
Committee Meeting

of

SENATE HIGHER EDUCATION COMMITTEE

*“The Committee will receive testimony from invited guests
on online degree offerings by institutions of higher education”*

LOCATION: Committee Room 4
State House Annex
Trenton New Jersey

DATE: February 25, 2020
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Sandra B. Cunningham, Chair
Senator Vin Gopal, Vice Chair
Senator M. Teresa Ruiz
Senator Thomas H. Kean, Jr.



ALSO PRESENT:

Christine Dobisch
Anita M. Saynisch
Office of Legislative Services
Committee Aides

Kate Millsaps
Senate Majority
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Senate Republican
Committee Aide

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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Chair

Vin Gopal
Vice-Chair

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SENATE HIGHER EDUCATION COMMITTEE

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COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE HIGHER EDUCATION COMMITTEE

FROM: SENATOR SANDRA B. CUNNINGHAM, CHAIRWOMAN

SUBJECT: **COMMITTEE MEETING - FEBRUARY 25, 2020**

The public may address comments and questions to Sarah Haimowitz, Christine Dobisch, Committee Aides, or make bill status and scheduling inquiries to Natalie Pagan, Secretary, at (609)847-3850, fax (609)984-9808, or e-mail: OLSAideSHI@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate Higher Education Committee will meet on Tuesday, February 25, 2020 at 10:00 AM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The committee will receive testimony from invited guests on online degree offerings by institutions of higher education.

Issued 2/14/20

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SENATOR SANDRA B. CUNNINGHAM (Chair): Good morning, everyone.

And keeping with our new policy of being on time -- we're a few minutes late today. (laughter) The last time we had this down to a science; but we'll get back there again.

Good morning, everyone; welcome to Higher Education.

We're going to begin the testimony.

You'll have to take the roll first.

MS. DOBISCH (Committee Aide): Senator Gopal.

SENATOR VIN GOPAL (Vice Chair): Here.

MS. DOBISCH: Senator Cunningham.

SENATOR CUNNINGHAM: Here.

MS. DOBISCH: First, we're going to call up Dr. Merodie Hancock, who is the President of Thomas Edison University.

M E R O D I E A. H A N C O C K, Ph.D.: Thank you so much for holding this hearing on the important area of online learning.

I'd like to share a little bit of Thomas Edison's experience, and where we come from as a unique institution within the State of New Jersey.

Online program management has evolved over the years, perhaps the last 25, and now includes services that range from marketing and recruitment, to student admissions and registration, to online course development and platform management.

The industry business model is primarily long-term tuition revenue-sharing agreements with the university partners, though there are also more select options where the universities can pay upfront. The revenue-sharing OPM model allows institutions the ability to offer online programs

without investing in the very significant human and technology infrastructure required. The OPM is rewarded for its upfront investment by a long-term agreement to receive a certain portion of student tuition. The OPM may then use its share of the tuition revenue however it sees fit, including marketing sales and other non-academic and corporate purposes.

The return on investment for the OPM is generally based on the scale of the programs it offers, the number of total students it recruits, and the tuition rates and income share agreements associated with those students. OPM services can be engaged for a specific degree program, up to all of an institution's online programming.

At Thomas Edison, our entire focus is the adult student. Most of our undergraduate students have attempted higher education before, but for one reason or another life happened and they did not finish. Many are carrying debt from previous college attempts and lag behind their peers in earning potential. They're juggling multiple life responsibilities, such as full-time or multiple part-time jobs, caregiving for children and/or aging parents, community volunteerism, and more. The population of adult students is, by definition, already categorized as *high risk of dropping out*.

For several reasons, online learning is often the best option for these busy adults. As these students re-embark on their educational journey, there will be many reasons for them to give up, stop out, and remain a "some college, no degree" statistic. That is why Thomas Edison is laser-focused on how we support their success in our online learning environment.

We've been delivering distance education to adults for almost 50 years. Today we offer about 800 online courses to more than 14,000 students a year. We know that our students need flexibility in when and where they

study, as well as access to their courses 24/7, 365 days a year. We know, from research and experience, that unless we proactively anticipate our students' needs and keep them connected to the university, they're not likely to achieve their academic goals.

Our online learning environment is essentially our virtual campus, and it extends from first engagement, through courses, to graduation and alumni relations. It must provide all of the support and learning tools these students need, where and whenever they need them.

In addition to the numerous life demands that differentiate adult students from traditional students, adult students are further unique in that they're returning to college while they're in the throes of building their careers. Unlike traditional full-time students -- who enter college straight from high school, and enter their careers after four to six years of college studies -- our students, who take advantage of online learning, are far less homogeneous. The majority of Thomas Edison students are between the ages of 25 and 45, with varying amounts of college-level learning. They come from all socioeconomic backgrounds, often first-generation students, and are at varying stages of their careers in professions that range from high-demand industries to those that are quickly becoming obsolete.

They come to Thomas Edison to increase their professional marketability, retool skills and, in some cases, to change professional fields of study entirely. They also come with the tremendous amount of professional and world experience that the University leverages to enhance our learning environment.

For these reasons, Thomas Edison does not utilize OPMs. It is a critical tenant of our mission to create a distinct education for adults that

is flexible and meets their unique needs, while retaining high academic quality and career relevance. In order to do that, we feel we need to closely address and monitor all aspects of our virtual campus.

We do, however, leverage select external partners to support discrete functions when it either requires a unique and hard-to-acquire skill set, or we are adopting a new and innovative technology for a specific program that we may not have the resources to produce in-house. As our students are actively engaged in the workforce, our courses must keep pace with the industries they serve.

In addition to leveraging innovative new instructional technologies, our courses are constantly under review to ensure they represent the latest industry practices and theories. Last year alone, we revised more than 500 of our 800 online courses. This ongoing and agile approach to course development speaks to Thomas Edison's extensive experience and expertise in delivering high-quality, career-relevant online education, and could not be replicated by an outside vendor.

A further distinct advantage of building and maintaining our own courses is that we own the data analytics. We constantly use these analytics to improve our student learning outcomes and strengthen our curriculum. Thomas Edison's years of experience in online education have taught us how to utilize the best third-party providers for content and technology solutions. Our work in this area has revealed that comprehensive OPM partnerships do not provide the flexibility, data analytics, and unique student experiences that Thomas Edison requires; and therefore, are not in the best interest of our institution or our adult students.

Therefore, we only use strategically targeted technologies to enhance our existing suite of core services.

In summary, Thomas Edison has invested extensively in the online learning space, with a specific focus on how to best serve our adult students. We leverage our knowledge and expertise to ensure every course provides the services and support that a student needs to succeed, as well as objective, career-relevant assessment tools.

Many institutions, pressured by time-to-market demands and other external factors, have turned to OPMs to fast-track their organizations into the online learning space. The difference between an organization fully committed to the online learning environment and one that offers online programs on the side, is often defined by the organizational mission, infrastructure, and pedagogical models that underpin the organization. At Thomas Edison, the success of our students, as scholars and as professionals, can be gravely impacted by their online experiences. We take this, our virtual campus, as one of the most important aspects of how we fulfill our mission.

Thank you.

SENATOR CUNNINGHAM: Dr. Houshmand, we're going to ask you to speak, and then we can ask questions of both of you.

A L I A. H O U S H M A N D, Ph.D.: Senator Cunningham and Committee members, thank you for providing me with the opportunity to speak with you today.

I'd like to think that I have a unique perspective on the subject of online education, since I led the College of Continuing Education at Drexel University for six years. And, in fact, that was the reason why Rowan hired me -- in order to start such a program, in 2006, at Rowan University.

Online education started in the United States in 1989. Today, almost 2,000 degree-granting postsecondary institutions enroll fully online students.

There are approximately 3.4 million students pursuing a post-secondary education exclusively online, of which includes 30 percent of all graduate students and 15 percent of all undergraduate students.

Developing, implementing, and sustaining an online operation not only is extremely costly, but also requires staff with the appropriate knowledge and skills. Third-party vendors in the online space are known as *Online Program Manager*, or OPMs. These are organizations that can provide a suite of services and products that may include online course development; operation of their learning systems platform; enrollment management services; and student services, such as advising, retention strategies, and learning materials.

OPMs may vary in size and services, but all of them tend to have some common characteristics. They engage in long-term agreements with the institution they serve. As the name *management* suggests, they tend to control the non-academic portion of the business, everything related to the student flow, from prospect to graduation. And they retain anywhere between 50 to 60 percent of the revenues realized through tuition.

While the tuition revenue sharing seems to be disproportionately in favor of the OPMs, it's important to recognize two things.

The OPM invests millions of dollars to establish the online operation for the institution that will take OPM years to recover; and the institution would never be able to realize, on its own, the 40 cents on the dollar that the OPM is bringing through its programming.

Now we'd like to talk to you about online education at Rowan University.

It started in the year 2006, when I was hired from Drexel with the intention to create such a program; because, at that time, the University needed to enhance and grow its source of revenue. And I brought the model that I had learned from Drexel University, and we created a college that was completely separate from the State appropriation. We basically went to the Board, borrowed \$2 million, I hired my former Associate Dean from Drexel, and we created a college. He was the Dean, and he had \$2 million, and nothing else; and a 100-square-foot office. And we said, "Go at it," and he started online education.

And the way we decided to do that was, he would go to the various schools and colleges, take their curriculum, repackage them, and deliver them to adult students.

