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It is difficult to overstate the importance of higher education accreditation. Of the $150 billion per year in grants and loans that the federal government disburses in support of higher learning, nearly every dollar goes to an accredited college or university. Students, parents, and taxpayers rely on the accreditation system to protect their interests. Accreditation is the only college quality control system of national scope, the only mechanism by which the federal government decides who gets to be a college and who does not.

And it is failing.

College is becoming more and more expensive, pricing out middle- and lower-income families and driving more students into debt they cannot repay. At the same time, the quality of the education colleges are providing is increasingly suspect. Only half of students who start college earn a degree within six years, and the latest research suggests that many of those who graduate don't learn very much.

Recent years have seen broad evidence of abuse and consumer exploitation at for-profit and non-profit colleges alike. All of them were accredited.

According to the U.S. Department of Education, 89 four-year colleges increased their net price by over 40 percent between 2008 and 2010. All of them were accredited.[1]

Last year, 454 college reported six-year graduation rates below 30 percent. All of them were accredited.[2]

Nearly six million people are currently in default on billions of dollars in federal student loans, facing the prospect of ruined credit, ballooning payments, and years of financial struggle because their degrees aren't worth the price they paid. All of that money was borrowed to attend accredited colleges and universities.

Meanwhile, academic standards are in decline. In 1961, full-time college students studied full-time, devoting 40 hours a week to class and academic work. By the 2000s, the average had dropped to 23 hours per week.[3] At the same time, the proportion of all course grades given an "A" rose from 15 to 43 percent.[4] Grades are going up as student effort goes down. Nearly 20 percent of students report studying less than five hours a week outside of class--all at accredited institutions.

The accreditation system did not stand by and allow costs to skyrocket and standards to decline because accreditors are indifferent to these problems. They did it because the accreditation

[1] http://collegecost.ed.gov/catc/Default.aspx#
[2] http://www.collegeresults.org/
[3] http://www.nber.org/papers/w15954.pdf
[4] http://newamerica.net/publications/policy/cracking_the_credit_hour

system is not equipped to solve these problems. It never has been, and never will be, as currently designed.

If Congress wishes to make meaningful process on the twin crises of college cost and quality, it will need to think about accreditation and quality control in very different ways.

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The organization that accredits most colleges here, in Washington, DC, is called the Middle States Commission on Higher Education. It was founded in 1887 by a group of colleges that joined forces to lobby the government for tax breaks. (Some things don't change.)

Middle States became one of the six so-called "regional" accreditors that dominate higher education quality control today. Those organizations evolved into their current form in the first decades of the 20th century, as voluntary non-profit clubs that performed peer review. This remains the heart of accreditation. Officials from other accredited colleges perform site visits and render a broad judgment on the procedures, structures, and attributes of their peers. At the same time, the colleges being evaluated undergo a lengthy "self-assessment." It is by nature a complicated and opaque process, involving many meetings and a lot of paperwork. College officials say it is valuable for self-reflection and continuous improvement, and there is no particular reason to disbelieve them.

The problem is that this very old, secretive process of voluntary peer review has been twisted over the years to serve a variety of additional purposes for which it is ill-suited. Most significantly, the federal government outsourced the job of protecting taxpayer and student interests to voluntary accreditation associations. Accreditors are the principal gatekeepers to hundreds of billions of dollars in federal Title IV aid. If you are accredited, you can become rich and famous running a college or university. If you are not accredited, the financial cards are so heavily stacked against you that there is no real opportunity to be a college at all.

This creates several large problems. There are huge incentives for logrolling. Every college that sends a representative to a peer review team knows that its turn for evaluation will eventually come. It is no surprise, then, that colleges hardly ever lose accreditation, despite years or decades of poor performance.

There is also a financial conflict of interest built into the system. Accreditors are financed by fees and dues paid by the same institutions they evaluate. This is like bond-rating firms giving Triple-A ratings to mortgage-backed securities sold by the same firms that pay their fees. It doesn't work out well in the end.

Accreditors use those fees to conduct work that is largely hidden from view. Candid evaluations of problems and weaknesses are not made available to the public. Accreditors and colleges insist that this is necessary for peer review -- which may be true. But it also means that accreditation provides little or no useful information to students choosing colleges, and that the public's agent of quality control is concealing information from the public itself.

The scope of accreditation review is also limited by a combination of capacity constraints and Congressional limitations. Organizations such as Middle States have roughly 40 employees to oversee more than 800 institutions, meaning there is no way to engage in meaningful oversight of all the schools it works with.

