisements and promotional information include all special or exceptional program requirements.
- Ensuring that job placement and related salary information are supported by evidence of their accuracy and efficacy.
- Providing information on programs that prepare students for licensed professions that explicitly states whether the program, including clinical or experiential practice, meets licensure standards in all states in which the institution has students enrolled.
- Monitoring and accepting responsibility for assuring professional conduct of recruiting and marketing staff.
- Disclosing institutional and programmatic accreditation status and providing a brief explanation of what the accreditation status means along with the respective accreditor's information.

Tuition, Fees, and Other Charges: With respect to tuition, fees, and other charges, states require their approved institutions do at least all of the following:

- Disclose all tuition, fees, and other costs associated with attendance, including fees and costs that are unique to specific programs of study.
- Publish clear policies and practices regarding refunds to students, including transparent and readily available information on refund deadlines and refund amounts.
- Provide accurate and complete information about financial aid available to students attending the institution, including all forms of financial aid (grants, scholarships, loans, and work-study) and the sources (institutional, private philanthropic, state, and federal) of each form of aid.

Admissions: To qualify for acceptance into the State Authorization Reciprocity Agreement, a state must demonstrate that it assesses the efficacy of the admissions process for every institution seeking new or renewal of approval to serve students via distance delivery in other states. Admissions criteria must include at least the following:

- Clearly stated and comprehensive requirements for admission to the institution must be available to prospective students and this information must also be available as applicable for programs resulting in a certificate, degree, or diploma.
- Reasonable assurance that the admitted students have the capacity to succeed in the program(s) to which they are accepted.

Complaints and Concerns: To qualify for acceptance into the State Authorization Reciprocity

521 Agreement, a state must assure that it requires all institutions seeking approval and participation to
522 demonstrate that they do at least all of the following with respect to complaints against the
523 institution and resolution of such complaints:

- 524
- 525 • Establish and sustain a complaint procedure that includes clearly understood and published
526 processes for lodging a complaint, both within the institution, to the state authorizing entity,
527 and to the institution's accrediting agency.
- 528
- 529 • Establish and sustain processes within the institution for responding appropriately to
530 complaints and for documenting their resolution;
- 531
- 532 • Establish and sustain a process for reporting formal complaints and their resolution to the
533 state authorizing/approving entity, including procedures that ensure that an institution's
534 complaint resolution process has been exhausted before the complaint is elevated to the
535 state authorizing/approving entity; and
- 536
- 537 • Establish and sustain a process for working with the state authorizing entity on resolving
538 complaints that have been lodged and not resolved with that entity.
- 539

540 In addition to requiring institutions to provide such assurances of responsiveness to consumer
541 complaints, the state must demonstrate that it has processes for following up on both formal
542 complaints that it receives and on concerns that come to the attention of the state authorizing
543 entity. The state must demonstrate that it is prepared to accept and act on all legitimate complaints
544 and concerns registered with the state agency with regard to an institution that it has authorized for
545 operation, whether the education provided by the institution was provided in the home state or in a
546 host state. The state authorizing entity must have processes for responding to complaints and
547 concerns from students as consumers, institutions, accrediting agencies, other states within the
548 reciprocity program, the federal government, or other interested parties. Because the states have
549 the primary responsibility for consumer protection and because the accrediting bodies focus more
550 directly on institutional issues, rather than individual student or consumer complaints, it is the
551 responsibility of the state to follow up on all legitimate complaints. The responsibility includes
552 complaints not only related to violations of the consumer protection requirements or of financial
553 solvency of the institution but also include academic standards initially established with an
554 institution's accreditation.

555

556 With respect to resolving complaints or concerns regarding academic standards, all states
557 participating in the State Authorization Reciprocity Agreement will be guided by the standards for
558 the evaluation of distance education (on-line learning) adopted by the Council of Regional
559 Accrediting Commissions (C-RAC), which is composed of all of the regional accrediting associations.
560 Abiding by the C-RAC guidelines will ensure that the standards used by accreditors for initial
561 authorization of institutions by the state will be consistent with the guidelines used by states in
562 responding to complaints or concerns lodged with them regarding matters of academic integrity. If
563 deemed necessary in the future, SARA can review and replace these guidelines that are consistent
564 with those used by other entities in reviewing institutional practices.

565

566 The state must demonstrate that it accepts affirmative responsibility to promptly report, as
567 appropriate, complaints and concerns to both the institutions about which the complaints/concerns

568 were lodged and, as appropriate, to the body that accredits the institution. While the host state is
569 not responsible for following up on complaints regarding an institution operating within the state
570 but based elsewhere, the host state must have a process of transferring such complaints that it
571 receives to the home state that has authorized the institution to operate. The home state is
572 responsible for informing the host state of the status or outcome of a complaint lodged through the
573 host state.

