REPORT TO CONGRESS

ON THE

DISTANCE EDUCATION DEMONSTRATION PROGRAMS

U.S. Department of Education
Richard W. Riley
Secretary

Office of Postsecondary Education
A. Lee Fritschler
Assistant Secretary

Policy, Planning and Innovation
Maureen A. McLaughlin
Deputy Assistant Secretary

January 2001

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EXECUTIVE SUMMARY

The Distance Education Demonstration Program was authorized by Congress in the 1998 reauthorization of the Higher Education Act of 1965 (HEA) (1) to test the quality and viability of expanded distance education programs currently restricted under the HEA; 2) to provide for increased student access to higher education through distance education; and (3) to help determine the most effective means of delivering quality education via distance education, the specific statutory and regulatory requirements that should be altered to provide greater access to distance education, and the appropriate level of Title IV, student financial assistance for students enrolled in distance education programs. This is the first report to Congress concerning the results of the project.

The Department initiated the Demonstration Program on July 1, 1999 with 15 participants as authorized by the statute. The participants included eight individual institutions, five systems, and two consortia, for a total of 111 institutions. The participants were selected in a competitive process using statutory criteria that included, among other things, the number and quality of applications received and selection of a diverse cohort with respect to institutional size, mission, and geographic distribution. Program levels range from those granting certificates through graduate degrees. At the graduate level, business and education are the most popular offerings, while computer and information science programs are the most popular programs at the associate's and bachelor's degree levels, followed closely by humanities and health related programs. The methods used by participants to deliver distance education include the Internet, two-way video, and print-based correspondence, with a clear trend among participants toward increased use of Internet-based technologies.

Each participant received waivers of all three provisions that bear on the amount of correspondence education an institution eligible for the Title IV student financial assistance programs may provide (the "50% rules"). Eleven received waivers for provisions relating to the required length of a program. Two received waivers of the definition of a full-time student as it relates to correspondence study, and one, the requirements relating to satisfactory academic progress. Western Governors University received additional waivers, as provided in the authorizing statute, because of its unique structure.

Both the numbers of programs provided by participants and the numbers of distance education students enrolled increased during the first year of the Demonstration Program. Participants increased the number of distance education programs offered at all levels of instruction. The total number of students enrolled in participants' distance education programs increased from just under 13,000 in the 1998-99 academic year to over 18,200 in the 1999-2000 academic year. In addition to Western Governors University, which offers no on-site programs, three individual institutions in the Demonstration Program are approaching the 50% course threshhold.

The Department's experience in working with the participants has provided information and insight on a range of issues related to HEA requirements and administration of the Title IV student financial assistance programs. In addition to the limitations on the amount of distance education an institution may provide and the requirements relating to time, the complexity of the student aid programs in general is a major problem to schools providing aid to students enrolled in distance education programs, particularly those offered in time frames other than semesters or quarters. The lack of flexibility in the systems institutions have available to administer the Title IV student financial assistance programs is also a substantial barrier to devising alternative ways to deliver aid to students.

The report identifies for further consideration the possibility of experimentation with a "student-based" delivery system, which could simplify administration of the Title IV student financial assistance programs, and provides some additional protection to Federal funds. If any decision were made to proceed with such an experiment in the context of the Demonstration Program, it would require statutory changes in order to provide participants with additional waivers of current HEA requirements. Any such statutory changes would need to be enacted as early as possible to provide ample opportunity for current and new Demonstration Program participants to develop experiments for the coming year of the Demonstration Program that could better inform the development of new policy in this area.

Based upon the experience gained to date through the Demonstration Program, and the trends that are evident in the development of distance education generally, the following questions merit additional consideration, and may involve statutory or regulatory changes:

- Should the HEA distinguish among the various means of delivering education, either between distance education delivery methods, or between distance education and on-site educational delivery, for purposes of Title IV aid?

- Should the current Title IV requirements protecting the public investment in Title IV funds that relate to distinctions between delivery modes be retained, modified, or replaced?

- Should the current rules governing the amount of distance education an eligible institution may provide be retained, modified or replaced?

- Is there an alternative to the "12-hour rule" that would ensure that the amount of instruction is adequate in the variety of ways that academic activity is organized in distance education?

- Should the current rules that treat correspondence students differently from other students be retained, modified or replaced?

- Are there additional waiver authorities that would improve the Demonstration Program and enable it to test more completely new approaches to administering student financial aid that accommodate new and emerging patterns of organizing instruction through distance education?

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INTRODUCTION

The Higher Education Amendments of 1998 (P.L. 105-244) amended the Higher Education Act of 1965 (HEA) to add a new section 486 authorizing the Distance Education Demonstration Program. The purpose of the Demonstration Program is to (1) test the quality and viability of expanded distance education programs currently restricted under the HEA; (2) provide for increased student access to higher education through distance education; and (3) to help determine the most effective means of delivering quality education via distance education, the specific statutory and regulatory requirements that should be altered to provide greater access to distance education, and the appropriate level of Title IV, student financial assistance for students enrolled in distance education programs.

Section 486 of the HEA authorized the Secretary of Education to select up to 15 participants for the first year of the Demonstration Program, which began on July 1, 1999, and up to 35 additional participants for the third year of the Demonstration Program, which will commence on July 1, 2001. As provided by the statute, the current participants include institutions of higher education and systems or consortia of such institutions. Participants have received waivers of certain statutory and regulatory provisions governing the Title IV student financial assistance programs to enable them to provide Title IV aid to distance education students more efficiently, and, in some instances, to expand their distance education programs beyond otherwise applicable statutory limits. One institution in the Demonstration Program, Western Governors University, would not be eligible to participate in Title IV student financial assistance programs without the waivers.

The chart at the end of this section summarizes information about the 15 initial Demonstration Program participants. A key to the waivers granted is provided at the end of the chart. Only waivers authorized or required by statute were granted. More detailed background information on the Demonstration Program can be found in the Appendix.

This is the first of several reports the Department of Education ("the Department" or "ED") is required to provide to Congress periodically concerning the Demonstration Program. The report is divided into four major sections:

- The first section contains information about how the Department is implementing the Demonstration Program.

- The second section includes information about the progress each participant has made toward meeting the goals it established for itself in its application; the participants' distance education programs and enrollments; the number and types of students receiving assistance and their progress toward completing degrees or certificates in the participants' distance education programs; the motivation and satisfaction of students enrolled in the participants' distance education programs; and effective technologies for delivering distance education offerings.

- The third section reports on issues related to student financial assistance, and identifies for further consideration particular statutory and regulatory provisions that may present barriers to providing Title IV student financial assistance to distance education students.

- The fourth section contains a discussion of related issues and possible risks.

The Appendix provides background information on the Demonstration Program.

Web Site

http://www.ed.gov/offices/OPE/PPI/DistEd/

SUMMARY INFORMATION ON CURRENT PARTICIPANTS

PARTICIPANT	LOCATION	TYPE	WAIVERS GRANTED*	PROGRAMS
Capella University	Minnesota	For profit	50% rules; length of academic year	Doctoral, master's, bachelor's degrees and certificate programs in five fields. Two educational formats – independent study and web-based
Community Colleges of Colorado--14 institutions	Colorado	Public	50% rules; length of academic year; week of instructional time; satisfactory academic progress	Associate's degrees and certificate programs through telecommunications technologies including Internet
Connecticut Distance Learning Consortium--25 institutions	Connecticut	Public and private	50% rules; length of academic year; week of instructional time granted to three institutions	Associate's and bachelor's degrees through telecommunications technologies, including Internet
Florida State University	Florida	Public	50% rules	Online bachelor's degree completion programs in four areas of concentration and three master's degrees.
Franklin University	Ohio	Private	50% rules	Online bachelor's degree completion programs in three areas. Web-based and correspondence.
LDS Church Education System--4 institutions	Utah, Idaho, Hawaii	Private	50% rules; academic year; week of instruction; full-time student	Bachelor's degree through web-based courses
Masters Institute No longer participating	California	For Profit	50% rules	Online associate's degree and diplomas in two areas

PARTICIPANT	LOCATION	TYPE	WAIVERS GRANTED*	PROGRAMS
New York University	New York	Private	50% rules; academic year; week of instruction	Two online master's degrees
North Dakota University System--11 institutions	North Dakota	Public	50% rules; academic year; week of instruction; full-time student	Several associate's degrees, bachelor's degree completion programs and master's degrees through various modes of distance education—two-way video, web-based and correspondence courses.
Quest Education Corp American Institute for Commerce/Hamilton College Now Kaplan College	Iowa	For profit	50% rules; academic year; week of instruction	Two associate's degrees and one certificate through the Internet
Southern Christian University	Alabama	Private	50% rules	Bachelor's, master's and doctoral degrees through telecommunications technologies including the Internet
Texas Tech University Replaced Southwest Consortium for Advancement of Technology in Education (SCATE)	Texas	Public	50% rules; academic year; week of instruction; full-time student	Bachelor's degree through correspondence and Internet; several online master's degrees, and a doctoral degree through telecommunications, including Internet.
University of Maryland University College	Maryland	Public	50% rules; academic year; week of instruction; full-time student	Online bachelor's degrees in 15 areas and several master's degrees and certificate programs
Washington State University and Washington Community and Technical College System--33 institutions	Washington	Public	50% rules; academic year; week of instruction; full-time student	Online associate's degrees in four areas and bachelor's degree completion programs in six fields through correspondence and telecommunications, including Internet.
Western Governors University	Utah, Colorado	Private	50% rules; academic year. Several special waivers were extended to WGU as specified in the Program legislation	Professional certificates, several associate's degrees and one master's degree. WGU does not offer courses; degrees and credentials are competency-based.

