Assessing the Impact of Online Program Managers on American Higher Education

Nate Scherer and Kristen Walker

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The American Consumer Institute
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Synopsis

The partnership between Institutions of Higher Education (IHEs) and Online Program Managers (OPMs) is strong. Our research demonstrates that OPM's help IHE's in multiple ways. Specifically, (1) universities with OPM partnerships offer enhanced online programs, (2) more students are choosing to pursue online education, and (3) students enrolled in OPM-supported programs are excelling. For all these reasons, the US Department of Education would be wise to forgo unnecessary and harmful regulations that disrupt these partnerships.

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Table of Contents

Executive Summary

This report aims to synthesize existing data on partnerships between Institutions of Higher Education (IHEs) and Online Program Managers (OPMs) to address questions related to three major focus areas: student enrollment and retention, institutional resilience and financial health, and student outcomes. Across all three metrics, evidence suggests that these partnerships have proven remarkably beneficial to students and institutions alike.

1) Universities with OPM Partnerships Offer Enhanced Online Programs:

- Originating in the early 2010s, OPMs have become essential partners for IHEs in the digital era. These private enterprises enable IHEs to step into the digital education space without building online platforms from scratch, an endeavor requiring immense effort and capital.
- The COVID-19 pandemic accentuated the value of OPMs. While some IHEs had ventured into online education prior to the pandemic, their services were rarely comprehensive or efficient. OPMs changed this by allowing IHEs to better serve all manner of students, especially those marginalized by traditional learning frameworks. Consequently, the spectrum of IHEs partnering with OPMs ranges from esteemed private institutions like Harvard to large public ones like The University of Michigan. Today, the OPM industry is estimated to be worth $4 billion and continues to grow.
- OPM-affiliated institutions display enhanced resilience and financial health, particularly as they transition to online education, addressing challenges like scaling course offerings and integrating advanced technologies.

2) More Students are Choosing to Pursue Online Education:

- The growing trend towards online education is undeniable. A recent New America survey found that 55 percent of Americans perceive online education quality to be on par or even surpassing in-person education. Additionally, a 2022 Chronicle of Higher Education poll revealed that 71 percent of university leaders express interest in expanding public-private partnerships on their campuses. The predominant reason cited was the "unique competencies/superior service to in-house alternatives," emphasizing the inclination of many IHEs towards collaborating with OPMs.
- The latest data underscores that OPM-linked IHEs have witnessed robust growth in student enrollment and retention. Notably, all institutions examined in this study registered an increase in the number of students opting for fully or partially online courses from 2016 to 2021. Furthermore, certain online programs, like Washington State University's MBA program, enjoy higher student retention rates than the overall university.

3) Students Enrolled in OPM-Supported Programs are Excelling:

- Current educational data indicates that students enrolled in online courses not only save money during college but also after college as well. Such students usually spend less on tuition, save on living costs, and accumulate less debt than their counterparts attending in-person courses.
- These students also exhibit impressive graduation rates and often command higher earnings post-graduation.

In light of these findings, the U.S. Department of Education's (ED) recent attempt to issue expansive guidance that would all but eliminate the OPM market seems out of sync with prevailing realities. OPMs, contrary to being opportunistic, provide invaluable online services that cater to and are supported by students and IHEs alike.

Analyses are limited by the availability of student and program level data, and additional research is still needed to properly evaluate the impact of OPM-IHE partnerships on specific institutions and educational outcomes. For instance, research on OPM partnerships with historically Black colleges and universities (HBCUs) and other minority-serving institutions might be especially beneficial. Even so, absent absolute proof that OPM-IHE partnerships yield negative outcomes, the ED should refrain from pursuing revised guidance that would upset existing arrangements.

Now more than ever, OPMs have an important role to play in bringing IHEs into the digital era. Rapid advances in technology mean that students have more learning options than ever before. They can now choose between in-person, online, and hybrid course options. OPM-IHE partnerships help make this possible. Therefore, the ED should encourage rather than discourage these types of innovative public-private partnerships and, at a minimum, make clear that it won't act unilaterally, without warning, to undermine these critical relationships.

Assessing the Impact of Online Program Managers on American Higher Education

Introduction

Like with other sectors of the economy, the higher education sector too has experienced significant changes over the last 20 years with the rise of the digital economy. From colleges and universities trading physical textbooks for e-books and mountains of registration paperwork for online registration portals to the adoption of robust online course options, IHEs are increasingly moving online.

However, implementing these changes requires significant economic investment and technical coordination that even some of the largest and wealthiest universities do not possess. As a result, many IHEs have chosen to seek outside help in the form of public-private partnerships. Particularly popular are OPM-IHE partnerships. In exchange for either a flat fee or a cut of tuition revenue over several years, usually between 40 and 60 percent, OPMs agree to front the capital needed to get IHEs' virtual programs off the ground. They may also provide a variety of other education services ranging from marketing support to helping manage student retention services.