That program was started, as I said-- In 2007, we launched it; and in the first year we generated \$240,866, of which \$174,440 was profit. (laughter)

Fast forward to 2019 -- this year the gross revenue was \$36 million, and the profit -- all of which was directed to the general fund of the University -- was \$21 million.

In the life of this college that we started in 2007, it has generated \$256 million of revenue, of which \$127 million has been profit; and all of it has been invested in our general fund for our undergraduate education.

As an example, our scholarships went from \$6 million in 2006, to \$28 million this year. Our enrollment went from 7,912 full-time undergraduates, to 14,943 today; our graduates went from 719 to 2,471. We

basically doubled our entire enrollment in 11 years. During the same period, however, the State appropriation for the main campus in Glassboro went from \$36,488,000 to, today, \$27,300,000, a 25 percent drop; while the University grew by 100 percent.

And how did we do that? We did that by generating other sources of revenue specifically in three areas. One was in online, the other one in research, and the last one was in philanthropy. These three sources of revenue, in 2007, generated a total of \$9,312,000 for us.

Fast forward to 2019, these three areas have generated \$111 million for us. That is a 12-fold increase in 12 years, all of which is being reinvested, again, in our undergraduates. So that's the reason that we have been able to grow the campus to double -- build \$1.2 billion of infrastructure, build 7,000 new dorms, hire hundreds of faculty members, and grow the institution from a master's, classified regionally -- and open admission to the research classification -- to one of the most selective universities in the Delaware Valley. In fact, I can confidently, today, state that Rowan Engineering is the second-most selective Engineering in the Delaware Valley, after U Penn. And this happened as a result of us recognizing that we cannot constantly rely on the State to fund us. We, as an institution, have the responsibility of, number one, adding additional resources; but far more importantly, managing the institution like a business.

And that's really what we have done. We have committed two things: We will never increase the tuition and fees more than the rate of inflation, and we have never done so. Number two, we will never cut academic affairs no matter what, because this is our core mission. We need to constantly hire more faculty and invest in them.

However, we also say everything else in the University is up for business. We watch every penny we spend. We look under every rock, and we save all of that and pass it all to our undergraduate students.

So the reason that we got into the online field was because we needed additional revenue to subsidize our undergraduates, and to help retain the students -- the high school graduates of central New Jersey from leaving the state. I am proud to say that, in 11 years, we have managed to add 7,000 full-time equivalent undergraduates to our class as a result of us being much more business savvy and generating additional revenue.

Thank you.

SENATOR CUNNINGHAM: Thank you.

You know, I have to say that one that one of your philanthropic efforts seems to be doing very well.

Tell us a little bit about the hot sauce.

DR. HOUSHMAND: The hot sauce was--

SENATOR CUNNINGHAM: I insist on hearing about that.

DR. HOUSHMAND: Well, the hot sauce, actually, is a global enterprise right now; and I get orders from everywhere, including Japan, England, Brazil, and others.

But it started four years ago, after some of my staff asked me to make some jars of hot sauce for an auction. Because that's what I do; I like gardening. And I did, and it was very successful the first year. And then it took off. It's now four years; we generate a massive amount. I grow -- I have a big farm -- I grow them myself. I wake up early in the morning and water them. We hire our students; and we have basically created an on-campus business, from A to Z, that is fully owned by students. The students manage

it; they get paid when they pick the peppers, or wash them and cook them. But what is more important -- every penny that remains, all of it goes to students' need. This is a needs-based scholarship. Hundreds of students who came to us and said they were short \$1,000 or \$2,000, we have used this resource to help them.

We have, so far, sold close to \$130,000; and from various sources and various entities, I have managed to raise \$3 million. All of this is now resources for our students, for a needs-based scholarship.

So that's one of the projects.

The other project is the clothes drive, where I go to executives and ask them for their -- if they're female, clothing, dresses; males, suits -- if they can dry clean them and bring them to campus. We give them to our senior students -- clothes for graduation -- so that they can be ready for interviews.

Last year, we collected more than 1,000 suits and one dress; and we are continuing this year. Right now, we really don't have space; so if the State can give us a room, we can store a bunch of this stuff in the room.

SENATOR CUNNINGHAM: That's amazing; congratulations.

DR. HOUSHMAND: Thank you.

SENATOR CUNNINGHAM: That's called *creativity*.

DR. HOUSHMAND: Yes.

SENATOR CUNNINGHAM: That's amazing.

Dr. Hancock, you didn't mention -- or I didn't hear you mention the military. At one point, you were the college -- I don't know if you still are -- for people who are in the military, to help them to get their degrees.

Are you still doing that; is that still one of your major areas?

DR. HANCOCK: Yes, we continue to serve the military -- active duty, vets; and actually the whole suite of first responders: National Guard, Reserves, across the U.S. and here in New Jersey. That remains a large portion of our population. They, as you know -- they're about as at-risk as you can get, with needing to pick up, and stop, and start very frequently. And the University has designed itself, with 12 starts a year, to help meet their needs. So if they go TDY or TAD -- depending on which service they're in -- they can stop for a period if they need to. Or now with the connectivity that the military has built in to most of its camps, they can continue their studies -- whether they're in Afghanistan, whether they're on a ship -- and we have programs where they can do it while they're on a submarine, even if they don't have connectivity. So that remains a large focus and purpose for the University.

SENATOR CUNNINGHAM: My last question for both of you is, tell me a little bit about the difference in cost between online or not online.

DR. HOUSHMAND: The cost that we are charging currently, for both undergraduate and graduate, is very similar to the same cost that we charge our own students.

The only difference is that we do not have in-state or out-of-state tuition differentiation for students to pursue online degrees from out-of-state. And there is a reciprocity agreement among many states -- in fact, almost all the states right now -- that you need to get that approval from. There is a central entity that you need to get approval from in order to be able to operate in other states.

So currently, that's what we do. And the cost of delivering -- that's the beauty of this thing -- the cost of delivering one student credit-

hour, at the undergraduate level, is right now, for us, roughly about \$210, \$220. And for a graduate, that is roughly \$370.

And that's why the net revenue from these deliveries are about 50 percent for us.

SENATOR CUNNINGHAM: Dr. Hancock.

DR. HANCOCK: Certainly.

So we keep-- I'll look at it in two parts. One, the creation of running online programs can be incredibly expensive.

And like my colleague, I came from running a global campus for Central Michigan University, and got to look at the price of how we build these, versus traditional courses.

I think what goes into an online course these days is so extensive in the areas of simulation, keeping it fresh, the technology. You don't have a professor just to go in and change up the curriculum as things move. You have to go back in and redesign the course, redesign the modules, redesign the discussion boards, redesign the assessment.

So the cost of an online program is quite expensive; and I think that's where originally the idea -- institutions thought, "Wow, this would be a really cheap way to invest. It won't cost much money, we don't need buildings, and we'll get revenue."

And I think the schools you're seeing be successful in the area have learned that that's not the way to do it. You can't just take money off the backs of these students and give them a subpar experience.

So the back end is, it's quite high.

At Thomas Edison, we have a little bit of a unique business model. We were founded to keep students out of the classroom. So we were

founded to try and identify college-level learning wherever it may exist for a student.

So the business model for that is a little odd; because when we meet with the student, we spend a fair amount of time helping them not have to pay us tuition, and find different ways to complete their degrees, and find credit that they may have from their professional experience. If you think about the military, you think about first responders, if you think about substance abuse counselors -- they have formal training that we can pull out credit toward their degree program.

So we try and keep the cost of the degree as low as we can. As you know, institutions are funded largely on tuition, so it's a unique model for us. And we're constantly, I think, mimicking Rowan in looking under every rock to make sure we ensure students pay as little as they need to, both in not taking courses that they don't need, and in keeping the price for those courses as low as possible.

We do, however, charge a different out-of-state versus an in-state rate.

SENATOR CUNNINGHAM: How many online students do you have presently?

DR. HOUSHMAND: We currently have 5,000 online students, with fully, online degrees. And also, we instituted, two years ago, a model of requiring every one of our full-time undergraduate students to take at least one online course per year. And that has been a very good approach because, number one, we introduce our students to technology; but, more importantly, we save a tremendous amount of money avoiding building classrooms.

For example, this one course per semester that 6,000 students take per year, at present, is equivalent to us building a building that would cost \$1.1 million debt service annually.

So really, we need to recognize, Senator Cunningham, that moving forward, the notion of bringing 17- and 18-year-olds to a classroom and subjecting them to one-and-a-half hours of paying attention to math, or any other course -- those days are over. We need to completely redefine the way education is delivered. It could be in the segmentation of two or three minutes; it could be a TED Talk, it could be a YouTube, it could be a conversation. But it can no longer be going on a stage and boring students to death, because they're not going to pay attention. They are going to look at their cell phone under the table and text something.

So we need to really look at the whole issue of technology, and the use of technology, to completely restructure higher education; number one, to make it more effective; but more importantly, less expensive. Because the infrastructure maintenance and building is massive, and is out of the reach of most of us.

SENATOR CUNNINGHAM: Dr. Hancock, do you want to add to that? No?

SENATOR CUNNINGHAM: Okay; Senator Kean.

SENATOR KEAN: Thank you.

DR. HANCOCK: Actually, if I can -- we do have 14,000 online students; but it's all of our students.

