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Free-Market Principles Should Guide Accreditation Reform in the Higher Education Act

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As Congress considers a reauthorization of the Higher Education Act (HEA) of 1965, policymakers have the opportunity to alleviate many of the challenges facing American students through innovative policy solutions. While cost, access, and education quality all dominate higher-education debates, accreditation reform gets little consideration. However, restructuring the country's ineffective accreditation system remains a key element to unlocking needed reforms at American colleges and universities. Accreditation reform must be a central priority as policymakers consider the future direction of higher education. Restoring the voluntary nature of accreditation by decoupling federal financing from the accreditation process and breaking the regional monopolies of accreditors would bring true quality assurance to the higher education sector, while providing new options to students.

The GI Bill—Precursor to Accreditation

President Franklin D. Roosevelt signed the Servicemen's Readjustment Act into law in 1944.[1] Later known as the G.I. Bill, this law helped millions of veterans finance higher education. However, the Servicemen's Readjustment Act laid the groundwork for future federal involvement in student lending, and eventually, higher-education accreditation. Two decades after the G.I. Bill became law, the HEA changed the way that the federal government interacts with colleges and universities.

The G.I. Bill was the first significant program to use federal dollars to help send students to college, with almost 8 million veterans taking advantage of the program.[2] Due to concerns over accountability for taxpayer dollars, the federal government became involved in deciding which institutions could qualify for federal funds, in order to ensure that American taxpayer dollars were not funding schools of poor quality. In order to qualify for G.I. funds, the federal government required that participating institutions be accredited. It did not, however, dictate who could, or could not, serve as an accreditor. This seemed to be a harmless policy at the time, when federal money served as merely a fraction of all higher education funding. However, today around 90 percent of all student loans come from the federal government,[3] making it nearly impossible for a school to operate without being accredited. The HEA's introduction in 1965 further strengthened the federal government's hand in determining which institutions could access student loans and grants by requiring colleges be accredited by federally approved accrediting bodies.

The Higher Education Act—De Facto Federal Accreditation

Title IV of the HEA provides taxpayer-funded loans and grants to students. When the HEA was signed into law, however, it conditioned access to those funds on attending an institution accredited by a federally approved accrediting entity. With that, the existing accreditation system which, prior to the G.I. Bill and the HEA voluntarily accredited insti-

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tutions, became a gatekeeper to federal funds. As a result, accreditation by a federally recognized agency became a qualifier for access to federal student aid.

While these accreditors are technically private entities, under the HEA, they serve a public purpose (ostensibly as imprimaturs of college quality) and distribute federal funds. Therefore, little separates these accreditors from functioning as a government entity. Some have gone as far as to label accrediting institutions "cartels." Preston Cooper, an analyst at the American Enterprise Institute, found that accrediting bodies have an egregious conflict of interest when determining which schools qualify for federal funds:

> Two-thirds of the commissioners who staff regional and national-level accreditation agencies are employed at colleges and universities which they oversee. In essence, the agencies the government charges with quality control at federally funded colleges are full representatives of the colleges themselves. This framework has the makings of a cartel.[4]

Surely, representatives of colleges and universities who seek federal funds are not independent third-party observers who could reliably determine higher education quality assurance.

Unfortunately, this de facto federal accreditation system has not succeeded in achieving its intended purpose: providing accountability for taxpayer dollars. Nationwide, just over 30 percent of all students graduate in four years, yet schools rarely lose their accreditation.[5] Additionally, Americans are $1.5 trillion in student loan debt. Judith Scott-Clayton, a fellow at the Brookings Institution, found that default rates could reach 40 percent by the year 2023,[6] leaving taxpayers on the hook for repaying tremendous sums. High student-loan-default rates suggest two things: (1) Tuition is unaffordable, and (2) accreditation is not achieving its purpose of ensuring that federal funds go to colleges of high quality that prepare students for careers.

Market-Driven Quality Assurance—a Superior Alternative to Federal Accreditation

Restoring the voluntary nature of accreditation is a better pathway to ensuring quality at institutions of higher education. In the marketplace, consumers shop around based on price and perception of quality based on reputation. However, as is the case in higher education, the federal system of accreditation has actually given consumers *bad* information. There are over two thousand accredited higher-education institutions in the U.S., yet many of these colleges do not provide students with a quality education. Many families likely assume that because a college is accredited, carrying with it a federal seal of approval, that they can expect some level of quality. Viewed this way, accreditation in its current form masks market signals that would otherwise provide prospective students with useful information about college quality.