* Key to Waivers

<u>50% rules:</u>

Section 102(a)(3)(A) of the HEA and the regulatory provisions implementing that provision in 34 CFR 600.7(a)(1)(i). These statutory and regulatory provisions make an otherwise eligible "institution of higher education" under the HEA ineligible if the institution offers more than 50 percent of its courses by correspondence.

Section 102(a)(3)(B) of the HEA and the regulatory provisions implementing that provision in 34 CFR 600.7(a)(1)(ii). These statutory and regulatory provisions make an otherwise eligible "institution of higher education" under the HEA ineligible if the institution enrolls 50 percent or more of its students in correspondence courses.

Section 484(1)(l) of the HEA. This provision would define a telecommunications student as a correspondence student if 50 percent or more of the institution's courses are offered by correspondence or telecommunications.

Academic year: Sections 481(a) and 481(b) of the HEA and the regulatory provisions implementing those sections in 34 CFR 668.2 and 668.8 to the extent that they require a minimum number of weeks of instruction for an academic year.

Week of instruction: 34 CFR 668.8(b)(2). This provision defines a "week of instruction."

Full-time student: The definition of "full-time student" in 34 CFR 668.2 to the extent that it precludes a correspondence student from being considered a "full-time student."

Satisfactory academic progress: 34 CFR 668.16(e)(3) to the extent that it requires consistent application of satisfactory progress standards to all students within categories of students.

PROGRAM IMPLEMENTATION

Staffing

The Demonstration Program is administered by a team consisting of staff from the Office of Postsecondary Education (OPE) and the Office of Student Financial Assistance Programs (OSFAP) with assistance provided by the Office of the General Counsel. No staff person is assigned to work full-time with the Demonstration Program. An OPE Special Assistant serves as Director of the Demonstration Program. Staff serving on the team are drawn from OPE's Office of Policy, Planning and Innovation and OSFAP's Program Development and Case Management Divisions. One or more staff members from each of the ten regional Case Management Teams serve as a Distance Education Demonstration Program liaison to participants.

Technical Assistance

Working with participants to provide technical assistance as they implemented their programs consumed by far the largest amount of time staff spent on the project. This was a very valuable use of staff resources. Participants benefited from the technical assistance provided. Equally important were the opportunities that working closely with participants offered for staff to learn first hand about the issues involved in developing distance education programs and in providing student aid to distance education students. Most of this staff work was with individual institutions and consisted of answering policy questions, assisting with issues relating to student aid administration for distance education students, and developing the Program Participation Agreement (PPA) Amendments. PPAs are written agreements required of all Title IV program participants that permit institutions to participate in one or more federal Title IV student aid programs. The amendments specify the waivers granted and the distance education

programs included under the Demonstration Program. While much of this work was conducted by telephone and e-mail, Case Management liaisons visited with each participant on-site at least once during the first 18 months of the Program; and the Program Director visited on-site with a total of ten participants.

The Department held four national meetings for participants and Department staff during the first 18 months of the Demonstration Program. Participants and staff valued the opportunity these meetings presented to share information, as evidenced by the increasing number of individuals attending. The first meeting drew approximately 15 people representing 8 participants; the latest, held in October 2000, had 75 in attendance, with all participants represented.

Program Monitoring

Section 486 of the HEA requires strict program monitoring as an important component of the Demonstration Program. One of the principal responsibilities of the ten Case Management liaisons is to monitor participants' administration of the Title IV student financial assistance programs. Their work is guided in part by a Monitoring Team established to identify compliance issues and assure consistency in gathering information and monitoring.

The challenges to the Monitoring Team and the Case Management liaisons were to identify which particular student aid requirements might present barriers to providing Title IV funds to distance education students and where providing aid to distance students might present risks to the Title IV program. The student aid issues that were identified for particular attention were tracking attendance, disbursing student aid (the timing and amount), measuring satisfactory academic progress, and ensuring equity in annual awards between on-site and distance education students. Moreover, it became clear that the format in which many distance education programs and courses are offered, i.e. non-standard terms and non-terms with multiple start dates, constitutes the largest challenge. (For definitions of term structures, see page 18.) Case Management liaisons are focusing monitoring activities more on these matters during the current year.

Data Collection

The authorizing statute requires ED to report certain data over the course of the Demonstration Program. ED developed a form, approved by the Office of Management and Budget, to collect data from participants. The data collected for this first report on the Demonstration Program included numbers of distance education and on-site courses and programs, enrollments, characteristics of and retention of distance education versus on-site students, and information collected from student surveys. Participants reported baseline data for 1998-99 reflecting the period prior to their participation in the Demonstration Program and data for 1999-2000, the first year of their participation in the Demonstration Program.

Collaboration with Accrediting Agencies

Accrediting agencies are responsible for ensuring the quality of education provided by institutions that participate in the Title IV student financial assistance programs. The statute also required Demonstration Program applicants to include "consultation with accrediting agencies" as one component of their applications. Participants in the Demonstration Program are accredited by either regional or national accrediting agencies. Each of the accrediting agencies has adopted standards or guidelines governing distance education that cover all of the institutions they accredit that offer distance education.

As part of their involvement in the Demonstration Program, agencies accrediting each of the participants are voluntarily collaborating with the Department to evaluate some component of the quality of education provided by the participants. Examples of this collaboration include:

- Participation of ED staff in accrediting agency site visits.
- Evaluation of programs using agency standards and guidelines developed specifically for evaluating the quality of distance education.
- Examination of the role of a consortium in assuring the quality of the distance education provided by member schools.
- Sharing information concerning questions that relate both to participants' accreditation status and their participation in the Demonstration Program.

In addition, the work of the Inter-Regional Accrediting Commission (IRAC), formed prior to the beginning of the Demonstration Program by four of the regional accrediting associations, with the Commission on Colleges of the Northwest Association of Schools and College as the lead agency, represents an unprecedented effort to examine issues of quality presented by Western Governors University, a "virtual" competency-based institution. IRAC recently granted candidacy status to Western Governors University. (Earning accreditation is a three-step process: an institution first achieves eligibility for consideration, then candidacy, and finally accreditation.)

REQUIRED REPORTING

Participant Goals

All participants have made some progress toward achieving the goals they established for their five-year involvement with the Demonstration Program. Since the majority of the goals are long-term, detailed reporting on their attainment must be deferred to future reports to Congress. However, there are a number of interesting developments in the areas of growth, increased access, enrollment tracking, policy, quality assurance, and approaches to administering financial aid that deserve mention.

All Demonstration Program participants anticipated and experienced growth in their distance education programs[1]. Southern Christian University exceeded its goals for the 1999-2000 year for number of distance education students, as well as for the percentages of minorities and students from rural communities served through their distance education programs. Capella University nearly doubled its online program enrollments, while University of Maryland University College's online enrollments increased by 61%. Quest Education Corporation schools (The American Institute of Commerce/Hamilton College, now Kaplan College) increased substantially the numbers of distance education courses and enrollments, and also gained approval from its regional accrediting association for two online associate's degree programs.

Participants are addressing issues of access by forging new relationships among institutions. Several are involved in two plus two or bachelor's degree completion programs. These programs entail agreements between two-year and senior institutions that make it easy for a student to apply credits earned at the community college to a bachelor's degree offered through distance education. Franklin University has formed alliances with 86 community colleges nationally. Consortia in Washington, Connecticut and Colorado are sharing distance education courses among institutions located in their respective states in order to leverage their course development and faculty resources and better serve their students. As part of its two plus two initiative, Florida State University is trying to determine how to provide efficient and coordinated support for the development and implementation of degree completion programs on-campus and at a distance.

These types of arrangements present additional challenges when students take courses from more than one institution. New York University has been working with the National Student Clearinghouse, a non-profit organization funded by the student loan industry, to refine their national enrollment database. This database, should it become fully functional, would make it easier for institutions to track enrollments across schools and for students to achieve financial aid eligibility in a consortium setting. There are still some obstacles to this approach since not all institutions participate in the Clearinghouse

[1] Participants were required to report on enrollments in distance education and on-site **courses** and **programs**. Since students frequently enroll in more than one course at a time, the course enrollments represent **duplicated** counts. Since a student typically enrolls in only one program, the program enrollment figures represent **unduplicated** counts. It is important to keep this distinction in mind while reading this section of the report.

and those that do participate do not always report data timely enough for the purpose of enrollment tracking.

There are also obstacles to students taking courses from multiple institutions in a single system that need to be addressed. The eleven institutions in the North Dakota University System (NDUS), which share an administrative system and are governed by the same Board, are seeking to address a number of these policy issues. Several of these issues have been successfully resolved, resulting in a single registration process, a unified transcript, one bill, and the designation of a home campus for financial aid processing. NDUS is making progress on establishing a per-credit tuition rate for distance education courses and a common course numbering system.

Participants are also engaged in activities that focus on quality in distance education programs. For example, University of Maryland University College (UMUC) has initiated a number of research studies that will attempt to develop profiles of students who are most and least likely to succeed in web-based learning, and to identify intervention strategies to improve student success rates. UMUC is also studying interaction in online courses in an attempt to determine if there is a correlation between the rankings given a professor in student evaluations and the actual quality of interaction being offered online. Capella University is participating in the North Central Association of Colleges and Schools Academic Quality Improvement Project, which will engage Capella in a process of continuous quality improvement in the systems it uses to provide education and services to students.