The Benefits of Online Program Managers (OPMs)

OPM services create enormous value for IHEs. Institutions generate money from enrollment gains and can deploy cutting-edge educational technologies at a fraction of the cost of doing it on their own. Students also benefit because they have more options to choose from and frequently get to decide the learning environment that best corresponds to their needs, whether that be remote, in-person, or a hybrid learning environment. Online options grant students greater access to higher education.

The remarkable success of these OPM-IHE partnerships means the industry has grown tremendously over just a short period. As recently as 2010, just three or four OPMs were in existence. Fast forward to today and well over 165 OPMs work with over 550 different colleges and universities across the country to support more than 2,900 programs. It is now estimated that by 2025, the industry will be worth $9.6 billion nationally and as much as $13.3 billion globally.

This growth and the innovation that it has enabled have been especially impactful for non-traditional learners who are poorly served by in-person learning. The flexibility inherent in online programs allows students who might have work, family, or other commitments, to pursue higher education at their own pace and on their own schedule. They can access course materials, participate in discussions, and complete assignments from anywhere with an internet connection. This means that individuals who might be balancing full-time jobs, raising children, or living in remote areas can still achieve their academic goals without the need to relocate or make significant changes to their daily lives.

Additionally, OPM-supported online programs provide a range of student support services tailored to the unique needs of non-traditional learners, including personalized academic advising, career counseling, technical support, and expanded online resources. Combined with a more favorable cost structure compared to traditional campus-based courses, OPMs enable IHEs to offer high-quality, accessible, and supportive educational experiences for a diverse range of students, increasing access and breaking down barriers that once kept many from pursuing higher education.

OPMs and their Critics

Unfortunately, with this success has come increased scrutiny of OPMs and their role in higher education by a small, but vocal minority of critics. These detractors are fundamentally opposed to OPMs because of what they represent, namely a sea of change in the higher education landscape.

Not long ago, most colleges and universities developed their content and programs in-house. This meant that most information about that development was typically considered proprietary and closely held by the IHE itself. The rise of OPMs changed this equation. Suddenly, IHEs were collaborating with third-party vendors.

This change is viewed as unacceptable to some who worry that OPMs, and public/private partnerships in general, threaten the very mission of universities to educate students. These critics argue that by continuing to partner with OPMs, IHEs risk losing control of their programs, an argument that fails to acknowledge that OPM-IHE partnerships are inherently voluntary contracts.

Even more troubling to this group is the idea that a private company would be allowed to profit from partnering with IHEs. At their core, these critics believe that education is a public good that should not be subject to the profit motives of a private company. Therefore, OPMs' shared revenue model is itself problematic because it requires IHEs to share some of their tuition revenue with private actors. For these activists, any amount that OPMs charge IHEs is unacceptable. They simply cannot bring themselves to admit that the services that OPMs offer IHEs may be worth the cost. Instead, they choose to believe that these business arrangements can only logically lead to a "capitalist takeover" of education and produce a broad range of other unintended consequences for higher education.

This type of activist thinking – the same thinking that led traditional flagship universities that are today some of the largest enrollers of distance learners to reject all online options in the 1990s and early 2000s – has even begun to influence some lawmakers' perceptions of OPMs.

Lawmakers Scrutinize OPMs

The Bundled Services Exception

The first line of attack directed at OPMs concerns what is known as the "bundled services" exception. In early 2020, Sens. Elizabeth Warren (D-MA) and Sherrod Brown (D-OH) wrote letters to major OPM companies asking them to turn over their terms of contracts with colleges and universities. In these letters, lawmakers' expressed concerns that OPM revenue-sharing agreements, which often include recruiting services, may violate a 1992 law that barred colleges that "accept federal aid from paying commissions for enrolling students."

Yet, the Obama ED itself issued guidance in 2011 that specifically carved out an exemption to the law, specifically as it relates to bundled-services agreements. This exception specifies that revenue-sharing agreements that include marketing and recruitment services are permissible so long as IHEs retain control of their admissions process. OPMs have routinely insisted that they do and have agreed to share information on their business activities with lawmakers.

More recently, Democratic lawmakers again sent letters to major OPMs requesting further elaboration on their business dealings and contracts with IHEs. They note the significant growth OPMs have experienced since their first letter of inquiry in 2020 and as a byproduct of the COVID-19 pandemic. While acknowledging that the pandemic significantly "increased the need for online education" and admitting that OPM partnerships are becoming “indispensable to university finances and operations," lawmakers nonetheless expressed concern that OPMs could negatively impact IHEs.

Particularly shocking was the assertion that OPM partnerships may contribute to the rising cost of college tuition and student debt. An increasingly popular talking point among activists, lawmakers assert that since OPMs utilize tuition agreements to generate revenue, they have a disincentive to lower costs.

Yet this allegation is not supported by existing evidence. As 2U, one of several leading OPMs shared in their response to the January letter, OPMs are “incentivized to keep programs affordable” since increases in student tuition contribute to reduced student demand for OPM online services. This in turn drives up the cost of marketing operations for OPMs, who then have a more difficult time designing programs that attract students. The truth is, OPMs have every reason to want universities to succeed since their entire business model is built and dependent on having stable partnerships with these institutions.