MS. DOBISCH: Sorry; before continuing, I want to note that Senator Kean and Senator Ruiz are now in attendance.

SENATOR KEAN: Thank you, thank you.

And through the Chair; getting to your last point, in terms of what the type of transmission of information is, and we're looking at this, what is the best way to measure value or actual learning? I mean, if we're looking at any (indiscernible) areas of this conversation regarding the overall cost of the entire system. But how, at the end of the day, do you measure that the certification at the end of that course, at the end of the online experience, would have done as effectively, efficiently, and cost-effectively so we can actually measure that value?

Have you looked at that yet?

DR. HANCOCK: That's the question, I think, of the decade; and we're constantly looking at that.

In Thomas Edison -- because we were originally founded to identify learning where it exists -- we have assessment in our DNA. It's objective measures of learning-- Ours is far more aligned, I believe. Everything our students do goes against an objective measure of learning.

And we constantly work with industry, which is why we've looked at 500 of our 800 courses, in a given year, to say, "What skills do you need? What competencies do you need? And how do we make sure that our students are proving those, with a project, with an assignment within a course?"

So we keep aligning both the general standards of critical thinking, and those other third-party measures that look at your learning on that. And I'm pleased to say that Thomas Edison outperforms in all of those areas. Which may not be a surprise, given how serious our students are. But then we also align with industry to say, "What are you needing, what's coming up?" We're currently redoing our nursing curriculum to make sure

we stay aligned with what the industry is seeing, and their change with technology and other demands in team-based nursing. So it's just a constant piece of working with the industry.

The other piece with Thomas Edison-- Our students go to work the next day. So if we get it wrong, if they learn something in a class, if they're using outdated editions of software, if something's not right -- you can bet they're going to let us know about it immediately -- that they're not being taught what's being used in their field.

DR. HOUSHMAND: So online education is another mode of delivery -- whether it's face-to-face, whether you go to the green outside the campus, or whether you're doing it online. As long as the content is delivered by competent faculty members, and as long as the academic freedom remains intact so that the faculty have the ability to evaluate, to assess, and to grade students, then we shouldn't be worried about anything.

I, as the President, have always emphasized to our faculty that, "When it comes to the quality of education, it is entirely on your purview. I will never come and tell you how to teach, what grade to give to people, who you pass and who you don't pass."

So to me, when a faculty member comes and says, "How is this different in terms of quality from face-to-face?" I say, "The quality is entirely up to you. You are the person who owns the knowledge and delivers knowledge. Make sure you do your job equally well for both of these cases."

In terms of performance, I will give you one of two numbers.

In two of our degrees -- BSN; we have a degree in BSN that you can do fully online -- 100 percent placement. Or we have Construction Management, that actually was a trade school that we got from the union in

Washington. We took it, we adopted it, and we are now delivering it to trade people. Again, 100 percent placement of graduates.

But for many of our students, we don't have that record, so I can't report to you what kind of success we have.

SENATOR KEAN: What would be--

SENATOR CUNNINGHAM: Through the Chair.

SENATOR KEAN: Through the Chair.

I know your line of thinking, Madam Chair. (laughter); I'm simpatico here.

The question, I guess, is if you're looking at that 100 percent placement in those two schools, what are the next areas -- outside of nursing and the second one you mentioned -- where you could have that type of placement, that type of-- What fields are best--

DR. HOUSHMAND: Well, I will give you the degrees that are particularly -- we are dealing with right now. We're doing a lot of educational leadership degree programs, construction management, law and justice, psychology, education, and business. Every one of our students -- the University tracks placement on every graduate of the University through a survey, an exit survey; we do that. But we do not -- we have not yet distinguished between online or face-to-face students when we do these things. We are going to put that in place -- and actually did segregate these two -- to make sure that both of them performed equally post-graduation.

SENATOR KEAN: Thank you; thank you, Madam Chair.

SENATOR CUNNINGHAM: Senator Ruiz.

SENATOR RUIZ: Good morning; thank you, Chair.

Through the Chair -- this is for Thomas Edison, and it's just a real random question.

I thought I read or I saw somewhere -- are you doing admissions differently? Did you just make an announcement about admissions? Did I misread this?

DR. HANCOCK: No; we did.

SENATOR RUIZ: You're looking at criteria differently, right?

DR. HANCOCK: We are looking at criteria in many of our -- across all of our spectrum. We constantly go back and look at our admissions criteria to see its efficacy in hitting student success.

But we recently made an announcement, for all New Jersey community colleges, that we are doing a 3-plus-1 program with over 50 areas of study. And our goal is just to keep it smooth; we want the community colleges to see their end goal as a four-year institution. So we're guaranteeing admission for any New Jersey community college graduate, which also helps a student realize the importance of getting that community college degree, not skipping by that. Then we'll do the 3-plus-1, and we're waiving the application fee on those students.

So it's just -- anything we can do to streamline the process.

We still know the coin of the realm is a four-year degree. So we want to help those students make sure they can get in as smoothly as possible.

SENATOR RUIZ: Have you made a cost analysis of what this would cost, versus the traditional?

DR. HANCOCK: We have; and I don't have the numbers right in front of me. But for us, a community college graduate is an outstanding student. So we spend a tremendous amount of money and effort recruiting

a new student. And we know that these students are going to come in, they're successful, the community colleges have prepared them. So it's a bit of a win-win. We see this as a long-term sustainable partnership with our community colleges where everybody wins.

So we lose some application money upfront, but we get really strong students, and we increase degree completion rates across the state.

SENATOR CUNNINGHAM: Senator Gopal.

SENATOR GOPAL: Thank you, Senator Cunningham.

Having gone through an online program for a degree at a State university, I can tell you one of the biggest flexibilities -- it took me, actually, five or six years -- but that flexibility of working full-time I think is really remarkable.

And I have to say, I probably learned more -- if not the same, at least -- than I did within a classroom. Because, to your point, President, it's really the quality of instructors. I had some really good instructors who would challenge me in ways that -- in the classroom it was more *check the box*.

So I appreciate everything you guys are doing; and I especially appreciate, specifically here with these OPMs, the creativity you're providing. Hopefully, your colleagues around the state will follow.

Thank you.

SENATOR CUNNINGHAM: Senator? (no response)

Thank you very much.

DR. HOUSHMAND: Thank you.

DR. HANCOCK: Thank you.

SENATOR CUNNINGHAM: We're now going to have Dr. Stephanie Hall, Century Foundation; Dr. Sandy Baum, Urban Institute; and

David Hughes can come up, President of Rutgers AAUP-AFT, and Professor of Anthropology.

Will you just state your name before you begin your testimony?

STEPHANIE HALL, Ph.D.: Hi, my name is Stephanie Hall; I'm a Fellow at the Century Foundation.

And thank you to the members of the Committee for the opportunity to talk about online education today.

I'm going to share the results of research about online degree programs that my colleague Taela Dudley and I conducted last year; as well as some recommendations for what the Senate could do to protect online students.

Online program managers, or OPMs, are third-party providers of services related to the delivery of online education. OPM companies include Academic Partnerships and 2U; and some names you might recognize from the publishing industry, like Pearson and Wiley.

The services these companies provide include course and curriculum development, instructor training, student instruction, marketing, and recruiting. Since 2017, Century has used public information laws and public records requests to obtain 184 contracts between public institutions and the companies they hired to help deliver their online degree programs.

In our most recent analysis, my co-author and I reviewed 79 contracts between these public institutions and their third-party providers. We found problematic terms and arrangements that I will expand upon throughout this testimony. These things include the fact that colleges are sharing their tuition revenue, OPMs are tasked with recruitment, contracts

are long-term and difficult to exit, and student-generated data is not being protected.

Contracts between colleges and OPMs are generally structured in one of two ways. One is for the school to pay a flat rate for a particular service, and the other way is for the school to pay a share of their tuition, over time, for a bundle of services.

The share usually ranges between 40 and 65 percent of student tuition revenue, though some contracts we analyzed had percentages as high as 80 percent.

Bundled service, tuition-sharing contracts also tend to have very long terms that are difficult to break. Most of the tuition-sharing contracts we reviewed lasted between 6 and 10 years, and included clauses that make it difficult to terminate under any circumstance. And these kinds of clauses included requirements for years-in-advance notice of termination, automatic renewals, and prohibitions on contracting with other companies.

Degree programs managed by OPMs, under tuition-sharing terms, exhibit the same behaviors as have been documented in the for-profit college sector. It appears these kinds of arrangements incentivize schools to keep tuition high and to bring in as many enrollments as possible. Evidence of the OPM having an interest in higher tuition was evident within the contracts. A contract between UCLA and a company called Trilogy included a clause requiring the school to set tuition at a price as high as the market will bear, and the OPM company also retained the right to veto a tuition suggestion by the college.

In a contract between the University of North Dakota and Pearson, the University is prohibited from making changes to concentrations

offered in their degree programs without first appealing to the company so the company can analyze the effect it may have on enrollment levels.

If a college contracts with an OPM on a basis of revenue sharing, both parties have an incentive to get as many enrollments as possible. This leads to the same predatory and aggressive tactics in recruiting that we see in the for-profit college industry. One example of this is when a student goes online to find information about admission requirements or tuition price, degree programs that are managed by an OPM do not display this information readily. A student first has to enter their contact information into a form. Once they do that, they'll be contacted many times through phone calls, texts, and e-mails, from a recruiter who works for the OPM, but is posing as a university recruiter.