The Community Colleges of Colorado are testing a new paradigm for delivering aid that decouples the delivery of student aid for costs related to instruction, such as tuition, fees, books, supplies and equipment from costs relating to living expenses. The aid awarded for instructional costs is disbursed based on student progress; for living expenses, the aid is awarded on months elapsed. Students receive aid for instructional costs as they complete various milestones in their educational programs, but receive aid for living costs for the months they were actually enrolled.

Western Governors University (WGU) is experimenting with ways to deliver financial aid in a competency-based educational environment, where student progress is measured not on number of courses taken but rather on the progress they are making toward fulfilling competencies required for their certificate or degree. The model is driven by an individualized student academic action plan. Aid is based on the costs incurred. WGU is currently providing aid only for direct costs and not for living expenses.

Several participants are refining their systems in order to better meet student needs. Brigham Young University has developed a web-based financial aid system that allows users to apply for financial aid, submit personal data, communicate with financial aid personnel and monitor their application processing in a secured environment. Washington State University is improving methods for monitoring satisfactory academic progress and notifying at-risk students, which has increased their students' understanding of this important aspect of their financial aid eligibility. The Quest Colleges

(AIC/Hamilton College) has greatly expanded the hours and methods for providing technical support to its distance education students.

The Number and Type of Students Enrolled

Institutions, systems of institutions and consortia that were selected to participate in the Demonstration Program were required to file baseline data reports covering the 1998-99 award year (July 1 – June 30) and to file annual reports for each award year for the duration of their participation. Thus, at this point in the Demonstration Program, ED does have some preliminary information concerning student trends based on comparison of the baseline data with the data provided for the period July 1, 1999 – June 30, 2000, the first year of the Demonstration Program.

Summarized below are a number of trends that are evident from the data to date. However, with comparative data for only one year of the Demonstration Program, it is too soon to report, even preliminarily, on some important quality indicators, particularly those related to student retention and completion. Participants do point out that the enrollment patterns of distance education students, many of whom are adults with many competing priorities, seem to differ from that of more traditionally-aged students enrolled in on-site programs. The distance education students tend to drop in and out, making it more difficult to assess retention over the short term. Analysis of patterns of student attendance based on actual data provided by participants will be included in subsequent reports.

Student Characteristics

Two-thirds of all Demonstration Program participants reported a higher representation of females in their distance education programs than males. This is not surprising since women now constitute the majority of students enrolled in higher education nationwide. However, 11 of the 13 participants with both on-site and distance education programs reported higher percentages of women enrolled in their distance education programs than in their on-site programs, which testifies to the particular appeal distance education has for women. The exception is those institutions that have distance education programs in computer fields, which tend to have higher enrollments of males than females. There is also a high representation of females in the group taking both distance education and on-site courses.

Students enrolled in distance education programs are older than students enrolled in on-site programs. This is true for every participant offering both distance education and on-site programs. In addition, students aged 36 years and older account for at least a third of distance education program enrollments in all but two Demonstration Program participants and over 50% of such enrollments in half of the participating institutions.

There are notable differences in the racial make-up of students enrolled in distance education programs and those enrolled in on-site programs. With only a few exceptions, smaller percentages of minorities are enrolled in distance education programs

than in on-site programs at participating institutions. This is true as well of students taking both on-site and distance education courses. The data participants reported do not provide any clues as to why this might be the case. However, lower participation could be an effect of the "digital divide" between minority and majority and lower income and higher income populations. Logic suggests that the more exposure students have to technology prior to college, the more likely they would be to elect distance education programs and courses. The cost of the technology distance education students might require could be an associated factor even though these costs can be included in calculating the cost of attendance for Title IV purposes. If this pattern of lower participation persists, it will be important to collect information that would enable analysis.

There are no clear trends related to the amount of Title IV aid students enrolled in participants' distance education programs are receiving at this point. There is some indication that these students may be benefiting less from financial aid programs than their on-site counterparts. During the 1999-2000 academic year, four of the 10 participants providing comparative data on financial aid for distance education and on-site students offered aid to smaller percentages of their distance education students than to their students taking only on-site courses. However, two participants provided aid to larger percentages of their distance education students than on-site students, while the remaining institutions supported roughly the same percentages of students in these two categories. When less aid is provided to distance education students, the difference may be attributable to the fact that distance education students are more likely to be working and attending school part-time. They may not be eligible for aid or may have their educational expenses paid by their employers.

Further complicating this picture is the fact that almost all participants have on-site students that enroll in one or more distance education courses during an academic year. Four participants provided financial aid to larger percentages of these students than they did either to those students enrolled in distance education programs or to those taking only on-site courses.

It is conceivable that a clearer picture will emerge for future reports to Congress, particularly since they will draw on data from a larger group of participants. If indicated, this information could be supplemented by interviews with financial aid administrators.

Programs and Enrollments

Data provided by Demonstration Program participants show that student enrollments in distance education are growing across all sectors of postsecondary education. The total number of students enrolled in distance education programs offered by participants grew substantially from the 1998-99 academic year to the 1999-2000 academic year from just under 13,000 to over 18,200. Most participants also added new distance education programs during the 1999-2000 academic year, resulting in a total number of more than 150 certificate or degree programs offered by Demonstration Program participants. Every participant reported increases in the number of distance education courses and enrollments from year 1 to year 2. In some cases, these increases

were substantial. The chart below provides institution specific program and enrollment information.

SUMMARY OF PROGRAMS AND ENROLLMENTS FOR 1999-2000

Institution	Number and Type of Distance Education Programs	Distance Education Program Enrollments	On-site Program Enrollments
Capella University	36 Certificate; 1 Bachelor; 11 Graduate	1,049	No traditional onsite classes -- 897 in independent study programs
Community Colleges of Colorado	1 Associate	159	2,040 (comparable program)
Connecticut Distance Learning Consortium	1 Associate;2 Bachelor; 1 Graduate	380	62,546
Florida State University	2 Bachelor; 3 Graduate	721	729 (comparable programs)
Franklin University	5 Bachelor	296	2,023 (comparable programs)
LDS Church Education System	1 Bachelor	187	58,011
Masters Institute (now longer participating)	2 Certificate; 1 Bachelor	1,274	921
New York University	2 Graduate	166	798 (comparable programs)
North Dakota University System	10 Associate; 8 Bachelor; 7 Graduate	3,215	49,989
Quest – AICC/HC (now Kaplan College)	7 Certificate; 2 Bachelor	61	2,707
Southern Christian University	4 Bachelor; 4 Graduate	156	13
University of Maryland University College	14 Bachelor; 10 graduate	7,955	16,926
Washington State University	8 Bachelor	1,042	1,077 (comparable programs)
Washington Community and Technical Colleges	1 Associate	1,395	83,984
Western Governors University	3 Certificate; 4 Bachelor; 1 Graduate	208	none

In addition to WGU, which has no on-site programs, three individual institutions in the Demonstration Program are approaching the 50% course threshold. Two of these institutions are at opposite ends of the scale in terms of size, reporting the second smallest (631) and the largest (over 36,000) distance education course enrollments. They are also two of three Demonstration Program participants reporting a *decrease* in the number of on-site courses and enrollments from the 1998-99 to 1999-2000 reporting period, indicating a significant shift in institutional character. The other participant in the group

offers independent study courses rather than traditional on-site instruction. This institution is experiencing a shift toward its new online, cohort-based distance education programs and a decrease in its independent study courses to the extent that over 50% of its students are now enrolled in distance education programs.

In the second year of the Demonstration Program, participants increased the number of distance education programs offered at all levels (certificates, associate's, bachelor's and graduate degrees). Enrollments increase commensurate with growth in numbers of new programs. The smallest enrollments, and least growth in enrollment, are reported in distance education certificate programs. On the other hand, one institution reports nearly 8,000 students enrolled in its 24 distance education bachelor's or master's degree programs.

There is overlap in the kinds of distance education courses and degrees being offered by participants, reflecting common perceptions of what is most marketable. Nearly 30% of participants offer distance education graduate degree programs in the areas of business or education. At the associate's and bachelor's degree levels, computer and information science programs are the most popular offerings, followed closely by humanities and health-related degrees.

Optimism about future growth is high, particularly for Internet-based distance education. All participants plan to add a large number of sections of Internet-based distance education courses over the next three years. Most institutions using other technologies, such as interactive video and videotapes, also plan to add sections using these technologies. Those offering print-based correspondence study plan to continue this delivery mode, and anticipate some growth in number of sections offered, although not as much as for Internet-based delivery.

Student Motivation and Satisfaction

Participants were required to survey distance education students to determine their level of satisfaction with programs and services, their reasons for enrolling as distance education students, and whether or not they perceived any barriers to achieving their educational goals. The primary reason students at participating institutions gave for engaging in distance education is the increased flexibility it affords. Flexibility is attractive to students who are able to take courses on-site as well as those who are truly "distant." Program participants report that many students take both distance education and on-site courses. Most important for both groups is flexibility in terms of work schedule, followed closely by flexibility of place, and also in time so that they may attend to family responsibilities. Other frequently cited reasons for taking distance education courses include the quality of the distance education programs offered and personal preference for this mode of delivery.

The vast majority of students mixing on-site and distance education delivery modes took their distance education courses from their home institution. This is equally true for consortium and single institution participants.