Other criticisms focused on lawmakers’ reoccurring obsession with OPM recruitment practices, despite lawmakers themselves acknowledging that a bundled services exception exists and that the COVID-19 pandemic led to a dramatic decline in national undergraduate student enrollment. Indeed, a new report from the National Student Clearinghouse Research Center (NSCRC) makes it clear that while national undergraduate numbers have begun to stabilize, total postsecondary enrollment numbers continue to be substantially lower than pre-pandemic levels. Among the undergraduate population alone, there are 1.16 million fewer students attending university today than there were in the Spring of 2020.

These data points should be more than enough for lawmakers to recognize the important role OPMs have played, and continue to play, in helping IHEs get back on their feet. Unfortunately, this does not appear to be the case. Lawmakers, and opponents of OPMs alike, have only appeared to have increased their criticism of OPM-IHE partnerships since the end of the pandemic.

Third-Party Servicer Classification and Regulation

A second line of attack against OPMs relates to the classification and regulation of Third-Party Servicers (TPSs) – entities that administer any part of IHEs’ Title IV federal financial aid programs. TPSs are subject to elevated regulatory requirements including but not limited to compliance auditing, expanded reporting, and greater information security. The growing popularity of OPMs prompted some activist regulators to suggest that they should be considered TPSs or otherwise subject to the same requirements despite serving fundamentally different functions.

These concerns reached its apex with the publication of a study on the relationship between IHEs and OPMs by the U.S. Government Accountability Office in April 2022. The study found that “OPMs commonly recruit students for colleges, making these arrangements subject to the Department of Education's oversight and the Higher Education Act's ban on incentive compensation.” It recommended that “The Secretary of Education should provide additional instructions for inclusion in the Compliance Supplement to help auditors better identify and assess potential incentive compensation ban violations when a college contracts with an OPM…” as well as “…additional instructions to colleges regarding the information they must provide about their OPM arrangements during compliance audits and program reviews.” These recommendations and findings would later serve as the basis for a December 2022 letter from Democrats calling for more substantial action by the ED.

As a result, OPMs are now routinely blamed for all sorts of problems ranging from the rising cost of college tuition and student debt to jeopardizing the very quality of online programs. They have effectively become the bogyman and scapegoat for every problem afflicting IHEs. It should, therefore, be no surprise that these criticisms have culminated in the ED deciding to act against OPMs. Two actions are of particular concern.

The Biden Department of Education (ED) Clamps Down on the Obama ED’s Rules

First, on February 15 of this year, the ED launched a review of the prohibition on incentive compensation for college recruiters. This review included holding public listening sessions on how institutions of higher education may compensate their recruiters, specifically as they relate to the 1965 Higher Education Act (HEA) and the Obama-era bundled services exception for third-party entities. At first glance, the ED announcement appears to be rather harmless and focused primarily on seeking genuine input from community stakeholders regarding third-party compensation models. However, upon closer inspection, the announcement makes it clear that the Department is primarily interested in learning more about how OPMs have affected online enrollment growth and associated student loan debt, presumably because the Department seeks to update agency guidance on the bundled services exception.

While the ED acknowledges upfront that online education has the potential to meet student needs and lower costs, the Department also seems to insinuate that the growth in student loan debt is somehow related to OPM-IHE partnerships. ED Under Secretary James Kvaal is quoted as saying that the Department is “concerned about the growth of loan debt” and is interested in reviewing the rules around how “contractors recruit students for online programs.” Therefore, the ED’s decision to launch public listening sessions on how OPMs use the bundled services exception to partner with IHEs is deeply troubling.

Second, the ED published a Dear Colleague Letter (DCL) the same day as their announced listening sessions (February 15) that would establish new requirements and responsibilities for TPSs and IHEs. This DCL updates previous Department guidance by clarifying when organizations that contract with IHEs are considered a TPS and subject to additional federal oversight and regulations.

In particular, the Department revised its guidance to state that “entities performing the functions of student recruiting and retention, the provision of software products and services involving Title IV administration activities, and the provision of educational content and instruction are defined as third-party servicers.” In other words, any IHE that contracts with a TPS is subject to additional reporting, as is the TPS since it must consent to “annual non-federal audits” of their HEA Title IV relevant functions.

In addition, any TPS that contracts with IHEs must include a provision that makes it "jointly and severally liable" for any Title IV violation that occurs in the TPS delivery of services. This means that a TPS may be fined, or their contract terminated, if it is determined that an IHE committed a Title IV violation, even if that violation occurred due to that IHE's service request. The guidance also bans IHEs from contracting with TPSs that are either located outside of the U.S. or are owned and/or operated by a non-U.S. citizen or resident.