Once that information is handed over by the student, in many of the contracts we analyzed, that student's contact information becomes the property of the company. Which can be problematic because the company then has the power to market other products to that student, or to even sell the list to other companies or to other schools.

We found that OPMs also have an inappropriate amount of control over the academic content and academic program. As I mentioned earlier, some OPMs have control over when a college can make changes to course offerings and degree concentrations; and in some cases, this is accomplished through steering committees that are created within the contracts. These committees hand a lot of power over to the OPM, and they bypass traditional departmental or faculty governance. I would argue that a third-party contractor has no role in faculty or departmental governance, even if they're providing an educational service.

While public colleges are renting out their name and established legitimacy to private companies that would otherwise lack access to a reliable revenue stream -- like Federal student loans -- students, more often than not, have no idea who is running their program. Students believe they're getting a degree from a college or a university, or they think they're receiving advertisements and calls from a prospective college, when, in reality, the school is barely involved.

Finally, it is unclear what happens to tuition revenue once it's handed over to the OPM. Colleges report their finances annually to the Federal government, and these companies -- that are on the back end as third-party servicers -- are left unaccountable. We know what services they've been contracted to provide, but we don't know the level of priority that they give to those in terms of what are they spending, how much are they spending on advertising, instruction, student support -- if those were the things that were contracted for.

Finally, our analysis revealed a number of problems that could be addressed through policy.

For the problem of aggressive recruiting, schools should stop contracting for online program management on the basis of tuition sharing. Schools should also be required to display commonly sought information, like admissions requirements, on their websites.

Another problem is that students are left in the dark. This could be addressed in two ways: First, students and prospective students should know who is running a degree program, and who they're receiving advertisements from.

Second, perspective online students should have information about what the degree will cost them, perhaps especially compared to on-campus student prices. The real cost for online students, perhaps, is usually higher than that of a student with the same financial profile taking classes on campus.

I looked into graduate degrees in human resource management through Rutgers. On-campus students are charged \$10,548, plus fees, per semester; and online students are charged \$12,696, plus an online student fee per course, per semester. It's unclear how many students from either program get institution-based aid, but online tuition is certainly listed at a higher rate.

For online degree programs, prospective students should be able to see how much students are paying, relative to the tuition price, and what percent of students are getting institution-based aid.

A final problem is that public institutions are vulnerable to the for-profit OPM industry; and the State could take three steps to protect its financial interests when contracting out.

First, colleges should collect and report expenditure information from contractors that are involved with online degree programs. The State has an interest in understanding the expenditure breakdown of things like advertising, recruiting, and instruction.

Second, to protect students and taxpayers, State institutions should have reasonable routes out of contracts. Public institutions should review their procurement processes, and maybe require the inclusion or exclusion of certain clauses, especially with regard to termination and term lengths.

Third, institutions that participate in a system or an association of colleges should share information with each other. This practice would bring an information balance between schools and OPMs during negotiation processes.

I appreciate the Committee taking the time to talk about online higher education today, and I'm happy to discuss anything else further.

Thanks.

SENATOR CUNNINGHAM: We're going to ask all of you to complete what you're going to say, and then we'll ask questions.

S A N D Y B A U M, Ph.D.: Senator Cunningham, members of the Higher Education Committee, I am very happy I have a chance to talk with you today about the promises and pitfalls of online higher education.

We've heard a lot already about both promise and pitfalls, and I think it's great that you are taking the time to look at this issue carefully as you move forward.

Lots and lots of students are taking classes online. I think it's really important to differentiate between taking a class online and fully online programs, because the experiences of students are very different.

And what I want to focus on today is much more about the experiences of students and the importance of personal interaction -- interaction between students and instructors, and interaction among students; and how that's a critical part of the learning process.

And I don't want to suggest that that's not possible with online learning, because it is, and there are certainly, brick-and-mortar classes where that doesn't really happen. However, to date, it has proven quite difficult to

incorporate this kind of meaningful interaction into a lot of online programs, especially if one of the goals is to save money.

So the research on online learning suggests that when students are studying, taking courses that are purely online, the socio-economic gaps in outcomes are actually exacerbated. So we think of online learning as an opportunity for students facing barriers to traditional education to actually participate when they face geographical constraints, and time constraints, and they can't get to campus. But in fact the students who struggle the most in online courses -- and for whom the outcomes are most different between in-person and online courses -- are those students who come with weak preparation.

And so since that's what we're trying to target -- is that student body -- we really need to look at the evidence about outcomes for those students. We risk increasing the gaps. And taking those students, who are really coming to try to get an opportunity to invest in themselves for social and economic mobility, and they think they're doing that-- And if it doesn't pay off in that way, we really need to look at that.

It's really clear what the appeal of online education is, in terms of flexibility for those students. And intuitively they think it should be cheaper, because you should be able to get to lots of students at the same time. And we need opportunities for these students. But the fact is that if we're giving them opportunities that aren't meaningful and don't pay off, well, then we're taking their time, and we're taking their money, and we're not giving them what we promised.

So we want to make sure that we don't just count noses; that we also look at the opportunities that these students actually get.

And one of the problem is, most of us examining these questions and trying to find solutions are people who have some sort of a college degree. Probably most of the people in this room have a college degree. And when we think about what it would be like to go online, we're talking about already knowing how to study, already knowing how to learn, already knowing how to discipline ourselves and manage our time. And the students who we are most concerned about are students who have not yet had the opportunity to develop those skills. And you see that when, for five minutes, people thought that MOOCs, *Massive Open Online Courses*, were going to transform higher education. We found that most people didn't complete them; and the people who did were basically people who already had college degrees. And that's not really surprising.

We need to find ways to help people learn how to learn. And learning is a social process. These advertisements, where you see somebody sitting home in their pajamas, at their computer alone-- Thinking of a whole college education -- being alone in that way is not understanding the social process of learning. It's not just about memorizing information or having information transmitted to you. It's about talking with people, it's about sharing ideas, it's about supporting other people, it's about seeing the problems and challenges that others face in learning. It's about getting criticism from other people, face-to-face criticism, and learning how to deal with that.

Now, some of that can be integrated online. I don't want to suggest that you have to be in the same place for that to happen. But too frequently, that's not the way online learning works. It's challenging to do it that way, and it's not cheap, okay? It's cheap to put a lecture online, it's

cheap to put a problem set online. But it's not really cheap to develop these sorts of platforms where people can learn together and interact.

Congress -- at the Federal level, we have some lessons. When Congress opened the doors to online learning for Federal student aid, they made a clear distinction. They said they were trying to separate out online learning from correspondence courses, and they said that there had to be regular and substantive interaction between the students and the instructor. That rule, which has been in place for a long time, is now going by the wayside in the effort to reduce regulation in the current Administration. There's a long record of fraud and abuse in correspondence courses. And if we stop thinking about the difference between self-learning and education, we're going to run into increasing problems with this. And some of the problems with the (indiscernible) that we've heard about, are examples of how, particularly, for-profit entities can generate these problems. But there are also some very big public and private nonprofit online institutions that risk having these problems too.

So far, to date, although online education has certainly provided some opportunities to students who wouldn't otherwise be able to get higher education, it has not been a miracle cure, it has created a lot of problems for a lot of students. And sometimes people say that even if the pass rate in online courses is lower -- which it is, certainly for less-prepared student, for Hispanic students, for those coming in with a low GPA -- but if they take more classes that they wouldn't have been able to take otherwise, and they pass one of them, at least they have a course.

Well, that may be true; but we can't be satisfied with that. We really have to make sure that we understand that our goal is for students to learn, and our goal is not just to transmit information to them.

So access to programs is a step forward, but it has to be access to meaningful programs. There are a lot of surveys done of a lot of constituencies about their perception of the value of online learning; and faculty members, college administrators, the public, and employers, notably, all say purely online courses don't have the same value. Unless we change that, then there's not going to be a high return on investment for these students.

So we have to be careful to both move forward with the promise of technology, but not over-promise. And the real danger is that we're going to even widen the gap between students who come to college with the resources and preparation to take advantage of high-quality higher education, and those who come to the door very underprepared and under-resourced; and we just say, "Okay, go online, stay home, do this," and then they end up with a really inferior education.

So move forward, innovate; but think hard about making sure that students are learning and having instructor interaction, not just going online once in a while and passing a test.

Thank you.

SENATOR CUNNINGHAM: And our last speaker in this group.

DAVID M. HUGHES, Ph.D.: Okay; thank you very much.

Yes, I'm here-- I'm David Hughes; I'm here representing the Rutgers AAUP-AFT faculty union, 5,500 people who teach in Newark, Camden, and New Brunswick.

I'm also representing the Higher Education Leadership Council.

I agree with much of what my two colleagues here have said.

Let me start with the cost question. Really what we're seeing is a huge missed opportunity here. When online education came out, maybe 15 years ago, it was promised to be cheap. It was promised to make higher education affordable, the way a public higher education -- the way it was intended to be, affordable.

And at a place like Rutgers -- I'll talk about Rutgers' experience with the Pearson platform -- at a place like Rutgers that was doable. We have a budget now of \$4.4 billion; about half of that is the whole medical-clinical operation. So that leaves about \$2 billion, \$2.2 billion, or so, for education of non-medical students. About \$1 billion of that is spent on facilities; \$400 million is spent on all of the faculty, and all of the advising, and anything that touches students.