Not surprisingly, the majority of students enrolled in participants' distance education courses and programs have as their primary goal attaining a degree or certificate. Many are oriented toward preparing themselves for future employment or advancement in their current employment. In contrast to, or perhaps complementing these pragmatic goals, students frequently mentioned being motivated by the desire for personal enrichment.

The content of the curriculum for their distance education certificate or degree program is highly rated by the majority of students responding to surveys. However, students expressed some dissatisfaction with the amount of their interaction with other students and with faculty members, and with the timeliness of feedback. This aspect of distance education is receiving a great deal of attention in the community, with articles in the distance education literature and conference sessions providing guidance on ways to train faculty on strategies to increase and support interaction and on available technical tools to assist them in providing feedback.

Participants' distance education students express high levels of satisfaction with basic administrative services provided by institutions where they are enrolled – particularly registration and the availability of information. Most participants provide an acceptable level of technical assistance to help students resolve problems with accessing courses, configuring their computers, and dealing with other technical issues that can be frustrating to the distance education student. However, satisfaction ratings are lower for academic services, such as advising and access to library and other learning materials, which are more challenging to provide online. The need for online student services is currently receiving a good deal of attention nationally. Progress should be rapid in improving this aspect of distance education programs at many schools, including Demonstration Program participants.

In spite of these deficiencies in academic services, a large percentage of student respondents reported no barriers to completion of their distance education courses or programs. Students enrolled in distance education programs who did identify barriers cited "insufficient finances" most frequently. It is not clear whether these insufficiencies result from lack of financial aid, or other factors. ED staff will work with participants to try to clarify the reasons students report lack of finances as potentially impeding completion.

Effective Technologies

The literature in the area of distance education tends to focus on questions relating to educational effectiveness, as opposed to what are the most effective technologies. Over the last few years, there has been considerable debate among educators and the public at large over the relative value of distance education vis-a-vis on-campus study. On the one hand, there are supporters of distance education who contend there is no significant difference between distance and on-campus education. Thomas Russell, for example, has collected considerable evidence that there is no significant difference between the two

kinds of education, which he has made available on the web[2]. Detractors, including David Nobel from York University in Toronto, argue against the commercialization of higher education, which they contend is spurred by distance education, and warn of increased abuses of intellectual property and faculty rights.[3] While there is still considerable disagreement, a consensus of opinion among many educators seems to be that what matters most is that the course, whether offered on-campus or delivered using some mode of distance delivery, is well-designed to engage the student in an effective learning experience and that it is rich in content. The likely conclusion to this discussion over the merits of distance education is that the learning experience is different and meets the needs of different kinds of students.

The other focus of discussion has been around what standards to use in evaluating quality in distance education. Several national groups have recently published guidelines or standards for quality distance education[4]. The Western Cooperative for Educational Telecommunications has been a leader in this area. All of these reports avoid endorsing a particular technology as the most effective. At the moment, the Institute for Higher Education Policy study, Quality on the Line: Benchmarks for Success in Internet-Based Distance Education, while dealing solely with Internet-based delivery modes, may be the best single resource currently since the benchmarks used for the study include those developed for distance education generally by a number of organizations. The benchmarks speak to the need for a comprehensive system to support distance education course design and delivery. Components include:

- the development and maintenance of the technical infrastructure;
- adequate training for faculty and students in technical tools and distance education teaching and learning strategies;
- readily-available technical assistance;
- support for interaction between students and faculty and among students;
- engagement of students in tasks that require higher-order thinking skills; and
- ongoing evaluation and assessment of the curriculum and teaching/learning processes.

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[2] The "No Significant Difference Phenomenon" reflects a bibliographical database of research comparing traditional classroom-based and distance education approaches to instruction. This site builds on the 1999 book compiled by Thomas Russell. It also includes research that *does* demonstrate significant differences. http://cuda.teleeducation.nb.ca/nosignificantdifference/

[3] A series of essays by David Noble, entitle "Digital Diploma Mills", is available online at http://www.communication.ucsd.edu/dl A related article "Digital Diploma Mills: The Automation of Higher Education" appeared in the online journal *First Monday* Jan. 5, 1998 http://www.firstmonday.dk/issues/issue3_1/noble/

[4] American Federation of Teachers, *Distance Education: Guidelines for Good Practice*, May 2000.
The Institute for Higher Education Policy, *Quality on the Line: Benchmarks for Success in Internet-Based Distance Education*, April 2000 (funded by National Education Association and Blackboard).
American Council on Education, Guiding Principles for Distance Learning in a Learning Society, 1996.
Western Cooperative for Educational Telecommunications and the Eight Regional Accrediting Commissions, *Draft Guidelines for the Evaluation of Electronically Offered Degree and Certificate Programs*, September, 2000.

These benchmarks emphasize the importance of selecting technologies that are appropriate for the curriculum, that are accessible to students, and that support interaction.

Participants in the Demonstration Program use a variety of technologies for their distance education programs including print-based correspondence study, one-way and two-way live video, audiotapes, videotapes, voice-mail, CD-ROM, and the Internet. Frequently, they use a combination of technologies to support content delivery, one-to-one and one-to-many interaction, group work, and other aspects of a rich learning environment. For example, an institution might offer a course consisting of a series of videotapes; a textbook and accompanying web site with additional resource materials and self-assessment exercises; an online syllabus that provides detailed information about assignments; online conferences and study groups; email; and a technical assistance telephone hotline. It is important to note in any discussion of the effectiveness of technology that the environment is changing rapidly and the potential of current and emerging technologies for distance education has not yet been fully realized. The experiences of educators such as those involved in the Demonstration Program will influence the development of capabilities that will enhance and perhaps transform the teaching/learning process in both distance education and traditional delivery modes.

The clear trend among Demonstration Program participants is toward increased use of Internet-based technologies, both synchronous and asynchronous. This reflects the trend nationally[5] and speaks to learners' increased access to computers, and to the growing emphasis in the distance education community on the importance of using distance education technologies to support interaction. Nonetheless, the ease of use and the ubiquitous nature of print, telephone and videotapes make them an appropriate choice for certain populations, and these technologies continue to be used by Demonstration Program participants. Two-way interactive video technologies, which most closely emulate the classroom experience, are also continuing to be used by a subset of participants.

[5] National Center for Education Statistics, *Distance Education at Postsecondary Education Institutions: 1997-98*, December, 1999.

STUDENT AID ISSUES

Context

At the time of the HEA reauthorization in 1992, the postsecondary education landscape was very different than it is today. High-profile cases of fraud and abuse in some of the schools that delivered instruction primarily by print-based correspondence focused attention on that industry. Congress addressed this problem in a number of ways. First, it enacted institutional eligibility requirements that effectively barred "correspondence schools" and others offering over half of their courses via correspondence, or a combination of correspondence and telecommunications, from participating in Title IV programs. The rules also limit to less than 50% the numbers of students an eligible institution may enroll in correspondence courses. Next, Congress restricted the eligibility of correspondence students by allowing them to receive Title IV, student financial assistance only if they were enrolled in associate's, bachelor's, or graduate degree programs. Finally, in response to abuses such as course stretching and other issues of program length, Congress imposed the minimum 30-week academic year requirement.

In the early 1990's, these statutory changes had very little effect on the majority of institutions participating in the Title IV, student financial assistance programs. While many provided distance education via correspondence and/or some form of telecommunications, this was a small part of their activity and most programs, even those designed particularly for adults, were offered on-site. Some institutions may have lengthened their calendars slightly to accommodate the new academic year requirement, but adding a week or so of instruction did not constitute a fundamental change to the pattern of instruction.

However, the postsecondary education landscape has changed dramatically during the last five years due to the accessibility of technological means of communication, and particularly the Internet, which extends the reach of institutions worldwide. This, coupled with a growing demand from adult students for both credit and non-credit postsecondary education, has created new opportunities for schools. The result is a growing acceptance of distance education as a viable, if not a preferred, alternative for providing postsecondary educational opportunities, at least for adults.

There is a growing body of data that documents the growth of distance education in the past few years and that points to increases in the future. Two studies of distance education conducted by the National Center for Educational Statistics (NCES) covering the periods 1994-95 and 1997-98 show the growth in distance education offerings and student participation from 1995 to 1997-98. The data comparisons are reported in the conclusions drawn from the 1997-98 survey. These data show that the percentage of higher education institutions offering courses through distance education grew by one-third from 1995 to 1997-98[6]. This growth was particularly marked among public

[6] National Center for Educational Statistics, *Distance Education at Postsecondary Education Institutions: 1997-98*, December, 1999, p. 55.

institutions where the percentage of public two-year institutions offering distance education courses grew from 58% to 72% and the percentage of public four-year institutions, from 62% to 79%.[7] The 1997-98 study also concludes that there were approximately twice the numbers of distance education enrollments and courses and the numbers of distance education degree and certificate programs in 1997-98 than in 1994-95.[8] This growth curve is expected to continue with 84% of four-year colleges expected to offer distance education courses in 2002, up from 62% in 1998 and 2.2 million students expected to enroll in distributed learning courses, up from 710,000 in 1998.[9]

In addition to this projected growth, new programs announced recently by the U.S. Army and the U.S. Navy have the potential for increasing the amount of distance education courses, programs and student enrollments substantially. The Army has made the commitment to make available distance education certificate and degree programs to every soldier world-wide and recently issued a contract with a learning integrator or coordinator and several colleges and universities to provide a wide array of programs. To facilitate access to these programs, the Army will provide each soldier with a laptop computer. A pilot of this initiative is scheduled to begin in January of 2001. The U.S. Navy has selected sixteen partner colleges and universities and plans to initiate a similar program in January of 2001. The investment in the development of distance education courses and programs that these new initiatives will support almost certainly will have far-reaching consequences in expanding the availability and participation in distance education generally.