The Unintended Consequences of ED Actions

The implications of this updated guidance for OPMs, which the ED now defines as third-party servicers, are profound and would require OPMs to jump through numerous regulatory hoops. New requirements like the TPS liability provision would produce a chilling effect on the entire IHE-OPM market since no OPM will want to be left wholly accountable for the poor decision-making of a single IHE partner. The updated guidance would also ban many popular OPMs like Pearson and D2L simply because they are foreign-based education technology companies.

Such a ban would significantly harm the OPM market by needlessly banning hundreds of OPMs from competing in the online education space and offering quality services that IHEs want. Less competition means fewer online offerings for students and universities to choose from and potentially higher prices for those offerings that remain. The ED guidance would also disproportionally harm certain universities like Arkansas State University and Grand Canyon University that rely more than others on their OPM partnerships to deliver online services.

The way that the ED went about introducing its new guidance is equally, if not more, troubling. By announcing its DCL with little to no warning and initially giving IHEs until just May 1 to report any business arrangements with TPS, the ED flagrantly overreached. Worse, it did so by bypassing the typical rulemaking process where a notice of proposed rulemaking (NPRM) is published in the Federal Register and the impacted parties have ample time to share feedback.

A DCL essentially skips this process and tells relevant stakeholders that they ignore Department guidance at their peril. In addition, by choosing to publish a DCL rather than a standard NPRM, the Department denied stakeholders the opportunity to challenge their guidance in court since DCLs are not subject to court challenges until after the Department brings an enforcement action against a particular party. Instead, the Department provided interested parties and members of the public initially just 30 days to issue public comments before the proposed changes went into effect on May 1.

The Growing Public Backlash to ED Guidance

Fortunately, the enormity of the Department's proposal, and the way it went about announcing it, has generated significant public pushback. Within a month of publishing the DCL, the Department had already received more than 1,000 public comments, many of them critical of the updated guidance.

A comment letter submitted on March 21 by the American Council on Education (ACE) on behalf of 85 other higher education associations is a case in point. In the letter, the ACE writes, "unless the guidance is rescinded… the DCL is likely to result in disruptions, and in some cases, terminations of relationships that provide critically important services for students." In addition, new Department TPS liability requirements may mean IHEs will need to "find new servicers, who may charge more, or who will pass the additional TPS compliance costs back onto the institution." In other words, far from offering protection to students and universities, the Department's updated guidance is likely to harm them.

The American Consumer Institute (ACI) further elaborates on this point in a public filing submitted on March 29. In the filing, ACI President and CEO Steve Pociask writes that "Online education – so often developed and powered by universities in close collaboration with OPMs – brings a first-rate learning experience into reach for students who might otherwise have been unable to access a classroom." Therefore, the Department's decision to "drastically expand regulation and oversight of third-party servicers arrangements" will only serve to undermine this learning experience by "eliminating programs that empower traditionally marginalized Americans."

The Department of Education Reevaluates Its Hasty, Ill-Conceived Approach

In response to comments like these, the Department decided to push back the effective date of its proposed changes. First, the Department decided in late February to push back its effective date to September 1, only to announce on April 11 that this date would be extended again to "at least six months" after the publication of its "revised final guidance letter." In addition, the Department announced it would rescind the "provision of the guidance document pertaining to foreign ownership of a third-party servicer" and further delay the implementation of remaining guidance. On May 16, these reversals were made official with the publication of a new DCL replacing the February letter.

While the Department insists that these changes were made to allow institutions and companies adequate time to "meet any reporting requirements," the true motive behind these changes was almost certainly to do damage control. The Department received a significant amount of backlash to their plan, even among some lawmakers.

Indeed, in an Op-ed published in *Inside Higher Ed* on April 7, Workforce Committee Chairwoman Virginia Foxx (R-NC) had choice words for the Department. Specifically, Foxx criticized the Department's actions as a "baffling and contradictory change in guidance" that pushes the "policies of fringe advocacy groups at the expense of students and taxpayers." She concludes by stating that the updated guidance has "confused the entire education and technology community" and contributes nothing to reducing student debt or expanding access to education.

The ED's Rushed, Abnormal Rulemaking Continues to Confuse IHEs and Students

While the ED's decision to delay the implementation of TPS guidance is welcome news to OPMs and the higher education sector in general, significant damage has already been done. Regardless of what future actions the ED takes, the Department has helped facilitate a culture of hostility toward OPMs that seems unlikely to go away anytime soon. This hostility will undoubtedly jeopardize future IHE-OPM partnerships, leaving students and institutions alike at risk who otherwise would have had every reason to be optimistic about their future.

In addition, while it's true that the ED has abandoned some of the more controversial provisions of the TPS Guidance Document, significant uncertainty remains. Namely, the Department did not include a clear timeframe for when it would issue its reviewed final guidance letter. There is also no way of knowing for sure what that letter will include once it's released or whether it will ultimately still prove unfavorable to IHE-OPM partnerships.