574

575 4. Data Collection and Sharing

576

577 Data collected and shared by participating SARA institutions will be essential to monitoring SARA
578 processes and success. Such data will also allow states to know how many of their students are
579 receiving distance educational services and degrees from providers outside their boundaries. In
580 this way, data collection and sharing among SARA institutions and SARA states will greatly enhance
581 the assessment of the scope and impact of distance education in the nation. Institutions will not be
582 asked to collect and submit data that is readily available and submitted to other entities such as
583 IPEDS and their accrediting agency. Data to be collected and shared by participating SARA
584 institutions may include but will not necessarily be limited to the following:

585

- 586 • Numbers, types, and enrollment of online courses offered in each year
- 587
- 588 • Number of out-of-state students enrolled in each online degree program/by state/by
589 demographic categories
- 590
- 591 • Number of out-of-state students completing each online degree program/degrees
592 conferred/by state
- 593
- 594 • Numbers of complaints lodged against the institution by out-of-state online students/by
595 program

596

597 **Criteria for Overseeing Approved Institutions**

598

599 As important as assuring that institutions seeking authority to operate within a state are fit for this
600 purpose is the responsibility of the state to assure that the institution abides by the assurances and
601 commitments it made in seeking authorization.

602

603 1. Complaints

604

605 The state must demonstrate annually to its SARA agency and to the M-SARA steering committee that
606 the formal complaint process for which it was originally approved still functions as documented in its
607 application for membership to SARA and still works effectively to protect students from possible
608 institutional malfeasance, abuse, incompetence, or criminality. This must include evidence of at
609 least the following:

610

- 611 • Evidence that consumers (students and subsequent employers) have reasonable access to
612 information about the complaint process.
- 613
- 614 • Documentation of: 1) all formal complaints received, 2) notifications of complaints provided

615 to institutions and accrediting agencies, and 3) complaint resolutions.

616

- 617 • Demonstration that complaint resolutions were appropriate to the severity and veracity of
618 the complaints, including punishment and restitution for violations (within clearly described
619 guidelines) including specific criteria for the termination of authorization to operate.

620

621 Each regional SARA steering committee will establish the specific criteria for these reporting
622 requirements.

623

624 2. Concerns

625

626 The state authorizing entities will become aware of potential problems or possible violations of state
627 authorization and approval, either through staff inquiries or other sources. It is the affirmative
628 obligation of the state entity to address appropriately such concerns. All states participating in a
629 regional State Authorization Reciprocity Agreement must periodically demonstrate that they have
630 clear and well documented policies and practices for addressing such concerns, and that they have
631 followed these policies and practices, consistent with the processes identified in the preceding
632 paragraph. Each regional SARA steering committee will establish the specific criteria for these
633 reporting requirements.

634

635 3. Catastrophic Responses

636

637 State authorizing entities must respond on occasion to catastrophic events at one or more of the
638 institutions that they oversee. All states must periodically demonstrate to their regional SARA entity
639 that they have clear and well documented policies and practices for addressing such catastrophic
640 events, including at least the following.

641

- 642 • In the event of the unanticipated closure of an institution, that the state has a process of
643 assuring that students receive the education they contracted for or

644

- 645 • Reasonable financial compensation for the education they did not receive.

646

- 647 • Such assurances can come in various forms – tuition assurance funds, surety bonds, teach-
648 out provisions, etc. – and they can come from individual institutional requirements, multi-
649 institutional cooperatives, or state-supported activities. A participating state can choose its
650 own approach, but it must demonstrate regularly that the approach it has selected
651 adequately protects students as consumers.

652

- 653 • The state entity must also assure that it either requires institutions to have disaster recovery
654 plans, particularly with respect to the protection of student records, or that the state
655 provides such a plan.

656

657

658 **FINANCING SARA**

659

659 To finance the expenses of establishment, organization, and ongoing activities and to assist states in
660 fulfilling their roles in the State Authorization Reciprocity Agreement, the Nationwide State
661 Authorization Reciprocity Coordinating Board has the authority to collect fees. Fees will be collected

662 from institutions in SARA member states that have chosen to participate in the Agreement and have
663 been approved for participation by the appropriate state entity.
664 These fees will be managed and distributed by the coordinating board and will be guided by the
665 following principles:

- 666
667 1. Participation in SARA does not infringe upon the right of any member state to charge fees to
668 its home state institutions to cover the costs associated with review, approval, and
669 monitoring of operations of institutions in its state.
670
- 671 2. The home state shall retain all such fees.
672
- 673 3. Institutions operating in states other than their home state under the provisions of this
674 agreement shall pay a SARA fee annually to the National Council for SARA.
675
- 676 4. The SARA fees will be sufficient, in aggregate, to fund the operational expenses associated
677 with the National Council for SARA and the regional compacts' SARA related work and will be
678 low enough to encourage institutional participation in this activity.
679
- 680 5. The SARA fee will be standardized across all regions. After receiving input from each regional
681 compact and participating states and institutions, the coordinating board shall annually
682 approve and publish the SARA fee schedule for institutions. The SARA fee will use a
683 graduated scale based upon the number of students enrolled in or served by an institution.
684 The tier levels and the metrics to measure students will be determined by the coordinating
685 board and openly published as part of the fee schedule.

686
687
688

MHEC CONCLUSION

689 Such are the criteria for participating in the State Authorization Reciprocity Agreement. Any of the
690 states who meet these criteria, and are deemed to have done so by the relevant SARA steering
691 committee, will be accepted into this reciprocal agreement.