Concomitantly, the landscape is changing as the result of a proliferation of models for organizing postsecondary education. This can be attributed, in part, to the desire adults have for flexibility. The organization of instruction in semesters, quarters, or trimesters, i.e. "standard terms" for purposes of this report, is still the preferred method. However, some institutions offer courses in shorter time periods, six or eight weeks, for example, and some are offering instruction in overlapping terms to allow students to pace the demands of course work. Multiple start dates for programs that allow students to begin programs at the times they need the instruction or that are most convenient to their schedules are another emerging organizing principle. Other education providers are devising new time frames because they better match the demands of the curriculum. Programs that combine theory and practice are examples of new organizing principles that may not fit neatly into the tidy structure of a standard term.

Student financial assistance provided under Title IV of the HEA may pose barriers to these developments and others that restrict the growth of distance education and the development of new models. To the extent that the HEA restricts the ability of institutions to meet new needs with new programs and to exploit the technology to enrich

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[7] Ibid., p. 47.
[8] Ibid., p. 55.
[9]. Moe, Michael and Henry Blodgett, *The Knowledge Web*, Merrill Lunch and Co., Global Securities Research & Economics Group, Global Fundamental Equity Research Department, 2000, p. 172. Cited in *The Power of the Internet for Learning: Moving from Promise to Practice*, Report of the Web-based Education Commission to the President and the Congress of the United States, Washington, DC, December 2000, p. 77

instruction, change may be necessary. However, the future consideration of any such change must be balanced against the risk that such changes may have the unintended consequence of providing new opportunities to abuse federal funds and disadvantage students who depend on that aid.

ED's experience in working with the participants in the Demonstration Program has provided information and insight on a range of issues related to HEA requirements and Title IV aid administration. Beyond this, ED has continued to be engaged with the higher education community in discussing issues relating to distance education, quality assurance, and student aid reform. These experiences have also informed our understanding of the changes to the HEA and its implementing regulations that may be required to accommodate the kinds of distance education programs that are currently evolving.

Term Structure – Definitions

Before proceeding to the discussion of the specific issues relating to distance education and student financial assistance, it is important to understand that the statute and the regulations use three different models for the organization of instruction or "term" structures. There is no actual definition of "term" in the statute or the regulations. Rather, working definitions have evolved from what has been common practice in institutions of higher education and from other student aid requirements such as the minimum 30-week academic year requirement:

> A *term* is considered to be a period of time with fixed beginning and end dates.
>
> Quarters, semesters, and trimesters are considered to be *standard terms*. A semester or trimester is a term consisting of approximately 15 weeks during which a full-time student is expected to carry at least 12 semester hours. A quarter is a term consisting of approximately 10-12 weeks during which a full-time student is expected to carry at least 12 quarter credit hours.
>
> A *non-standard term* also has fixed beginning and end dates, and is any term that does not meet the definition of a standard term. A non-standard term program might be offered in terms of differing lengths**,** or terms that are shorter or longer than a standard term.
>
> A *non-term* program is not organized in terms and may, or may not, have pre-established beginning or end dates. A non-term program might be one that is self-paced, or consist of sequential course work or training.

Although the distinctions among these three models for organizing instruction are not always clear, they do provide a key to understanding how a number of student aid requirements are applied in administering the Title IV student financial assistance programs.

The "50% Rules"

The "50% rules" set forth in sections 102(a)(3)(A) and (B) of the HEA, govern the amount of correspondence education, in terms of courses offered and student enrollment, respectively, that an institution eligible to participate in the Title IV student financial assistance programs may provide. A related provision, section 484(l)(1) of the HEA, effectively limits the amount of aid a student enrolled in distance education courses delivered via telecommunications may receive if the institution offers half or more of its courses by correspondence or telecommunications. The following summary of the relevant legislation and definitions of terms provides a foundation for understanding the complexity of issues related to student aid in non-traditional education.

> Section 101(a)(3)(A) of the HEA and the implementing regulations in 34 CFR 600.7(a)(1)(i). These provisions generally make an otherwise eligible "institution of higher education" ineligible to participate in the Title IV student financial assistance programs if the institution offers more than 50 percent of its courses by correspondence.
>
> Section 102(a)(3)(B) of the HEA and the implementing regulations in 34 CFR 600.7(a)(1)(ii). These provisions generally make an otherwise eligible "institution of higher education" ineligible to participate in the Title IV student financial assistance programs if the institution enrolls 50 percent or more of its regular students in correspondence courses.
>
> Section 484(l)(1) of the HEA and the implementing regulations in 34 CFR 668.38(b). These provisions state that a student enrolled in courses offered through telecommunications in a program of study leading to a recognized degree or certificate (if the certificate programs is at least one year in duration), shall not be considered to be a "correspondence student" if—
>
> --the institution offers less than 50 percent of its courses by correspondence or telecommunications; and
>
> --at least 50 percent of the courses offered by the institution lead to a recognized associate, baccalaureate, or graduate degree.

The following definitions are important in determining whether or not institutions are eligible to participate in Title IV programs on the basis of the "50% rules". Note that, in some circumstances, courses offered via telecommunications and videocassette or discs are considered correspondence courses. The terms described below are also used in determining the amount of aid students are eligible to receive and the timing of disbursement.

"Telecommunications Course" Section 484(1) of the HEA; 34 CFR 600.2

> A course offered principally through the use of television, audio, or computer transmission, including open broadcast, closed circuit, cable,

microwave, satellite, audio conference, computer conference, videocassettes or discs.

"Correspondence Course" Section 484(1) of the HEA; 34 CFR 600.2

A home study course provided by an institution under which the institution provides instructional materials, including examination on the materials, to students who are not physically attending classes at the institution. These courses rely primarily on print-based delivery methods.

Courses offered via videocassette and discs if the institution does not offer comparable instruction using videocassettes or discs to students physically attending classes at the institution. That is, they are considered to be correspondence courses if they alone, or in combination with print-based courses, exceed one of the two 50% thresholds.

Courses delivered by telecommunications as defined above if the sum of telecommunications and other correspondence courses offered by the institution equals or exceeds 50% of the total courses offered at the institution.

A course that is part correspondence and part residential.

The term “distance education” is defined in section 486(h) of the HEA for purposes of the Demonstration Program only as an educational process that is characterized by the separation, in time or place, between instructor and student. This definition generally conforms to the current use of the term by institutions.

The rules and definitions are applied to determine institutional eligibility to participate in Title IV programs in the following ways:

- Institutions that offer more than 50% of their courses via correspondence are not eligible to participate in Title IV programs.

- Institutions are also generally not eligible to participate if 50% or more of their regularly enrolled students are enrolled in correspondence courses.

- Institutions with at least 50% of their courses leading to a recognized associate, baccalaureate, or graduate degree and that offer telecommunications courses are eligible to participate unless the sum of correspondence and telecommunications courses equals or exceeds 50 percent of the institution’s courses.

- Institutions that provide instruction via independent study are eligible to participate irrespective of the amount of instruction provided via independent

study and whether or not the faculty member and the student conduct their discussions from a distance or on-site.

The Title IV eligibility of students that are engaged in correspondence study programs is limited in the following ways:

- For purposes of Title IV assistance, a student enrolled solely in a program of study by correspondence cannot be considered to be enrolled more than half time and, in general, is eligible only for costs related directly to instruction such as tuition and fees and, if required, books and supplies.

- Students enrolled in certificate programs offered via correspondence are not eligible to receive Title IV aid.

Discussion

The "50% rules" were added to the HEA in response to fraud and abuse of Title IV funds by some correspondence schools. The effect of these requirements was to exclude correspondence schools from participation, while permitting the many institutions that offered a lesser amount of correspondence education to continue to participate. All correspondence students, however, were affected by the changes in the amount of aid they could receive. Since 1992, when the 50% rules were enacted, the extent of distance education, which includes a variety of modes of delivery including correspondence, has increased substantially, raising new policy questions:

- Should the HEA distinguish among the various means of delivering education, either between distance education delivery methods, or between distance education and on-site educational delivery, for purposes of Title IV aid?

- Should the current Title IV requirements protecting the public investment in Title IV funds that relate to distinctions between delivery modes be retained, modified, or replaced?

- Should the current rules governing the amount of distance education an eligible institution may provide be retained, modified or replaced?

- Is there an alternative to the "12-hour rule" that would ensure that the amount of instruction is adequate in the variety of ways that academic activity is organized in distance education?

- Should the current rules that treat correspondence students differently from other students be retained, modified or replaced?

- Are there additional waiver authorities that would improve the Demonstration Program and enable it to test more completely new approaches to administering

student financial aid that accommodate new and emerging patterns of organizing instruction through distance education?

Current trends in postsecondary education support further exploration of the above questions. For example, with respect to current statutory distinctions between correspondence and telecommunications courses, quality guidelines and standards are emerging from both the distance education and accrediting communities that specify the use of telecommunications technologies to support regular interaction between and among students, and between the student and the faculty member, in distance education courses. This further distinguishes traditional correspondence instruction from distance education via telecommunications.

Next, many institutions are providing courses and programs using a variety of delivery methods and allowing both on-site students and distance students to select their preferred mode of delivery on a course-by-course basis. State systems of higher education and participation of institutions in consortia, which today range from small to over 700 schools, extend students' choices significantly. Ultimately, it may be very difficult to determine which students study at a distance and which study on campus or at another site. Demonstration Program participants have thus far found it difficult to establish a cohort of distance education students for reporting purposes, because most do not make the distinction between courses offered on-site and courses offered at a distance, or even between programs, if they are offered in both on-site and distance education modes.