The reality is that the situation remains fluid and the Department's actions up to this point have proven to be rushed and wholly inadequate. Yet, it's sadly representative of a much larger trend within government where some federal agencies are increasingly putting politics ahead of good policy. That's unfortunate because OPMs have an important role to play in delivering quality services to students and IHEs. This report aims to highlight that role by providing an evidence-based assessment of the impact of OPMs on American IHEs.

Analysis

This report aims to dispel common misconceptions about OPMs by using the latest available data on OPM-IHE partnerships to answer questions related to three major focus areas: student enrollment and retention, institutional resilience and financial health, and student outcomes. For this purpose, a random sample of six universities with established OPM partnerships and a significant percentage of students enrolled in distance education courses have been selected to highlight the many positive benefits that OPMs provide to them and their students. These universities include Georgetown University (GU), the University of Maryland (UMD), the University of Michigan (U-M), Southern Methodist University (SMU), the University of Virginia (UVA), and Washington State University (WSU).

While ultimately anecdotal and a relatively small sample size, these six universities are nonetheless representative of the many different types of IHEs that partner with OPMs, including both public and private institutions of many different shapes and sizes that are spread out across the country. The following three sections include detailed information on these universities and much more, including recent government data and academic research on IHE-OPM partnerships.

1) Students are Choosing IHE's with OPM Partners

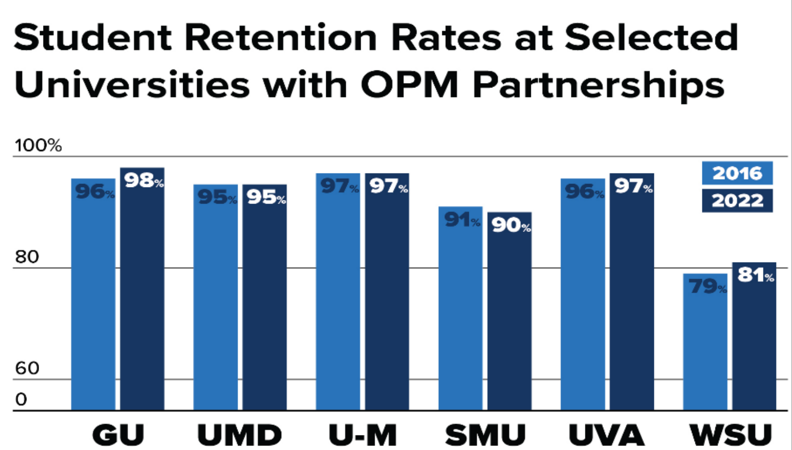
The first of these focus areas, student enrollment, and retention, deals with how OPMs impact student enrollment and retention rates. National data reveals that IHEs that partner with OPMs enjoy healthy student enrollment and retention rates, suggesting that OPMs' services improve student access to education programs without sacrificing the quality of those programs.

A careful look at each of the six universities examined in this study reveals that all but one has experienced steady enrollment gains over the last eight years. For instance, GU has seen their enrollment numbers climb from 18,525 in 2016 to 20,935 by 2021 while U-M has seen their numbers jump from 44,718 to 50,278. UMD, SMU, and UVA have each also experienced similar enrollment gains. WSU is the lone exception to this trend, but even their numbers are only slightly below where they were pre-COVID.

More impressive is the fact that all six of the universities studied have experienced online enrollment gains. For instance, in 2016, 3,159 WSU students took classes exclusively online with another 1,933 students taking at least some classes online. By 2021, 4,690 students were taking classes exclusively online and 4,066 were taking at least some classes online.

Student retention data also supports the notion that student turnover is not a significant issue at OPM-partnered universities. For instance, in 2016, the retention rate for full-time, first-year students was 96 percent at GU, followed by 95 percent at UMD, 97 percent at U-M, 91 percent at SMU, 96 percent at UVA, and 79 percent at WSU. By 2022 these numbers were 98 percent, 95 percent, 97 percent, 90 percent, 97 percent, and 81 percent respectively. In other words, the retention rate at these universities was, more or less, the same as eight years prior, making it clear there is no major student exodus occurring at OPM-partnered universities.

In fact, student retention rates within specific university online programs that were created in partnership with OPMs tend to have higher retention rates in general. For instance, WSU's Online MBA Program enjoys a 97 percent retention rate for first-year students and a 76 percent three-year completion rate. U.S. News and World Report ranks the program in the top 10 percent of U.S. online MBA programs. WSU itself credits its collaborative relationship with Pearson for the program's continued success. Other universities also receive high marks such as U-M's Master of Science in Nursing (MSN) program. Collectively, these numbers make it clear that OPM partnerships in no way hinder student enrollment and retention. If anything, they improve them.



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Source: https://www.collegetuitioncompare.com/trends/washington-state-university/graduation-rate/

Yet, some critics argue that such successes can be explained by the predatory marketing practices that OPMs employ to attract and retain students. They point out that OPMs spend a large amount of their tuition revenue on recruitment. For instance, the Hechinger Report notes that "online program managers spend 15 to 20 percent of tuition finding students."