And even if they had such capacity, Congress has enacted restrictions over the years that give institutions significant freedom from accreditors' attempts to define high-quality learning. Accreditors are required to evaluate success "with respect to student achievement in relation to the institution's mission, which may include different standards for different institutions or programs, *as established by the institution*…" The law further stipulates that a college shall not be restricted in its ability "to develop and use *institutional standards* to show its success with respect to student achievement…" [emphasis added]

In other words, colleges are free to define their own standards of academic success, which accreditors must accept. Unsurprisingly, nearly all colleges believe they are successful. Unfortunately, research such as Richard Arum and Josipa Roksa's *Academically Adrift,* which found "limited or no learning" among a large number of college graduates, suggests otherwise.

The result is that many institutions are visited only once or twice a decade, and the review is limited mostly to organizational policy and procedure. Accreditation involves no legitimate investigation of how much students are learning or what kind of academic standards, if any, are enforced. The existing accreditation process simply does not allow for such questions to be asked, or answered. That is why standards have fallen so far under the aegis of accreditation.

And despite the minimal oversight, accreditation is still very burdensome for colleges. The self-evaluation for Georgetown University's recent re-accreditation process, for example, is 107 pages long, not counting 33 separate appendices, which include the "OADS Organization Chart," "Faculty Sizing Planning, 2005-2006 (Appendix 18 from Georgetown University's Periodic Review Report for the Middle States Commission on Higher Education, May 2007)," the "STIA Curriculum Map," and "Enlarged Figures for Standard 14."

The accreditation process is also a major barrier to innovation. Accreditation is a club, and if you want to join the club, or be allowed to stay in the club, you have to show that you're like the other members. This all but eliminates the possibility of price competition from new entrants to the higher education market, which is the only thing that will solve the nation's college cost problem in the long run.

Imagine if, in 1970, Toyota had needed General Motors' permission to start selling cars. To get that permission, it had to demonstrate, after a number of years involving many meetings and a great deal of paperwork, that it would build the same kind of cars as General Motors in the same kind of way -- the same weight and styling and gas mileage, in the same kinds of factories, with the same labor contracts. The American automobile market would have been very different, and not in way that was good for consumers and competition.

That's the way higher education works today. New entrants to the college market are in a Catch-22: They have to conform to the standard model and enroll students before they can become accredited, but they need accreditation to compete on a level financial playing field and enroll students. It's little wonder that while whole American industries have been transformed in recent decades, most of higher education looks remarkably the same -- except it's a lot more expensive.

Virtuous competition does not come from new organizations built to be as large, expensive and complicated as the old ones. Instead, it comes from nimble, flexible competitors using the latest technological innovations to offer customers a better service for a lower price.

Assume, for example, that a Nobel-prize winning scientist wanted to create a start-up company that did nothing but teach the world's greatest undergraduate physics curriculum online, a multi-course sequence that uses the latest discoveries in cognitive science along with cutting-edge teaching tools. Because of economies of scale, and because such an organization would be unburdened by administrative bloat and decades or centuries of tradition, it could charge one-tenth as much as a typical student pays today.

Under current law, a student could give their Pell grant or Stafford loan money to the most dysfunctional or chronically mediocre college in America -- but not to the Nobel Prize winner. Why? Accreditation. The problem is not that the Nobel Prize winner's start-up company would fail to meet existing accreditation standards. The problem is that existing accreditation standards **don't even apply** to such a higher education organization.

We know that the prospect of such programs is not science fiction. Right now, the world's greatest colleges and universities are serving millions of students through Massive Open Online Courses, or MOOCs, taught by leading professors at universities including Stanford, Harvard, and M.I.T. At the moment, it's free to take these courses. But it's easy to imagine students paying a small fee to take a proctored exam, or receive additional one-one-tutoring. Yet they could not use their federal financial aid to pay for these services, and the reason is accreditation.

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Students and families across America are increasingly calling for someone to solve the problem of rising college costs. No such solution is possible in a higher education system ruled by institutional accreditation. As long as incumbent colleges get to decide what the meaning of "college" is -- as long as only "colleges" as we have historically known them can compete financially on fair terms -- higher education will continue to become more ruinously expensive, and deeply rooted quality problems will not improve.

The following changes to accreditation can help fix this problem.