Furthermore, the use of web resources in courses will be pervasive, further blurring the distinction between on-site and distance education. Is a course, for example, delivered primarily via the Internet to a student's residence hall room any less a distance course than a course delivered to a student's home miles away, but which requires one week of on-campus residence? Meanwhile, although most of the distance courses being developed today involve the use of the Internet or two-way video, correspondence courses remain part of this mix and are likely to remain so.

Rules Relating to Time

Programs must meet the required minimum of weeks of instruction to meet eligibility requirements under Title IV. The statute and regulations define an academic year as a minimum of 30 weeks of instructional time during which a full-time undergraduate student is expected to complete at least 24 semester or trimester hours, 36 quarter hours, or 900 clock hours.

Time is used in several ways in both the HEA and the regulations:

- The 30-week requirement serves as a proxy for ensuring that institutions of higher education are providing an amount of instruction adequate to warrant the taxpayers' investment in Title IV student aid. The regulations implementing the provision define a week of instruction for programs offered

in standard terms as "any week in which there is at least one day of academic activity." The regulations define a week of instruction for programs offered in non-standard terms and non-terms as "any week in which there are twelve hours of instruction." (See term structure definitions provided on p.18 of this report.)

- The 30-week requirement also serves as the baseline for calculating the amount of aid a student enrolled in less than a 30-week program is eligible to receive. If a student is enrolled in a program of less than 30 weeks, the award must be adjusted accordingly. For a Pell Grant, the grant amount is prorated. For a student loan, the adjustment involves either proration of the loan or lengthening the amount of time before the student is eligible to receive a subsequent loan.

- Time is also used to establish a framework for disbursement of aid. A second loan disbursement, for example, cannot be made until the student completes half of the work undertaken in the loan period, or reaches the midpoint of the academic year established for the program, whichever is later.

Discussion

For programs that are offered in standard terms, i.e., semesters or quarters, a week of instruction is defined as any week in which there is at least one day of instruction. For programs that are offered in non-standard terms or non-terms, a week of instruction is defined as any week in which there are at least 12 hours of instructional time. The 12-hour rule is derived from the Carnegie Unit and is widely used as a rough measure of the amount of time a student or a faculty member might spend in the classroom. The concept underlying the Carnegie Unit presumes that, generally speaking, a 3-credit course provides 3 hours of instruction per week and requires 6-hours of out of class work; thus, 12 credits would entail 12 hours of instruction per week and supposedly 24 hours of out of class work.

The 30 weeks of instructional time requirement in general parallels the organization of academic programs used by most degree granting institutions, with courses and programs beginning typically in August or early September and ending in May with a winter break between the first and second semesters. This is the predominant pattern for distance education courses and programs as well as on-site. Where distance education courses are offered on the same general schedule as on-site courses and are structured so that they involve instructional activity on a weekly basis, administration of aid is not more difficult for students in distance education programs than in on-site programs. However, the requirements for administering aid are more difficult when courses offered in standard terms are self-paced and may not require instructional activity on a weekly basis. The benefit of self-paced courses is that they provide students more flexibility to choose the most convenient times for them to engage in instructional activities.

The 12-hour rule requires schools that offer programs in non-standard or non-terms to provide 12 hours of instruction per week for it to count as a full week of instructional time. If a program provides 12 hours of instruction, students qualify for the maximum amount of aid available. If the program provides less than 12 hours of instruction per week, either the award is adjusted downward and/or the length of time between disbursements is lengthened until the student has received an amount of instruction equivalent to 12 hours per week.

It is difficult if not impossible for distance education programs offered in non-standard terms and non-terms to comply with the 12-hour rule. The regulation would seem to require that full-time distance education students spend 12 hours per week "receiving" instruction. There is no meaningful way to measure 12 hours of instruction in a distance education class. Distance education courses are typically structured in modules that combine both what in an on-site course might be considered instruction and out-of-class work, so there is no distinction between instructional time an "home work." In addition, when they are given the flexibility to move at their own pace, some students will take a shorter time to master the material, while others might take longer.

In the last year or two, there has been considerable discussion between Department staff and representatives of the higher education community who believe the 12 hour rule limits the institutions unreasonably from organizing academic activity in ways that best meet the needs of students. Further consideration of the approaches described in the section, "Student-Based Model for Administering Aid", which begins on page 26 may also help in these discussions.

The definition of a week of instruction, which requires one day of academic activity for standard terms and 12 hours a week for a full-time student in non-standard terms and non-terms, presents obstacles to providing student aid to distance students as described above. The rules also tend to limit the options institutions have to configure academic programs in ways they believe best meet the needs of students and the curriculum. Anecdotal information also suggests that where institutions offer programs in configurations other than standard terms, they often do not provide federal student aid to the students enrolled in those programs simply because of the complexity of Title IV requirements. This limits access to those who can afford to pay or who receive support from other sources, such as employers.

Neither the statute nor the regulations preclude providing aid to students in many of these "non-traditional" models, examples of which are self-paced instruction and terms of less, or more, than 15 weeks. However, institutional systems that support administration of Federal student financial assistance organize processes around standard terms, and typically are not flexible enough to accommodate other models. If changes to the 30-week instructional time requirement were to be made, considerable effort and time would be required to ensure systems changes were in place to support the new model. The barriers posed by institutional computer systems may be more significant in limiting the development of new program configurations than HEA requirements.

Calculation of Awards and Disbursement of Aid

At the outset of this discussion of the calculation of awards and disbursements, it is important to reiterate that the Title IV student financial assistance programs are structured to provide assistance to students on the basis of three different models of organizing instruction. These are "standard terms", "non-standard academic terms," and "non-terms". Definitions of these three "term" structures were provided at the beginning of this section under "Context" (p. 18).

Terms are components of an academic year. Title IV student financial assistance awards are generally calculated on an academic year basis, but are disbursed on a payment period basis. There must be at least two payment periods in any given academic year. There may be any number of disbursements in a given payment period.

In all cases, the academic year must consist of at least 30 weeks of instructional time in order for a full-time student to qualify for the maximum amount of aid available to that student for a given year. An academic year made up of standard terms by definition consists of at least 30 weeks of instruction. For non-standard term programs and non-term programs consisting of fewer than 30 weeks, the award must be prorated, or the time before the student receives a subsequent award extended, until the student has completed 30 weeks of instruction. Applications of these concepts to awarding and disbursing aid is described below:

- In the case of standard terms, an academic year generally consists of two semesters or trimesters, or three quarters, during which an institution must provide at least 30 weeks of instruction. The payment period is the term.

- The institution providing programs in non-standard terms determines the number of terms that make up its academic year. However, the institution must provide at least 30 weeks of instructional time over the course of the non-standard terms in order for a full-time student to qualify for the maximum amount of aid available to that student in a given year. If the academic year contains less than 30 weeks, awards must be prorated. The payment period for non-standard terms is the term, meaning that the institution may have two or multiple payment periods depending upon the number of terms in the academic year.

- Non-term programs may not have fixed beginning or ending dates. To satisfy Title IV program requirements, the institution must define the academic year for the program and establish at least two payment periods within that academic year. Again, the institution must provide 30 weeks of instructional time for the academic year in order for a full-time student to qualify for the maximum amount of aid available to that student in a given year. If the institution provides less than 30 weeks of instructional time in a given year, the award must be adjusted accordingly.

- In both standard term and non-standard term settings, students are eligible to receive Title IV aid based upon the number of credits in which they enrolled or their enrollment status. For example, under the Federal Pell Grant Program, the amount of the award received is based on whether the eligible student is enrolled full-time, three-quarter time, half-time, or less than half-time.

- The situation is different for non-term settings. In the case of non-term programs, aid is calculated on the basis of the credit hours to be attempted in the academic year as defined by the institution. The first Pell Grant and student loan disbursements are made on the basis that the student is a full-time student. A second Pell Grant disbursement could be made when the student has completed the work undertaken during the first payment period; a second student loan disbursement could be made either at the time the student has completed the work or reached the midpoint of the academic year, whichever is later.

Most institutions are well organized to provide academic programs in standard terms, and this works very well for them. However, given the explosion of models of providing instruction today, it is important to consider whether there is a more appropriate alternative to the current student aid disbursement system that should be used for non-standard terms and non-term programs. Ideally, such an alternative would both simplify the existing process and accommodate as yet unanticipated ways of organizing instruction to be developed in the future.

The need for such an alternative is evident in many ways; for example, many schools currently find it difficult to determine whether their programs are non-standard term or non-term. An increasing number of schools also need to accommodate multiple start and stop dates both for programs and individual students, or overlapping terms. Other problems are presented by students selecting courses offered in different term structures during the same period of time. These problems all seem to suggest that consideration be given to developing an alternative system that enables calculation and disbursement of student aid based upon an individual student's program of instruction rather than a predetermined organization of the curriculum – in other words, a "student-based" model for administering Title IV aid.