So imagine that -- \$1 billion of facilities that these online students don't have to carry as a burden. You could imagine tuition being a whole lot cheaper, at least half the price. And it could be that way except that these OPMs came along and scooped up that money.

So that money -- that extra half of tuition that students are paying -- is the profit for these corporations, right?

And so to the extent that this Committee -- and I know you do -- you want to make higher education affordable, these OPMs are taking that from you, and they're taking it from us, and taking it from our students.

Now, you have to ask yourself, “What do the OPMs do for that half of tuition?” I’m going to refer back to President Houshmand’s testimony, where he refers to OPMs as doing course development, to working on the LMS, advising, and learning materials. And then he characterizes this -- it’s on page 2 -- those functions as *non-academic*.

I’m sorry -- *course development* is what I do as a Professor, and I do it for my salary from Rutgers which comes from the State appropriation. *Advising* is what I do for my salary, and *learning materials* are what I do. I don’t see why students should pay for some corporate employee to do that on top. That’s duplicating services, it’s inefficient; and I know that somebody from Pearson is going to do a less good job than me in advising anthropology students on how to get their degree.

So this is the big problem here -- that the OPMs have moved into this space and taken student revenue that should be going to universities, or shouldn’t be coming from students in the first place.

The question of quality has come up. There are some students who learn well in some courses online. In anthropology, we have a whole archaeology curriculum wherein students handle artifacts. We have a collection of Dutch pottery, some of it from New Jersey, from the 17th century. We have specimens and collections much older -- early hominid bones. We have a lithics collection of stone tools going back half-a-million years. In order to teach archaeology, you have to touch those objects. You have to feel how they weigh, you have to feel the texture of obsidian, and you have to go out, as we do on the lawn in front of the building, and flint knap and try to make a stone tool with obsidian.

None of that can be done online. Lab sciences cannot be taught properly online. Conversational practice in languages cannot be done well online, unless it's one-on-one, right? So the pedagogy doesn't work for many very important subjects online. And so those students, therefore, are coming out less prepared in those fields.

A couple of other things that came up in our experience with Pearson. So a few years ago, Rutgers signed a contract with Pearson to provide online-managed programs. We, as the faculty union, objected on a number of grounds, and we established a moratorium; so there are no online programs under Pearson being created at Rutgers.

Our reasons were, actually, not what I just mentioned, because those are not bargainable subjects. Our reasons had to do with intellectual property rights and academic freedom. Most of these online programs establish the right to take content developed by faculty and repackage it, possibly use it on another campus; or, if they've taken my syllabus and I retire, they can put my course on with somebody else teaching it -- who's called a *course facilitator*, somebody who does not have a specialization in anthropology; they could even hold onto the recordings of my lectures and run the course without me or without any human being.

What some of these OPMs allow for is, kind of, automation to happen. This worries me very much. So we objected to that because we, as faculty, control our intellectual property, and we are the best people to actually teach that intellectual property.

The second problem with many of the OPMs is that they restrict academic freedom. So Pearson has a very interesting clause in its terms -- its user agreements, which is that faculty must not post anything on a course

that is *libelous* -- okay; *torturous, obscene* -- not defined; *insulting* -- certainly not defined; or *harmful to children*. So I'm not exactly sure what that means. Partly, a lot of these OPMs-- And structure is another very popular one. They come from a K through 12 environment, and they've basically taken the very harsh restrictions in the secondary and primary education and applied them to higher education.

So our faculty said, "We can't teach under these circumstances." People in Art History show images which many people consider to be obscene. We teach -- in anthropology we teach a course on sex and eroticism from around the world, where you show porn movies; you know, in a pedagogical and responsible way. But that might be considered obscene.

We don't teach children, generally, so we don't see why we should care about whether our material is *harmful to children*.

And as far as *insulting* goes, you can't teach about Israel or Palestine without insulting somebody these days.

So the academic freedom which universities protect is being subverted through these corporations, which have come in to offer services.

A couple of points here about integrity.

Nobody's really figured out how to monitor online exams. I recognize cheating does happen in a classroom-based exam, but you have staff who are going and watching, and watching the whole room, and so on.

In an online exam, it's possible for somebody to take the exam and have the answer sheet here or here (indicates). There's a firm that Rutgers was going to contract with, called *ExamGuard*, which apparently tracks your eye movements. The tracking is done by a low-wage employee in India who is watching 16 screens at one time, tracking 32 eyeballs to make

sure that you are not looking just passed your laptop screen at the answer sheet.

And people know this, and this is one reason why online degrees -- sometimes, depending on the field -- don't carry the weight of an in-person degree.

Final point here, on the value of the degree.

When somebody comes to Rutgers or Rowan directly, they get an advisor; they get a career advisor. They have the opportunity to do summer internships, supervised by our faculty; do independent studies, supervised by our faculty; write a senior thesis, again, supervised by our faculty; handle, as I mentioned, all of the materials of the university in a lab context. They have quite a rich experience, and employers know this. And they have a platinum degree. The people who have taken a whole degree program online don't have quite that experience, and so it's not the same degree. And there will be a move, I'm sure, among people who have taken classes in person to label that degree as a *brick-and-mortar degree* and to label the online degrees differently.

Our students at Rutgers -- our 70,000 students who are there really don't like this idea that there should be a secondary Rutgers degree which is online only. So if this proliferates, you're going to face a problem of labeling and of credibility for the online degrees.

I think the solution to this-- I agree with solutions that have been proposed by my colleagues here. This needs to be regulated. What we have now is a free-for-all, where institutions are looking towards a demographic crunch and going out and competing for that population of students that are out there, somewhere, who might take a course at Rutgers

or Rowan. We can't all win; it doesn't make sense for the universities -- the public universities in New Jersey to be competing against each other for a limited number of students, to be wasting resources doing that; in this case, to be hiring a henchman from the private sector and spending 50 percent of tuition on them to go hunting down these students.

This is why -- and we've spoken about this before -- I think we need a cabinet-level Chancellor of Higher Education to regulate the partnerships with the OPMs, and to regulate the expansion of all of our State universities right now.

Thank you.

SENATOR CUNNINGHAM: Thank you very much for your testimony.

Let me just say one thing.

I live in a very urban area in which, for many, many years, young people of all ages were not interested in going to college. That wasn't something they were planning on doing. Some young ladies had babies, and they saw it as a way that they couldn't go to college.

But I have never seen as many young people as I see today, when I travel around schools, who are talking about going to college; who are excited about the prospect of going to college.

So I don't know what all of the damage might be here, or all of the good. But I am going to say I would rather have a situation that we have now, where people are calling my office saying, "Senator, we need money." I ran a scholarship program in Hudson County for 10 years in which I raised over \$250,000 to help young people go to college. And they are excited, and they are alive, and they, in many cases, are thriving.

The second thing that I wanted to know -- has any state gone and tried to stop these companies from what they're doing, in terms of states wanting the Federal government saying that teachers should reach out to students, or there should be some sort of relationship? Has there been any kind of Federal legislation done from states to make sure that that happens?

I think it would be--

Yes, you (indicates).

DR. HALL: Do you mean in terms of student recruiting? Is that what the question is?

SENATOR CUNNINGHAM: Yes. The Federal government has a rule that says that students have to interact with teachers, or whoever. And now we're saying that that's being rolled back; so therefore, have states attempted to bring that back in -- replicate it?

DR. HALL: Not that I'm aware of.

And the new Federal regulations that address regular and substantive interaction, I believe are out now for comment.

DR. BAUM: I think they're not even in place yet, so it remains to be seen.

But there's no reason to believe-- I mean, there are many areas in which states are stepping up to do this sort of thing. So I think we may see some of that, depending-- It's too soon to know what the impact of the abandonment of this Federal rule will be, or how it will be interpreted. But it is an area where states-- I mean, states run higher education, so they are going to have the responsibility for doing these things.

SENATOR CUNNINGHAM: Are there any other questions or comments?

Senator.

SENATOR KEAN: Thank you.

And through the Chair, I guess the question here, if I may--

Stephanie, regarding the 184 contracts that you have looked at between the public colleges and OPMs, what percentage of the total contracts that exist in the country, I guess it is, is 184?

DR. HALL: So we sent out public records requests to-- In our first round of requests, those went to the flagship university in each state and a community college in each state. In our second round of requests, which we just did last year, we sent out a request to colleges in states -- public colleges with high levels of online student enrollment. So this is in no way a nationally representative sample; we had different sampling -- different ways of justifying who we were sending requests to. And we didn't always hear back; we didn't get responses from everyone that we requested contracts from.

SENATOR KEAN: What was the response rate?

DR. HALL: I don't know the exact response rate, because different states have different time periods that they're allowed to wait to actually send you records. From our requests that we sent out in 2019, I think there are still some open that we're hoping to receive contracts back from.

SENATOR KEAN: Okay; I'm just trying to figure out what the-- How many requests did you send out? You were dating your study -- or working your study on two years of receiving 184 responses, or individual contract responses back from institutions from around the country. How many requests did you send out?

DR. HALL: So in our first round of requests, we would have sent out at least 100; I can get that exact number for you.

SENATOR KEAN: And then in the second round?

DR. HALL: The second round, I'm not sure. I can get that answer for you, though. We have 184 total since 2017, though, out of--

SENATOR KEAN: Okay; but can you figure out, for us-- I want to be able to figure out what percentage -- what your response rate is to see how much of the sample size--

DR. HALL: Yes.