First, there a number of opportunities to improve the existing regime of institutional accreditation. They include:

- *Require accreditors to create multiple tiers of accreditation.* The current system is binary -- an institution is in the club, or it is out. This provides little consumer information and the inevitable effects of log-rolling and bureaucratic pressure create low minimum standards. Accreditation status is essentially meaningless for the best colleges and too meaningful for the worst. Accreditors should reduce the burden on institutions that succeed in serving students well while place greater scrutiny on less-successful colleges, including plans for stronger monitoring, meaningful improvement plans, and a clear timeline for eligibility loss.

- *Require accreditors to publicly disclose all accreditation documents.* The possible benefits of secrecy to the peer review process are outweighed by the interests of transparency and public disclosure. As long as accreditors are serving a public function by granting and denying access to the Title IV financial aid system, their work should be available to see.

- *Remove financial conflicts of interest.* Instead of paying the same organizations that evaluate them, colleges should pay accreditation fees to the U.S. Department of Education, which would then disburse money to accrediting organizations based on volume and performance. Accreditors that approve colleges with high default rates on federally subsidized student loans, for example, would be financially penalized.

Accreditors could choose not to conform to these new requirements, in which case they could continue to operate as they were historically founded: as voluntary non-profit organizations with a primary mission of conducting peer review. They would not, however, have the authority to grant colleges eligibility to receive Title IV funds.

The second set of needed accreditation changes involve creating new methods of giving innovative, high-quality, low-cost higher education organizations access to the federal Title IV system. This approach reflects policy ideas recently advanced by both Democrats and Republicans. In policy documents accompanying the 2013 State of the Union Address, President Obama proposed "*establishing a new, alternative system of accreditation that would provide pathways for higher education models and colleges to receive federal student aid based on performance and results."* The distinction between "higher education models" and "colleges" suggests liberating students from the incumbent college model and allowing entrepreneurs to develop new methods and designs that meet rigorous quality standards.

In his response to the State of the Union, Senator Marco Rubio called for *"student aid that does not discriminate against programs that non-traditional students rely on,"* again suggesting that the time has come to create new opportunities for non-traditional organizations to receive federal financial aid.

Some of these innovations can be advanced using existing statutory authority. The U.S. Department of Education recently wrote a “Dear Colleague letter” describing how colleges can be approved to offer courses and programs under the “direct assessment” provisions of the Higher Education Act. The “experimental sites” provisions of HEA also hold promise for supporting and seeding innovation. It will be important for established accreditors to help facilitate this process and not stand in the way of colleges that are working to adopt innovative, high-quality, low-cost higher education models that serve the needs of diverse students.

But in the long run, students would benefit most from creating a new system of approving innovative higher education organizations—not just colleges—to receive federal financial aid. Such a system would have the following characteristics:

- *Course- and program-level approval.* The “traditional” college student who takes all of his or her courses from a single institution is already a thing of the past. Most students who earn bachelor’s degrees today accumulate credits from multiple institutions, and this trend is likely to continue. The archaic practice of limiting financial aid to colleges that offer complete degree programs is a barrier to innovation and price-reducing competition. Both non-profit and for-profit colleges should be allowed to seek approval for *programs* and individual *courses* that meet high standards of value and quality.

- *Real standards of quality.* The current accreditation system evaluates organizations, not learning. Programs and courses approved under the new system would have to disclose (A) What learning outcomes students would need to achieve, (B) What process would be used to evaluate those outcomes, and (C) Actual student learning results on an ongoing basis.

- *Better value for students, families and taxpayers:* To ensure that the new system promotes needed price competition in higher education, available financial aid per course would be set at 50 percent of the current per-course average amount available for a full-time student receiving a Pell grant.

- *Multiple tiers of performance.* An organization’s success in serving students should be reflected in what types and amounts of aid it can receive, as well as how much administrative burden it faces. High-quality providers in the new system should have fewer time-consuming obligations, while those that struggle should be subject to stronger ongoing monitoring and expectations for improvement or loss of eligibility.

In other words, organizations applying for approval under the new system would have to meet much greater standards of transparency and accountability for learning results and do it for half as much money, compared to colleges working under the existing accreditation system.

If no organizations choose to compete under these conditions, there would be no harm to the taxpayers. If, however, innovative organizations approved under this system used new technology to create a new market for high-quality, low-cost higher education programs, it would alter the dynamics of the higher education market, forcing existing colleges to improve quality and reduce prices on behalf of students.

Without major reforms to the accreditation system, the American higher education system is doomed to more of the same: rising prices, declining quality, missed opportunities for upward mobility, and a diminishment of the nation’s human capital in a time when education is the key to economic prosperity and civic life.