In contrast, universities have traditionally spent just one to two percent of tuition revenue on recruitment. However, this difference is to be expected with certain business arrangements, and the ED has yet to explain why it is better suited to dictate the administrative decisions of institutions than the leadership of Harvard, Yale, and other top universities with decades of institutional experience and a wealth of data.

In addition, how each OPM chooses to use its cut of tuition revenue is completely up to it. Most OPMs are private companies that have no interest in spending more money than they must on recruitment, considering they ultimately want to drive a profit and, therefore, need to keep their

IHEs partners happy. The same logic applies to why many OPMs help IHEs with student retention services. It's in every OPMs interest to keep students coming back year after year since more returning students usually means a larger cut of tuition revenue.

It's also important to remember that OPMs come in all different shapes and sizes and not all offer the same services. Their expertise may vary, with some focusing more on marketing and recruitment-related services and others focusing more on instruction and technology-related support. Therefore, the broad improvements that OPM-partnered IHEs have experienced in the areas of student enrollment and retention cannot alone be explained by the unique specializations of some OPMs.

Rather, it's the quality of services that OPMs provide IHEs and the convenience that those services provide to students that explains these improvements. From helping IHEs launch and expand online programs to customizing course offerings to diverse student needs, OPMs have revolutionized the way that students learn and IHEs deliver education services.

2) IHE's are Flourishing with the Benefits of OPMs

A wealth of data also supports the idea that OPMs offer IHEs greater institutional resilience and financial health. While the trend of more students choosing to enroll in online programs was occurring even before COVID-19, the pandemic supercharged this phenomenon. According to ED data, before the pandemic, just 36 percent of American undergrads were enrolled in at least one distance education course, with the rest participating all in-person. However, by the Spring of 2020, 84 percent of American undergrads were enrolled in at least one or more distance education courses. This dramatic transition to online education over such a short period speaks to the great lengths that many IHEs have gone to in designing online courses for students.

Many universities have publicly described how OPMs helped them to financially navigate transitioning to online education during COVID-19. For instance, according to *Higher Ed Dive*, to "adapt to the challenges of the pandemic," Simmons University in Massachusetts relied heavily on its longtime partnership with 2U, a leading OPM, to create hundreds of online versions of its undergraduate courses. Looking back on the transition, then-university interim provost Russel Pinizzotto was quoted as saying, "I don't think we would have been able to do that" without 2U's help. These sentiments are shared by a large number of other IHEs. Examples range from small private universities like Amherst College and historically Black colleges like Howard University to large public universities like the University System of Maryland.

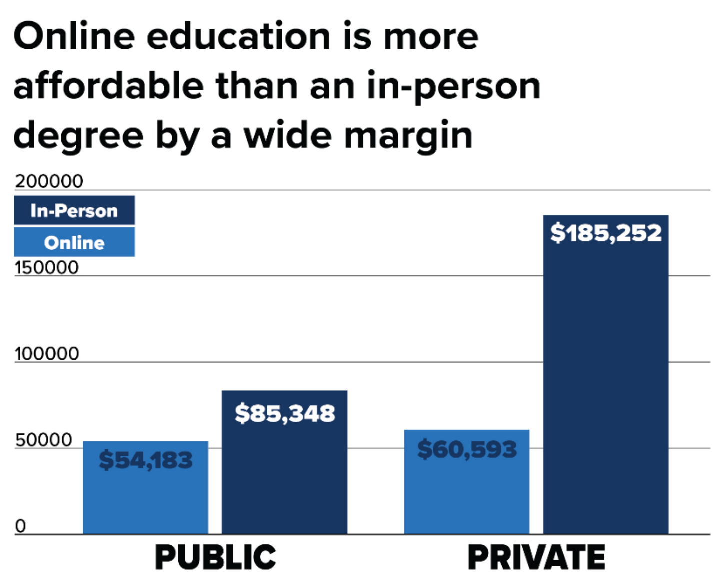
Revenue-sharing agreements are the most common form of OPM agreements for a reason. They allow universities to mitigate upfront risk by incentivizing TPSs to develop high-quality programs for them when the cost of developing them in-house would have proven cost prohibitive. They also create efficiencies that allow IHEs to avoid the high costs associated with scaling course offerings and keeping tuition and student debt under control.

3) Students are Excelling in IHE Programs Served by OPMs

As the two previous sections make clear, evidence suggests that OPMs largely benefit students and IHEs. However, perhaps nowhere is this more important than in student outcomes. The latest education data makes it clear that students who take courses online not only save money during college but also after college as well. Both contribute to better long-term outcomes, as these students tend to have less debt and more money in their pockets to pay for other living expenses.

Cost Savings with Online Education

From per-credit-hour tuition to the overall cost at a private institution of an online degree compared to an in-person degree, online education is more affordable than an in-person degree by a wide margin and across several measures. A recent report published by the research organization Education Data is particularly telling. Among the report's noteworthy highlights, it was discovered that the cost to obtain a degree online at an average public four-year university was $31,165 cheaper than the cost to obtain the same degree in-person, when accounting for the accumulative cost of tuition and in-person attendance. In addition, while the cost to obtain a degree online was cheaper at both private and public universities, the cost savings associated with attending a private university were particularly stark. On average, private universities charged students just $60,593 for an online degree vs. $185,252 for an in-person degree.