SENATOR KEAN: --is included within this context.

DR. HALL: Sure. And it's difficult, too, because, as you know, some states have different rules for who can actually request records. So some places we don't even have the ability to get responses.

SENATOR KEAN: Can we get a sense of what states responded and which did not?

DR. HALL: Yes, and I hope that my report is attached to my testimony. If it's not, I'd be glad to distribute it later.

SENATOR KEAN: Thank you.

And the second thing -- as part of your testimony, it says here, "The students believe they're getting a degree from a college or university" regarding online -- a broader school, or a specific course through the school -- that's actually not that school. Is that an accurate interpretation of your statement -- that these individuals are getting -- maybe it's a Rutgers online course -- that they're not actually getting a Rutgers degree at the end of that?

DR. HALL: So the only thing I'm pointing out there is that students are unaware that there is a company that's often very heavily involved in their degree.

And it depends on the contract, it depends on the arrangement -- it's different at each school -- but in some cases, the OPM is responsible for course development, hiring of instructors. So in that case, I would say the OPM is far more involved than the university itself.

SENATOR KEAN: But we're looking at -- and if I may, through the Chair-- I mean, we agree with one of your colleagues here -- there are certain classes, and course work, and even probably majors, that cannot possibly be done completely online, or even partially online, given the nature of the interaction, the nature of the study, the nature of -- the course work, by nature.

But there are certain degrees -- whether it's from an urban setting, a rural setting, an age bracket, a time commitment where, over the course of a six-year period where an individual was trying to get either a two-year, four-year, or six-year degree -- that portions can be done online. And it seems strange to me that that one portion, or that one course, or that portion of the course -- you seem to assert here that they're not actually part of that degree program.

DR. HALL: I'm sorry; I'm not following.

SENATOR KEAN: It seems to me that the way you're -- on page 3 of your testimony, third paragraph down, it says, "Students believe they are getting a degree from a college--" and they're actually not.

Is that a misinterpretation on my part?

DR. HALL: Their degree will be conferred by a university. What I would argue for is there should be disclosures to students so that they know exactly who's involved in their degree.

SENATOR KEAN: But getting back to an earlier testimony from one of the earlier panels, that professor may have been giving it online through an online instruction, and the quality of that course, or five courses, may not be in question. And the validity of the certificate at the end of that two years or four years is as valid as anybody else's from that institution, isn't it?

DR. HALL: Yes, I'm not arguing that.

My standpoint here is more like a consumer information point of order. I think that students should know, like with any other product they may purchase, exactly what went into the thing that they're spending quite a bit of money on.

SENATOR KEAN: I think that's-- I mean, there are a lot of people who are really concerned that if it's a four-year degree, that could be up to \$250,000 worth of -- a debt load going into--

And so we are, I think -- we all want to try, in a partnership way, to reduce the costs associated with that, as well as increase-- I think what we're talking about here, as a group, is how to increase the completion rate. I mean, I think when you were talking -- I think one of the panelists, when we were talking about the completion rate, online versus regular--

Is there a difference between an online completion rate, from a two-year perspective, versus *bricks-and-mortar*, for lack of a better term? Can you walk me through that a little bit more?

DR. BAUM: Yes. The evidence--

First of all, let me commend you for your concern about affordable higher education that is accessible to a wide range of students. I think everyone-- I certainly share that goal, and I think everyone does. And my concern is that people who have access to something that they can succeed in, that will support them to succeed, and they have something of value. And there is a lot of evidence that purely online learning has lower completion rates for -- not necessarily for everybody, but for students who are at-risk: for black and Hispanic students, for students who come in with low GPAs, for students who do not already have a lot of credits accumulated. And so, therefore, it widens the gap in success rates between the better-prepared, better-equipped students, and others. And this is fully online, so this is not about technology, per se, because hybrid programs and hybrid courses have much better success rates for a wide range of students than the purely online.

And so what this really is, is a warning that the students who are most likely to end up, sort of, doing things purely online -- all of their courses, picking programs because they're offered purely online -- are the students who are most at-risk. And there is a lot of evidence that they're less likely to complete. A lot of studies in community colleges about these students -- that they just don't do as well.

So that doesn't mean we should give up on technology; but it does mean that it's not going to answer the problems for the most at-risk students on its own. It's just not likely, unless we figure out, really, better ways to use it, and those ways are not likely to reduce costs tremendously.

And again, we need to separate-- A lot of the discussion is with cost/price; and there's the cost of developing and offering these programs, and

there's the price we charge students, and they're not necessarily well correlated.

SENATOR KEAN: And I think that's what we all need to try to figure out is, what's that inflection point between the technology and the delivery?

And I think there are a lot of individuals-- I know that the Education Committee and the Higher Education Committee had some hearings also, and trying to figure out -- as you're doing some teacher preparation, and then figuring out how -- whether it's a rural setting, or an urban setting-- Or sometimes it can happen in this state -- but many states that have a broader, regional experience, and they need to be on a bus an hour in the morning, or more, to get to a classroom.

We're just trying to figure out how, not only to help on the instruction, but also on the course work, to make sure that you can create these hybrid approaches, whether it's -- whatever it is, the K through 12 experience, but also post-12, to make sure that everybody's prepared, has the exact same launching pad after they're 18; to make sure that, whatever zip code in the state, they hit that two-year or that four-year experience, or the no-college experience, at a speed that they can actually compete and achieve.

Because as we've discussed in this Committee, and in the Education Committee, those individuals who try to get that two-year or four-year and drop out, they then have debt but no degree. And that creates a downward spiral we need to -- I think the technology can help achieve part of the success rate.

Thank you, Madam Chair.

SENATOR CUNNINGHAM: Dr. Baum -- so maybe this will help it a little bit.

Your research found employers were skeptical of, and attributed less value to, online degrees compared to those earned in a residential setting. Are the perceptions about online credentials among employers improving now, or is it still the same?

DR. BAUM: The evidence that I've seen is that they haven't been -- perceptions have not been improving.

And let me just say, residential-- Not residential, so much as bricks-and-mortar, because a lot of people, obviously, are in traditional classrooms, but not residential.

No, the surveys, over time, have not shown an upward trend in impressions of this kind of education. That doesn't mean it won't happen; but obviously, the fact that there is-- I mean, there can be very high-quality online learning. But as long as there's a lot of bad stuff out there, then the impressions aren't going to change. And so that creates an uphill battle.

SENATOR CUNNINGHAM: And this is over a period of how many years?

DR. BAUM: Oh, I don't know exactly.

SENATOR CUNNINGHAM: How much time?

DR. BAUM: There have been surveys going on for, probably, a couple of decades about perceptions of this. And I don't think that there has been any upward trend yet.

SENATOR CUNNINGHAM: Okay.

Thank you very much for your testimony.

Does anyone have any other questions or comments? (no response)

Okay; thank you very much for your testimony.

ALL: Thank you.

SENATOR CUNNINGHAM: Dr. Hancock, I believe you wanted to respond?

DR. HANCOCK: Yes, thank you.

I just want to clarify.

I represented this nation's public four-year institutions on the negotiated rulemaking process that happened last year. And for some background, the Higher Ed Act requires that when you change Title IV funding requirements, you have to have a collaborative type -- negotiated rulemaking process. We just brought in sectors from around the United States that meet with the Department of Education to go through the process.

So I was selected to represent innovative, four-year public institutions in this process.

And I just want to clarify that *regular* and *substantive* did not go away. It was clarified in how it needed to exist, so that the schools that were trying to do more innovative teaching could understand what would happen in compliance with Federal aid, and what would lead them out of compliance. We've seen a hold back in schools being willing to look at competency-based education and other programs, because of this fuzziness within the Federal regulations.

So I just want to clarify that that did go out; it went in the *Federal Register* in November. It's been opened and closed for public comment, and it should go into effect this summer.

But it absolutely does not do away with regular and substantive interaction in order to be Title IV eligible. And that becomes a distinction between a correspondence course -- which does not have to have that interaction, and you cannot use Title IV funds for -- and an online or distance education, which could also be a competency-based education, which you can use Title IV funds. And again, Title IV funds are the Federal aid dollars.

So I just wanted to make sure that was clarified for the Committee.

SENATOR CUNNINGHAM: Thank you.

Dr. Houshmand, I'm sure you have something to say here.
(laughter)

DR. HOUSHMAND: Yes, I do, I do.

I just want to clarify.

First of all, when I mentioned that the OPMs develop courses, I don't mean that they do the content. The faculty provides the content; they put it into a template. That's really what it is; that's number one.

Number two, people-- The issue that we are facing in this country right now is the issue of whether they want to perpetuate a system and a model that has failed and is not working. An agrarian system of education that was created 200 years ago in this country, where some wise people said that every degree should be four years; it should be exactly two -- four years and eight semesters; and two semesters per semester -- per year.

And students go to a school in the fall and in the spring, and in the summer they either go pick vegetables or help on their family farms.

Well, the time has changed. We are now 2020, and today we have \$1.6 trillion in student debt, and there are 45 million Americans who never got their degrees.

And at the same time, this country has to go and import 200,000 people every year in order to respond to our own economy.

It's a shame that 4,000 universities in this country, the greatest system of higher education in this country, cannot actually right-size itself and provide the kind of workforce that this country needs.