Student-Based Model for Administering Aid

The Department's experience in working with Western Governors University in developing a model for administering student aid at that institution, as well as with other participants in the Demonstration Program, provide some insight into how a "student-based" model might be developed utilizing some of the features of the non-term model. WGU provides competency-based certificate and degree programs, and does not itself offer instruction. WGU employs mentors who work individually with students to guide them in the development of their Academic Action Plan (AAP) and evaluate satisfactory academic progress. The AAP is a personalized plan that documents the learning

opportunities that the student will engage in to gain the skills and knowledge needed to successfully demonstrate competence on WGU's assessments. Learning opportunities include courses offered by WGU's affiliated education providers (corporations, colleges and universities), independent learning resources, and/or self-study. Put simply, the work of the mentors, development of the AAP, and the competency examinations themselves can be said to comprise the "academic program" offered by WGU. Given WGU's competency-based education model, the Title IV delivery system needed to provide for the following:

- Individual start dates;
- Establishing time periods within which full-time students would be expected to complete a degree or certificate to be used as the basis for determining student enrollment status for purposes of amount of award;
- Definition of the academic year as 365 days in length;
- Awards based on estimated cost of attendance;
- Division of academic year into two equal payment periods;
- Adding courses during the payment period;
- Multiple disbursements within payment periods to accommodate disbursement of funds as costs are incurred; and
- On-going monitoring of academic progress, as measured by completion of competency examinations or components of competency examinations.

While WGU's competency-based model is unique, other institutions offer programs in non-standard and non-terms that have similar needs, the greatest difference being that these programs measure progress in credit hours. One participant, Brigham Young University, for example, is using elements of this model in its Bachelor of General Studies program. Another participant, The University of Maryland University College (UMUC), offers courses in overlapping terms so its students, most of whom are working adults, can better pace their academic work. This means students are adding courses during one payment period and completing them in the next. This practice is currently restricted under Title IV aid requirements.

A student-based delivery model could also address the barriers to meeting the needs of students taking courses from two institutions that do not operate on the same calendar or term structure. The collaboration of Washington State University (WSU), which operates on a semester system, and the Washington Community and Technical Colleges (WCTC) which operate on a quarter system, illustrates this problem. WSU does not disburse aid to pay the charges its students incur for concurrent enrollment at a community college, because the classes at the community college begin considerably earlier than those at WSU. On the other hand, no Washington Community or Technical

College can allow the student to enroll in its courses without payment because of a State policy that precludes them extending the credit of the State by allowing students to attend classes prior to receipt of payment.

The Community Colleges of Colorado (CC of C) currently offer semester-based instruction, but anticipate the need to provide students more flexibility. In the future, they would like to offer courses in overlapping terms, provide multiple start dates for courses and programs and allow students to accelerate their course completion. Current HEA provisions present many barriers to providing Title IV aid in the environment CC of C envisions for its future. However, they have developed a model that will test a student-based delivery system with characteristics similar to those of WGU.

CC of C has adapted its batch mode system for administering student aid to a system that is capable of handling individual student transactions, thus enabling it to accommodate any pattern of instruction that a student might choose. Their model also involves decoupling direct expenses, (those relating to the cost of instruction), and those related to living expenses. Direct expenses would be paid as incurred; living expenses, on the basis of time. This approach would enable students who are accelerating completion of courses to receive the same amount of aid for tuition and fees that they would receive as a student enrolled in a traditional semester based program, but would limit their aid for living expenses to the actual period of study. The CC of C experiment is still in development, but it is an important one in terms of its potential to contribute to the development of policies and systems that will address all of the patterns of instruction that are emerging today and others that may appear in the future.

Administering aid on a student-by-student basis has the potential ultimately to simplify the delivery of student aid to students enrolled in non-standard terms and non-term programs, and to those who combine semester courses with non-standard and non-term courses. This model may also have the potential to reduce some of the risk to Federal funds that may be associated with some non-standard term and non-term programs. Because this model would provide Federal funds only at the time the student actually requires the funds and measure student progress prior to the school drawing down funds for additional disbursements it would appear to limit the amount of Federal dollars at risk. Considerable additional discussion, work and testing of such a system would be required, of course, but as Demonstration Program participants have shown, even at this early stage in the Demonstration Program, this approach is well worth additional consideration in light of the increasing diversity of instructional delivery in postsecondary education today.

The waivers authorized for the Demonstration Program may not provide all of the flexibility required to fully experiment with this model. Further consideration should be given to providing additional waivers that would allow appropriate experimentation with a student-based model for administering Title IV aid. Any statutory changes required would need to be enacted as early as possible to provide ample opportunity for current and new Demonstration Program participants to experiment with the model.

RELATED ISSUES AND POSSIBLE RISKS

Rapid Growth of Distance Education

The Internet, with its potential to expand the reach of higher education dramatically, presents very promising prospects to increase access to higher education and to enrich academic activity. The Internet frees students to pursue education at times that are convenient to them and from any location in the world. The applications of various kinds of technology in the development of courses and programs generally, whether provided to distance or on-campus students, may also engage students in more active learning activities such as problem solving and concept development. At the same time, there are potential risks in the rapid expansion of distance education that require a certain degree of caution when considering the implications for the Title IV student financial assistance programs.

Similar risks relating to rapid growth and increased competition were present in the 1980's as the numbers of institutions offering postsecondary vocational education increased substantially. At that time, there were a number of high-profile program abuses, including questionable recruiting practices, sudden school closures, participation of poor quality schools, and course stretching in order to obtain more student aid. The provisions expanding the Department's oversight authority that were enacted in the late 80's and early 90's and, in particular, in the Higher Education amendments of 1992 have been largely effective in addressing the fraud and abuse in the Title IV programs that occurred primarily in for-profit schools during the 1980's and early 1990's. These remedies, which included recertification, annual review of financial statements, annual Title IV program audits, strengthened requirements for accrediting agency recognition, provisions barring commissioned sales, and termination of schools with high default rates, increased the Department's oversight capability substantially. The Department's re-engineering of the oversight process, which resulted in the development of the case management process, also contributed to the reduction of abuses in the student aid programs.

This strengthened oversight capability of the Department will continue to protect student aid programs during this new period of rapid growth and change in higher education. However, these changes carry with them new risks to the Title IV programs that must be anticipated and managed to protect the integrity of the programs.

Higher Education and e-Commerce

The Internet is not only affecting instructional practices, but business practices as well. As a result, examining some elements of the new e-commerce educational environment may be important to evaluating some of the risks inherent in the current changing higher education marketplace. As recent developments in the "dot.com" world have shown, there is still a good deal to be learned about what it takes to mount and sustain a successful venture. However, some preliminary observations can be made from the Demonstration Program, and from tracking trends in the introduction of e-commerce into the higher education market.

Need for Capital

One of the most important factors in the development of distance education programs is the high cost of course and program development, and the necessary infrastructure to support the endeavor. This, coupled with a competitive market that provides considerable advantages to the first school or business that arrives in the marketplace, requires a substantial investment of capital. Schools have developed a variety of means of generating this capital. Public and private non-profit institutions, including two participants in the Demonstration Program, have formed for-profit entities that they anticipate will generate sufficient capital to support development of their programs. Other institutions, although none to our knowledge in the Demonstration Program, have in various ways managed to identify venture capital for this purpose. For–profit entities, including those in the Demonstration Program, generate capital from partnerships, outside investors, and stock offerings. All of these vehicles for generating capital greatly increase the importance of the profitability of the education provided. Of necessity, profitability will more and more drive the decision-making process. The risk here is increased volatility and rapid change in the higher education market.

Rapid Change and Volatility

Rapid change and volatility raise a particular challenge to ensuring the quality and long-term stability of distance education programs that are eligible for Title IV funds. Current rules governing eligibility for participation in Title IV programs, and approval of change in ownership, as well as current practice in accreditation, provide the same protections in the new educational marketplace as they do in the more traditional environment – as long as accrediting agencies and Department staff are aware of the particular risks the new market poses.

Accrediting agencies are responsible ensuring the quality of education provided. The process that agencies use to evaluate the quality of institutions – self-study by the school against the agency's standards followed by peer evaluation and final action by a Commission or Council – ensures that the evaluation of quality is a careful process, not a rush to judgment. Agencies regard this pathway to accreditation as good practice. It is also embedded in the Secretary of Education's requirements for recognition of accrediting agencies as "gatekeepers" for Title IV purposes. An agency that departed from the effective implementation of this process would be subject to review by the Department of Education and possible removal of recognition. This provides some assurance that the growth of distance education programs and the emergence of new providers will not diminish the quality of education.

Accrediting agencies also provide another protection against volatility**.** 34 C.F.R. 602.23**,** part of the requirements for secretarial recognition of accrediting agencies, specifies that the agencies must ensure the quality of education of the accredited school for the duration of the accreditation period granted by the agency. Although accrediting agencies are likely to find this to be a challenge in an evolving distance education context, this continuing requirement provides some assurance that the resources of the

school are sufficient to maintain the quality of education offered and provide some protection against program and school closures.

Finally, the implementing regulations also provide some additional assurance of the stability of the new providers seeking eligibility by requiring that a private or for-profit institution operate for at least two years prior to gaining eligibility for Federal student aid.

Acquisitions

Much of what has been discussed above relates to schools seeking to participate in the Title IV programs for the first time. It does not relate to entities that purchase schools that are already accredited, and participating in Title IV programs. Given the time required to achieve accreditation and the two-year operating requirement, the strategy of purchasing schools already participating in Title IV programs may be the most attractive way to enter the higher education market. At one time, Title IV rules halted the flow of Title IV dollars as the request for approval of a change of ownership, which includes approval by the school's accrediting agency, State approval agency, and the Department, was processed. This policy, while providing some protections, disadvantaged students, and as a result the rules were changed to allow for the continuation of aid during the process of review. However, the Department can restrict student aid to those programs already approved for financial aid under the previous ownership until the accrediting agency, the State, and the Department complete their reviews of the change and are prepared to consider the new owner's plans for development.