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Source: https://educationdata.org/cost-of-online-education-vs-traditional-education

A breakdown of the cost per credit hour that a student spends on their university education is also revealing. For instance, on average, a student attending a public four-year university online spent just $321 per credit hour while a student attending the same university in-person spent on average $729. At private universities, students spent $505 per credit hour online vs. $1,598 in-person.

The report also notes other indirect costs that contribute to the high cost of attending university in-person. For instance, students who attend university in-person must account for the costs associated with food, housing, internet, and other living expenses.

Many universities require incoming freshmen to purchase an on-campus meal plan and live on campus in a dorm, which often requires purchasing furnishings. In addition, students attending school in-person often must factor in monthly transportation costs that can be as high as $1,360 per year. Physical books and school supplies like backpacks, notebooks, and pens can also prove expensive. In contrast, a student who attends school online can save a significant amount of money on room, board, and transportation costs.

The opportunity cost associated with attending university in-person also cannot be overstated. The convenience of attending classes online can be the difference between a working mother of two deciding to go back to school to obtain an advanced degree that allows for a higher-paying job or continuing with the status quo. Costs such as these cannot always be quantified and yet they have the potential to play a defining role in a person's life trajectory and subsequent life outcome.

In addition, according to a recent analysis of student debt for online programs, at schools where 80 percent of students take all their courses online, students' median federal loan debt was $10,638. At schools with no online focus, the student median federal loan debt was $18,750. That's over eight grand more that students are paying for a traditional education that they could use to help pay for a house, go on vacation, or save for retirement.

Improved Graduation Rates and Future Earnings

Research also indicates that students who attend classes online are more likely to graduate. According to a recent study published in *Educational Evaluation and Policy Analysis*, taking courses online is associated with a "higher likelihood of successful 4-year graduation." In addition, students who take courses online graduate more quickly than those who do not. Perhaps most striking, the study found that at-risk students – low-income students, first-generation college students, or students with a history of weak academic preparation – also experienced some of these same benefits. For instance, at-risk students who took courses online tended to graduate more quickly than those who did not, and low-income students saw improvements in their ability to graduate from college. The study's findings suggest that not only does online education benefit traditional university students, but also non-traditional learners, whose unique life circumstances sometimes prevent them from attending university in-person. In this way, online education affords all students greater access to education and equips them with the tools they need to succeed.

These findings are consistent with the high graduation rates found at each of the six universities examined in this study. In 2016, the overall graduation rates at GU, UMD, U-M, SMU, UVA, and WSU were 94 percent, 86 percent, 91 percent, 79 percent, 94 percent, and 67 percent. However, by 2021 these rates had improved to 95 percent, 87 percent, 93 percent, 82 percent, 94 percent, and 59 percent. In other words, only WSU witnessed their graduation rate worsen. Graduation rates are also high among university-specific online programs. For instance, WSU's online MBA program has a three-year graduation rate of 76 percent. SMU's Online MBA program has an 80 percent two-year graduation rate. Most are similar, if not higher, than school-wide graduation rates.

Student outcomes are also impacted by high expected earnings after graduation. A quick look at the data reveals that many graduates of online master's programs have respectable starting salaries in their career fields. For instance, the median starting salary for graduates of WSU's Online MBA program is $100,000. The median starting salaries for graduates of UMD's Online MBA program and SMU's Online MBA program are $117,000 and $118,537, putting each in line with the national average of $115,000 according to U.S. News and World Report.

Recent graduates of other popular online programs also enjoy high starting salaries. For example, graduates of GU's Online Nursing Master's program have a median starting salary of $104,337, nearly seven grand more than the national average of $97,473. In some cases, graduates of online programs even have higher earnings than their peers taking the same program in-person. For instance, the average base starting salary of a recent online graduate of UVA's Master of Science in Data Science (MSDS) program was $118,000, while only $103,000 for those who completed the same program in-person. Both are well above the national average for the comparative field of computer sciences where graduates only earned $82,384. Perhaps best of all, and as was previously alluded to, online programs are frequently more affordable than comparable in-person options. For example, the cost of tuition for students enrolled in UVA's MSDS Online program is $45,000. In contrast, many of the top data science programs cost as much as $70,000.

The reality is that most online university programs have been found to produce positive life outcomes in students whether they be in cost savings generated from cheaper college tuition and less student debt, improved graduation rates, or future earnings. Therefore, expanding the availability of these types of programs will help, not harm, students.