To solve this problem, third-party authorizers, who signal certain levels of quality in sectors in which they have expertise, can offer guidance. The Good Housekeeping Seal of Approval is an example. This relatively well-known seal is a non-governmental quality assurance mechanism that evaluates home products. According to its website, "Good Housekeeping bestows its limited warranty Seal on those products that have been evaluated by the Good Housekeeping Institute and been assessed to perform as intended."[7] Consumers look for this seal of approval and trust it based on the long-standing reputation of approving valuable products.

1. Servicemen's Readjustment Act, June 22, 1944, https://catalog.archives.gov/id/299854 (accessed June 6, 2018).
2. U.S. Department of Education, "The Federal Role in Education," https://www2.ed.gov/about/overview/fed/role.html (accessed June 6, 2018).
3. College Board, "Trends in Student Aid 2017," *Trends in Higher Education Series*, October 2017 p. 13, Figure 4, https://trends.collegeboard.org/sites/default/files/2017-trends-student-aid_0.pdf (accessed May 20, 2018).
4. Preston Cooper, "Many Accreditors Have Conflicts of Interest," *Forbes*, November 18, 2016, https://www.forbes.com/sites/prestoncooper2/2016/11/18/the-double-lives-of-higher-educations-watchdogs/#28b7764961a7 (accessed June 6, 2018).
5. The College Solution, "Shocking Graduation Rates," May 9, 2016 http://www.thecollegesolution.com/shocking-college-graduation-rates/ (accessed June 6, 2018).
6. Judith Scott-Clayton, "The Looming Student Loan Default Crisis Is Worse Than We Thought," Brookings Institution, January 11, 2018, https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/ (accessed June 6, 2018).
7. *Good Housekeeping*, "About the GH Limited Warranty Seal," March 31, 2014, https://www.goodhousekeeping.com/institute/about-the-institute/a22148/about-good-housekeeping-seal/ (accessed June 6, 2018).

While third-party evaluators may be necessary to provide accountability for taxpayer dollars, that does not mean that the de facto federal system of accreditation is the best way to do so. Alternative institutions, such as businesses or nonprofits with industry-specific knowledge, could be better suited to determine course quality.

Decoupling Federal Financing from Accreditation

A better alternative would be to inject market competition into the accreditation system. The Higher Education Reform and Opportunity (HERO) Act would allow states to remove themselves from the current accreditation structure all together. States, which have a more localized knowledge of the student populations and economic needs, would be empowered to recognize accreditors from the marketplace that have industry-specific knowledge. If the state of North Carolina, for example, decided to opt out of the current accreditation structure, it could recognize Boeing or the Mayo Clinic as accreditors. The Boeing stamp of approval on an aeronautical engineering course certainly sends a stronger signal of quality to students than the current opaque accreditation system.

Breaking Up the Regional Monopolies

The structure of the current accreditation system does not give institutions many options. For the most part, accreditors who have jurisdiction over their region must approve institutions. The American Council of Trustees and Alumni's Armand Alacbay has argued that breaking down these regional walls is essential for meaningful accreditation reform. He writes that "these agencies benefit from the immense protection that their regional monopoly provides. They are indeed, as some have claimed, 'too big to fail' since termination of a regional accreditor would mean most accredited schools have nowhere else to go—unless federal law is changed."[8] The power held by these regional accreditors makes it difficult to allow innovative options to flourish.

Additionally, programmatic accreditation independent of institutional accreditation could allow a school to have multiple quality-assurance measures, which would nullify the "all or nothing" binary model under which schools currently operate.

Time for True Quality Assurance

As students struggle to navigate higher education in the face of mounting student loan debt, the need for significant accreditation reform has never been more critical. The reauthorization of the Higher Education Act presents a unique opportunity to enact meaningful policy changes to protect students and taxpayers alike. Policymakers should make decoupling federal financing from accreditation, thereby disrupting the regional accreditation monopolies, a top priority in order to restore voluntary, meaningful quality assurance.

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8. Armand Alacbay, "Accreditation Dysfunction," American Council of Trustees and Alumni, July 13, 2016, https://www.goacta.org/the_forum/accreditation_dysfunction (accessed June 12, 2018).