So it's good and dandy to come in here, and the faculty teaches philosophy, history, or any other degree -- engineering; but we need to recognize that our responsibility is to our economy and to our country. We need to train the workforce that the country needs, rather than in the courses that we, as a faculty, think that we can sit down and decide how many philosophers how many engineers, how many everything is we need.

That's really where the problem and the division is between what I call the *old tradition* and the new higher education.

SENATOR CUNNINGHAM: Thank you.

Senator Kean.

SENATOR KEAN: Thank you.

Through the Chair.

The question -- just a follow-up question, then, for you is -- trying to get a valid, affordable achievement that can be accepted as credible by businesses across the globe. It should be a standard for everybody.

DR. HOUSHMAND: Exactly.

SENATOR KEAN: That being said, are there-- And you're concerned that we may be lagging behind in that regard as a state.

Are there other states that are developing that type of achievement certificate that has -- from a state perspective or from a Federal perspective -- is anybody talking about a way to have a standardized metric for that type of performance? Like a nursing program, or some of the others. Are there other national entities that are trying something like that?

DR. HOUSHMAND: Well, unfortunately, right now, while we are debating and arguing amongst our colleagues in academia, there are private entities, like Amazon and others, that are starting their own universities. And this is the danger that we're going to face. If we don't restructure ourselves as higher education, there are going to be whole new entities that are going to credential people, and the credentials are not going to be a bachelor's, or master's, or Ph.D. They are going to be certifications -- they are going to be stackable certifications, and these people are going to deliver them, because they are saying that the whole education is failing us.

Last night I had dinner with 20 people in trades. They are screaming from South Jersey that, "We cannot find employees; we have to close down. We are begging everybody -- we want mechanics, we want electricians, we want carpenters, and we just can't find them. And we beg you, please help us, partner with us to train these people."

This is the state of education that we have. We are training too many the economy doesn't need. So they go out there and they become bartenders and (indiscernible), and not enough people that the country needs. And that's really what the difference is. Because we have a lot -- and I love academic freedom, and I'm a 10-year professor, and I'm proud of it --

but we have a lot of them to basically decide when they want to teach, when they want to show up, how they want to teach, and never worry about the students. And when 48 percent of our students, after six years of education, never get their degrees, guess what? “It’s not our fault as educators. It’s their fault because they are not good enough.”

That, to me, is a tragedy.

SENATOR CUNNINGHAM: Thank you very much.

You were finished, Senator, right?

SENATOR KEAN: I promised you one question, no follow-up.
Through you, Madam Chair.

SENATOR CUNNINGHAM: Okay, we’re going to now bring up Dr. Robin Howarth and Ms. Matthea Marquart.

And I know that I did not get that correctly; please forgive me.

We’re going to ask you to state your names.

And please, if you can, do not read your statements. If you could just speak from your heart, that might be good.

ROBIN HOWARTH, Ph.D.: Thanks for the invitation to present today, Chair Cunningham and members of the Committee.

I’m going to read a little bit -- I’ll do my best -- primarily because I’m covering some responses that we have from focus group research. So I want to represent them accurately, in the words that they said.

My name is Robin Howarth; I’m a Senior Researcher at the Center for Responsible Lending, which is a nonprofit, nonpartisan research organization that’s dedicated to protecting home ownership and family assets by working to eliminate abusive financial practices, including in the higher ed space.

Today, I'm going to focus on three areas of concern regarding online higher education.

First, the trend of for-profit colleges going exclusively online, or contracting with nonprofit colleges to run their online programs, presents risk to students already vulnerable to poor outcomes. We've talked about that today.

Second, New Jersey's online students are disproportionately enrolled in for-profit out-of-state schools, many with poor reputations and dismal learning outcomes.

Finally, the Federal rollbacks of existing protections of distance ed students -- and particularly, for-profits -- coupled with New Jersey's participation in NC-SARA -- a problematic voluntary distance ed reciprocity compact -- calls for better protections of New Jersey distance ed students.

Until 2010, for-profit institutions constituted the fastest growing sector in higher education, especially as they were the early adopters of online college courses and programs. These include familiar names like University of Phoenix, Grand Canyon, and Walden.

More recently, the for-profit sector has been plagued by a series of investigations, closures, and consolidations; and competition for online students has emerged from private nonprofits and publics, such as Thomas Edison that we've heard from today.

However, for-profits continue to enroll an outsized share of students that take online-only courses; 22 percent of online-only undergrads, and 27 percent of online-only graduate students. Further, they're far more likely to target and recruit students that are low-income, African American, veterans, and female heads of households. Why? These students often

qualify for substantial need-based Title IV aid and DOD aid that constitute a large share of for-profit college revenue.

Abuses by these for-profit schools are well-known, and include misrepresentations of graduation rates, job placement rates, and likely earnings; all the while engaging in high-pressure sales tactics in attempts to enroll as many students as possible. Not surprisingly, research has shown that many for-profit students are left with crushing levels of student debt, often without a degree or a measurable increase in earnings.

But what about the research on online for-profit students specifically? One study shows that students enrolled in online courses, particularly those with low prior GPAs, are more likely to do poorly or drop out than students enrolled in identical, in-person courses at the same university.

Another explored the labor market outcomes of students who attended for-profit institutions, versus those who attended publics. Online for-profit attendance doubled the overall for-profit wage penalty of 11 percent. So higher than 22 percent difference between post-separation earnings.

And finally -- this is interesting -- a recent study found that online instructors were 94 percent more likely to respond to postings by white male students than other race-gender combinations. This finding has implications for the for-profits online sector, as both African American and female students are over-represented.

CRL conducted focus group research in Florida with individuals who had attended for-profit colleges and borrowed to finance their educations. We asked questions about choosing, enrolling, and attending the

school; finding a job after leaving the program, and taking out and repaying their loans.

This testimony focuses on the online-only participants. Their demographic profiles were typical; 65 percent African American or Latino, age 30 to 50, many with children.

Schools they attended are familiar names to New Jersey students: University of Phoenix, Ashford, Walden, Kaplan, Full Sail, etc. -- lot of big colleges.

First: What led students to choose online for-profit colleges? The dominant factor was the ability to continue working, as we talked about. Online allowed for flexible scheduling, no wasted time spent driving to an on-site location, and alone time after a hectic work day -- just student and computer.

In addition to work commitments, some participants cited of the need to stay home with children.

Here's what Megan had to say.

"I was very hesitant, learning that it was a for-profit school. What really drew me to them was the freedom of doing everything on my own time. Friends that did other online schools had to set date or time that you had to be online. That didn't work with my life, with my work schedule. I can work at 3:00 in the morning if I want to."

In-class degrees at local public colleges were viewed by participants as a bigger commitment; not just for travel, class attendance, and homework, but also in navigating course enrollment and financial aid. The convenience and ease of for-profit enrollment, especially applying for financial aid, was difficult to resist.

Melissa said, “At University of Central Florida you had to kind of do everything on your own. I wanted to do an online school, and I wanted something that was super easy. At the time I had a 1-year-old. University of Phoenix completely did your whole two-year schedule, and they did all your finances, and you didn’t have to drive to a campus. It was all aligned for you.”

And what about the learning? Many expressed serious doubts about the quality of the education they received, wondering if it was worth the time and energy they had invested.

Some questioned the commitment of the instructors or preparation of fellow students, even the quality of their own work.

So Rosa had to say, “Even though we had an instructor there to ‘help’ us, it was more about teaching yourself. And even the materials they gave us -- you need something more interactive. And just trying to learn everything by myself, I didn’t really anybody there to teach me.”

Dallas had to say, “There were some people I was in a group with that I felt they shouldn’t be in college. They couldn’t even do a complete sentence. When you had a team assignment and everybody had a section to be combined, you would basically have to re-do their work. It just wasn’t acceptable.”

Coursework participation -- online posts and responses -- were evaluated by superficial criteria of frequency and length -- not content. Students expected guided learning from the instructors, but were often left to figure it out on their own.

Hank says, “You had to post certain numbers every week. I posted some junk to meet the number, and plus you also have to respond to

another person's discussion posts. So I just threw something in there, because I realized it wasn't the professor who was checking, it was a computer. So I wasn't learning anything out of the online."

Staff turnover was also a problem.

"I knew one selling point was that I would always talk to the same person when I called; I would have one advisor. But every time I called, it would be someone new, and they'd say, 'Oh, this person quit; I'm your new advisor.'"

Finally, how did the students pay? As they were largely independent adults with little savings or disposable income, they borrowed heavily for tuition and other living expenses. They were told that the debt would be manageable, based on the potential for higher earnings. Unfortunately, employment outcomes generally fell far short in this regard.

Rita said, "Strayer is like the University of Phoenix; the people do everything for you -- the loans, all that. I didn't care how I was going to pay it back. You think, 'I'm going to get this degree, and a wonderful job, and be able to pay everything.' But it doesn't work like that."

How did participants cope with this debt after leaving school? They struggled mightily, often asking their servicers for multiple deferments and forbearances to provide relief.

In some cases, participants defaulted resulting in an involuntary wage garnishment, tax offsets, and damaged credit.

Sylvia says, "My bachelor's and master's are roughly \$90,000 with interest." So she's talking about debt. "From the base amount of my loan to where I am now, the interest is probably \$20,000, literally, added on. I've deferred and deferred; then forbearance. But after so long, no more

forbearance, so I had to do the income-driven payment. My first bill was, like, \$600-plus. I was, like, that's rent; I can't pay that, and my rent, and live."