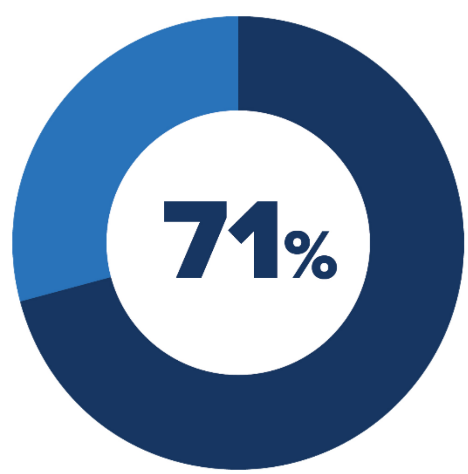
Online Education's Enduring Popularity

It is therefore unsurprising that online education is remarkably popular with students, employers, faculty, and administrators alike. A 2023 Best Colleges survey found that 98 percent of current online students and 96 percent of online graduates would recommend online learning to others, with 75 percent reporting that online education was better than or equal to in-person learning. Even more impressive, 96 percent of these same students said that their online program has provided a positive return on investment. When asked what their motivation was for enrolling in an online program, most students stated they enjoyed the convenience that online education provided to them for managing existing commitments to work and family.

Other studies have produced similar findings. For instance, a 2021 study conducted by McKinsey & Company found that more than 60 percent of university students said that "all the classroom learning technologies used since COVID-19 began had improved their learning and grades," many of them made possible by remote learning and IHE-OPM partnerships. Similarly, an Education Dynamics report found that 79 percent of students who completed school online reported that their degree was worth the cost.

Among the more popular types of online programs are master's programs, specifically Online Master of Business Administration (MBA) programs. These programs have witnessed explosive growth over the last few years with the number of institutions offering online MBAs

Executive Perception of Online Educational Credentials



Asked in 2021 how the fact that an educational credential was earned online influences their perception of its quality (if at all), 71% of C-suite executives said that an online credential is either generally equivalent or higher quality when compared to one completed in-person.

Source:
https://cps.northeastern.edu/wp-content/uploads/2022/01/NUReport_CFHETS_EmployersPostCovid_12-22-2021.pdf

increasing an impressive 85 percent between 2016-2017 and 2021-2022 academic years. In fact, so popular are these programs that more students now earn their MBA online than in-person. When employers were recently asked about the quality of online business degrees in general, 71 percent reported that they were equal to or better than traditional programs. The rapid growth of online business degrees alone reveals the growing popularity of online programs.

Support for online learning is not limited to just college students. University faculty and administrators too have expressed strong support for online learning. For instance, a recent survey of Harvard University faculty found that 82 percent were interested in "adding tools and approaches from remote teaching to their in-person classes." Separately, a Bay View Analytics poll found that 57 percent of college faculty wanted the option to teach at least some of their courses online, with 74 percent of administrators sharing similar thoughts.

While there are undoubtedly countless other surveys that examine student, faculty, and administrator attitudes toward online education, those described provide strong evidence that online education enjoys robust public support. OPMs help make that possible and should therefore receive encouragement, not scorn from government agencies for partnering with IHEs to launch new online programs.

Conclusions and Recommendations

Analyses of OPM-IHE partnerships are limited by a lack of public data on the specific outcomes of students enrolled in programs created by these partnerships. However, available evidence, including on the six universities examined in this paper, strongly suggests that OPMs have had and continue to have a net positive impact on students and IHEs.

This evidence corroborates the many comments submitted to the Department of Education urging a more cautious and deliberate approach to the regulation of third-party servicers and bundled services, and calls into question the rationale behind revising the prevailing guidance established under the Obama administration. Students are succeeding through programs offered in partnership with OPMs, and the ED has yet to put forward a compelling argument for why it should dictate, without evidence, the ability of IHEs to best serve current and future students.
In conclusion:

1) The Biden ED Should Not Rewrite the Rules Created by the Obama ED

The ED's distrust of IHE-OPM partnerships is not only misplaced and unwarranted, but also inconsistent with the realities on the ground. Far from exploiting students and IHEs for personal gain, OPMs provide important services that they both like and enjoy. The ED should refrain from issuing new guidance that may undermine these services.

2) Existing Rules Protect Students and Institutions

Legal guardrails are already in place for higher education that are more than sufficient to protect the interests of students and other relevant stakeholders from a few bad actors. Should additional action be warranted, it need only be to encourage the industry to take more steps toward improving transparency. Some OPMs, like Academic Partnerships and Wiley, are already taking such steps and regularly publish data and share transparency reports. Other OPMs can follow their lead and voluntarily share information about their operations.

3) The ED Should Trust IHE Leadership to do What is Best for their Students

Government overreach in higher education benefits no one. The ability of IHEs to freely partner with OPMs must be preserved. It is ultimately the responsibility of IHEs, not the government, to decide what is best for them. Depriving them of this agency will only harm them and their students. Ongoing collaboration between IHEs and OPMs is key to driving further innovation and competition in the education sector. It's therefore incumbent upon the government, and particularly the ED, to refrain from making rash decisions, especially when those decisions are influenced by a vocal minority of critics.