So looking back on it all, our participants felt that the educational system was stacked against them. Enrollment and borrowing, though initially appealing, were too easy. The impact of student debt was downplayed by all concerned, and participants blamed the for-profit schools, the system, and themselves for the ensuing financial instability.

Often they wished less expensive, higher quality, in-class community colleges and public four years were more geared to working adults. Although most still believe in the value of higher education, some cynicism crept in, particularly when it came to the education of their own children.

But what about New Jersey? Twenty-three percent of New Jersey online-only students attend for-profit schools, or over 13,300 students. Of these, 95 percent are attending schools not based in New Jersey. The largest enrollments: University of Phoenix, Grand Canyon, Chamberlain, Cappella, Strayer, and Ashworth. The remaining New Jersey online students are enrolled 33 percent in private nonprofits and 44 percent in publics -- those publics mostly New Jersey-based, like Thomas Edison and Rowan.

What does this matter? Well, New Jersey residents attending these remotely located for-profits are exposed to often weak authorizing and oversight practices of other states. Over the last few years, all states but California, and most distance ed schools, have joined a voluntary compact called -- it's long -- the National Council for State Authorization Reciprocity Agreement, or *NC-SARA* as it's known. That was created in 2013.

This compact has a stated purpose of saving distance ed providers the time and expense of pursuing operating approval in each of the states in which they do business. The agreement itself is very problematic in that it just basically allows such practices as enrolling students in a state when the program that they're enrolled in doesn't qualify for professional licensure, as long as that's disclosed.

So what we would like to recommend is that New Jersey take a hard look at NC-SARA involvement and insist that they raise their standards. And also to allow the State to pass and enforce its own laws with respect to post-secondary education, something that's currently prohibited by NC-SARA.

Thank you.

SENATOR CUNNINGHAM: Thank you.

You may--

MATTHEA MARQUART: My name is Matthea Marquart; I'm the Director of Administration for the online campus at Columbia University's School of Social Work.

Thank you very much for the invitation, Senator Cunningham and members of the Senate Higher Education Committee.

So I will try not to read too much, but I am going to rely on my notes here. And I hope that this will be interesting for you.

I am very happy to share about our online campus here at Columbia University School of Social Work. We have been a leader in Social Work Education and Research since 1898; and our online campus launched in 2015. So, so far we've had three cohorts of graduating online students, and in May we'll have our fourth cohort.

I'd like to focus on three elements of how we run our program in-house.

First, the quality of the education we provide for our students; second, the quality of the overall student experience; and third, the interconnectedness of our online and our New York city-based residential campuses.

So I shared a handout, and that provides an overview of some of the key aspects of our online program.

So in terms of the quality of the education we provide -- first of all, we're the only top three School of Social Work in the United States that offers a fully online Master of Science in Social Work degree; and we have a fairly unique model. Our courses include a weekly, live, virtual class session. We meet in a web conferencing platform, and then homework is done in a learning management system.

The courses have instructional teams made up of three highly qualified individuals. So we have the instructor, who is a social work professional, who has years of social work practice and years of teaching experience. And then we have an associate, who supports the instructor on academic quality; and a live support specialist, who supports the instructor on the quality of the live class sessions.

Every one of those members has at least a master's degree. Most of them have a masters in social work, and a high number of them are alumni of our program.

In order to qualify for any one of these positions an individual has to pass intensive training. So for an instructor or an associate, they must pass a five-week intensive training that we call our *Institute on Pedagogy and*

Technology for Online Courses, which has been recognized with multiple awards. It's a training that prepares those who are professionals to become excellent online instructors, and we created this in-house, as we saw the need and the desire, from our faculty, to really know how to teach online, and do it well, and meet the needs of our students.

We've done this six times over the past three years; we've had over 250 people pass this Institute. And anyone who wants to qualify to interview to become an instructor or an associate must score 90 percent or higher.

In order to be a live support specialist -- to help support the technical quality of our live class sessions -- an individual must pass our three-week Institute on Technical Skills for Online Event Production, and also must score 90 percent or higher to be eligible to interview for a position.

So another hallmark of our online course quality is our quality assurance process. Every semester our instructors have the academic freedom to update their course assignments, to change the readings, to really tailor the course to current events and to their expertise. And so we do a quality assurance of every course site prior to every semester. We have a team of professionals that goes through every page of every course site, and they just make sure that the readings actually are available; the assignments are set up properly and students can use them; and the overall course site is functioning smoothly so that students don't face issues during the semester.

Another important part of social work education is two years of internship experience in the field. Our Field Department matches students with local agencies around the country, and we provide a different field

placement for each year. We find those field placements; we don't require students to find them.

It's a highly selective process when we create these field partnerships, and each placement has a lot of requirements that they must meet to provide a strong educational experience. And in addition we've added a new seven-week lab that prepares students for direct practice by providing them with clinical skills. And for our online students, they do this lab virtually through virtual lab sessions.

So every component that goes into the quality of the overall experience of the education for our students is run in-house. This gives us the ability to innovate from semester to semester, to continually improve, and to maintain high standards.

So the next element that I'd like to describe is the quality of the overall experience for our online students.

So before our students begin their coursework, they come to tech orientation training -- it's online. They're led by alumni, who are live support specialists, who themselves have taken online courses as well. So they're coming with empathy, and they're coming with a strong desire for these students to succeed.

The students can attend as many orientation sessions as they'd like until they feel adequately prepared and comfortable to succeed in their online classes.

And then once their semester begins, our online students are matched with advisors; and these advisors are comprehensive. So they advise both on academics and on field, and they have a holistic approach to our students. The maximum number of students that one advisor will work with

is 12, so they're getting really highly individualized attention. Many of the advisors work with fewer than 12 students.

The Office of Advising at the school provides extensive oversight; so they are very careful when they recruit and hire. They train, they monitor, they have regular staff meetings, and they're frequently in contact with our advisors in getting them feedback.

Our online students are also supported by dedicated offices at the school; and these offices provide one-on-one online virtual consultations, webinars, and live-streamed events. And these offices include our Writing Center, our Office of Career Services and Leadership Management, and our Social Work Library.

So again, each component here is run in-house, and this enables us to continuously innovate and maintain our high standards.

And the third element I'd like to describe is the interconnectedness of our online and our New York city-based residential campuses.

So for our students, we want to give them an experience of being a part of one overall program, not two separate programs. So we have one overall semester structure for our online and our residential campuses. There's no difference in semesters, so our residential students will often take online courses; they can take up to two per semester. And our online students who are in the area can come to campus and take up to two classes per semester on campus, if they'd like.

Our students can also transfer between campuses. For example, you might have a student who wants to move away from New York City for their second year; maybe they have a family reason, maybe they want to do

an internship in Washington D.C., if they're interested in policy -- something like that. They can easily transfer to the other campus, and vice versa. There might be an online student who really wants a taste of New York City, and so they transfer to the residential campus.

We have the same admissions, financial aid, and student services teams working with all of our students; they're not separated for online and residential. And when they're alumni, the Office of Development and Alumni Relations and the Office of Professional Excellence offer support and continuing education opportunities for all of our students. There's not a separate online or separate residential office for these.

And then, as a final example, we had a very exciting opportunity last year in which students could go on a travel course. So this is an elective in Social Work practice, where they actually went to another country during spring break. And the instructor opened this up so that residential students and online students were taking the exact same class. So there were three online students who joined the class through web conferencing robots. And the first time all the students met each other in person was during spring break in another country. And this was only possible because our residential and our online campuses are so integrated.

So our online students are never required to come to our physical campus, but they're always welcome. So they can come for any events, there are no barrier to them coming to campus. But many of them don't live nearby, or there are barriers to coming to campus, so we frequently livestream our events; we offer online-only events; and we try to create hybrid events in which online and in-person folks can participate together and interact together.

So once again, managing our online program in-house provides benefits for students, because we're not having to segregate resources or opportunities for online students or for residential students.

So in closing, by running our online program in-house, Columbia University's School of Social Work is able to provide students with a top-notch education through these three elements: the high-quality teaching and learning experiences; the high-quality overall experience; and the benefits of being part of one, interconnected, online and residential program.

Thank you, and I'd welcome your questions.

SENATOR CUNNINGHAM: Thank you very much for coming, and for giving us that information.

Does anyone have any questions or comments?

SENATOR RUIZ: This is it?

SENATOR CUNNINGHAM: Yes.

Senator Ruiz.

SENATOR RUIZ: Thank you, Chair.

Not specifically to the panel -- I just want to thank the Chairwoman and everyone who participated today. I think that there seems to be a lot of room for improvement here, specifically in protecting students, or anyone, who wants to seek another opportunity to change career paths and have access to a more flexible pathway for a higher ed setting.

But as we move forward in doing all of this, and making sure that we have the correct checks and balances, the last thing they want to do is stifle any kind of innovation.

And so I look forward to working with the Committee to be sure that we are protecting consumers, we're affording them an equitable path,

we're ensuring that the most vulnerable who need easier pathways to higher education settings have the commitments there, from the institutions, that are selling them this product.

Thank you.

SENATOR CUNNINGHAM: Thank you very much.

And I believe that is it for today.

Thank you very much for coming; thank you.

(MEETING CONCLUDED)