E-Commerce Practices

As the business practices of e-commerce are interjected into the higher education market, further questions are raised concerning how current Title IV requirements should be applicable to the new context for higher education that is developing. Among these requirements, the prohibitions on commissioned sales are an obvious example. Entrepreneurs entering the market expect to be able to employ marketing practices that are commonly accepted in other industries, yet there may be good reasons, based upon past experience, for retaining the prohibitions.

Other practices common in e-commerce when interjected into higher education might pose new dilemmas. An example might be the common sales practice of selling products and services that appeal to new customers for one price, while current customers pay a higher price. Related to this might be offering new customers discounted prices and benefits that extend for a limited period of time, a practice a number of industries currently use to attract new customers.

Conclusion

There is no question that the world of higher education will continue to change, and that the effect of such changes is as yet unknown. At the moment, most institutions of higher education, even those within the for-profit sector, are willing to share information and best practices to the long-term benefit of the improvement of education across the higher education industry. If competition increases, will institutions guard proprietary information more closely to the detriment of the openness that characterizes higher education institutions today? Will higher education as a sector offer common information so that students and others may make informed comparisons? Will competition impede further movement toward the development of transparent articulation and transfer policies among institutions? Will the shared governance that has been the pattern at most public and private institutions be eroded by the need for quick decisions concerning curricular and program changes? If so, what will be the result? Will more and more institutions purchase courses and programs? How will institutions exercise their responsibility for packaged curricula, particularly in areas where they do not offer instruction themselves? What might be the effect of many institutions offering only those courses and programs that are the least costly to produce or that are likely to attract the largest number of students? If this were to happen, what would be the social impact?

These and the many other questions one might pose concerning the future of higher education do not have much current relevance to Title IV student financial assistance programs, but the answers could change the character of higher education institutions themselves.

There are, of course, risks inherent in the changes that are arising from the growth of opportunities for distance education. However if current policies limit the expansion of distance education, then other alternatives need to be considered to provide the benefits of providing expanded access to distance education programs, both to students and to an economy that depends upon a highly educated and trained workforce. Cognizance of the risks entailed can be applied to building in safeguards to assure that Title IV funds are spent in the way they are intended to benefit students and to serve the public interest.

Since many of the risks suggested in this final section of the report relate to possibilities rather than actualities, it may be helpful to conclude with the participants in the Demonstration Program and some observations about the present situation. The reasons participants are interested in developing distance education programs vary substantially. Public institutions are motivated to expand opportunities for higher education to the citizens of their States. Others are interested in meeting other particular needs – for example, the need to reach students interested in educational opportunities in the context of a particular faith, or the need for easy access to specialized training for career advancement. Both public and private institutions are developing premier distance education programs that showcase the quality of education they provide and meet particular needs in the marketplace. Others are developing programs to sustain the level of enrollments necessary to maintain the fiscal viability of the school.

Many more institutions are developing courses offered wholly or in part via distance education simply to take advantage of the potential technology provides to enrich instruction or to provide student choice. All, of course, are investing in the development of quality distance programs for the promise of future benefit which for some include recognition of leadership in the field, and for others profits. All of these motivations are present in the current cohort of participants in the Demonstration Program. This mixture of motives is likely to persist and contribute to increasing the diversity of higher education that is already one of the primary strengths of our higher education system in the United States.

APPENDIX

BACKGROUND

The Distance Education Demonstration Program, as added to the Higher Education Act of 1965 (HEA) as a new section 486 by the Higher Education Amendments of 1998 (P.L.105-244 was designed to provide information concerning the viability of distance education and the barriers to providing student financial assistance under Title IV of the HEA in distance education contexts. At the time of the HEA reauthorization, it was clear that an increasing number of institutions of higher education were offering, or planning to offer, courses and programs via distance education and that the HEA might present obstacles to providing student aid to distance education students. Several of the provisions that appeared to present the most significant obstacles to the availability of Title IV assistance for the expanding numbers of distance education students had been enacted in the Higher Education Amendments of 1992 (P.L. 102-325). Some of the 1992 amendments addressed fraud and abuse in the correspondence school industry that occurred in the 1980's and early 1990's. Other 1992 amendments addressed issues related to time and its measurement for purposes of calculating student aid amounts and determining eligibility. The Demonstration Program was authorized in 1998 as a way of testing some of the issues before considering policy changes that might again result in increases in fraud and abuse.

Section 486 of the HEA provides for the selection of up to 15 institutions, consortia, and systems to participate in the initial phase of the Demonstration Program. To allow for the experimentation that would provide information that might inform future policy recommendations relating to distance education, the statute authorizes the Secretary to waive certain program requirements for the participants. These are sections 102(a)(3)(A) and (B), and 484(a) and (b) of the HEA, and the implementing regulations for Parts F and G of Title IV of the HEA. The provision authorizing waiver of Part F regulations is moot since the Department is generally prohibited by statute from developing regulations for Part F, which pertains to the determination of a student's need for financial assistance.

On February 4, 1999, the Department published a notice inviting applications for the first year of the program beginning July 1, 1999, and received forty-two applications. The statute specifies that successful applications must meet the requirements relating to administrative capability and financial responsibility to be eligible for participation in the Demonstration Program. The Department screened the applications to determine whether they met these statutory criteria; three were eliminated from further consideration on this basis.

The Department used field readers to assist in evaluating the remaining applications. Four readers, two expert in distance education and two in financial aid, read each of the applications and evaluated them in terms of the criteria provided in the statute. Those applications that were recommended by three or more of these readers

were then reviewed by a subset of the readers who, in turn, developed a final slate of applicants for selection by the Secretary.

There have been changes in the participant cohort since the beginning of the program. Kaplan purchased Quest Education Corporation and has renamed the institution that will provide distance education programs "Kaplan College". The Southwest Consortium for the Advancement of Technology in Education (SCATE) had difficulty organizing member schools and is no longer participating. Texas Tech University is the only member of SCATE remaining in the Demonstration Program. The Department removed Masters Institute from the Demonstration Program for violations of Title IV program requirements.

Some of the ideas participants are testing are:

- Bachelor's degree completion programs
- Course sharing
- Increasing capacity to meet student needs
- New methods of enrollment tracking
- Excluding living expenses from the calculation of cost of attendance
- Multiple disbursements/"just in time" delivery of aid
- Alternative methods of providing aid to students who are enrolled in courses and programs that are not offered in standard terms
- Disbursing aid for direct costs as needed and for indirect costs on the basis of time in program

Each participant has an amendment to its Title IV Program Participation Agreement that specifies the particular waivers each has been granted, and describes the program or programs encompassed by the waivers. In some cases, the waivers cover all programs provided by the participant; in other cases, they cover one or more specific programs, but do not include all programs.

The waivers participants required fell in three general areas: the "50% rules" and one implementing regulation, the 30 week instructional year requirement and its implementing regulations, and the regulations relating to enrollment status for correspondence students and satisfactory academic progress standards. Following are the relevant provisions for which waivers were provided:

The "50% rules"

Section 102(a)(3)(A) of the HEA and the implementing regulations in 34 CFR 600.7(a)(l)(i). These provisions generally make an otherwise eligible "institution of higher education" ineligible to participate in the Title IV student financial assistance programs if the institution offers more than 50 percent of its courses by correspondence.

Section 102(a)(3)(B) of the HEA and the implementing regulations in 34 CFR 600.7(a)(l)(ii). These provisions generally make an otherwise eligible "institution

of higher education" ineligible to participate in the Title IV student financial assistance programs if the institution enrolls 50 percent or more of its regular students in correspondence courses.

Section 484(l)(1) of the HEA and the implementing regulations in 34 CFR 668.38(b). These provisions state that a student enrolled in courses offered through telecommunications in a program of study leading to a recognized degree or certificate (if the certificate program is at least one year in duration), shall not be considered to be a "correspondence student" if—

--the institution offers less than 50 percent of its courses by correspondence or telecommunications; and

--at least 50 percent of the courses offered by the institution lead to a recognized associate, baccalaureate, or graduate degree.

Time Requirements

Sections 481(a)(2) and (b) of the HEA, and the implementing regulations in 34 CFR 668.2 and 668.8. Among other things, these provisions require a minimum number of weeks of instruction for an "academic year" and an "eligible program."

34 CFR 668.8(b)(2) and (3). These provisions define a "week of instruction."

Other Regulations

34 CFR 668.2. This definition of a "full-time student" precludes a correspondence student from being considered a full-time student.

34 CFR 668.16(e)(3). This regulation deals with the requirements for satisfactory academic progress. The waiver is limited to that part of the rule that requires consistent application of the standards to all students within categories of students.

To recognize their participation in the Demonstration Program, all participants received a waiver of the 50% rules although only one, Western Governors University[10], actually required such a waiver at the time the Demonstration Program began. Waivers of the requirements relating to time and the definition of a correspondence student were provided only if the nature of the participants' program required such waivers.

The statute also authorizes the Secretary to select up to 35 additional institutions, systems of institutions, and consortia to begin participating in the third year of the Demonstration Program, which will commence on July 1, 2001. On September 22, 2000, the Department published a notice inviting applications and informing interested parties about four regional meetings to provide information, advice and technical assistance about applying to participate in the Demonstration Program. These meetings, held during

[10] Section 486(b)(3)(D) of the HEA explicitly provides that Western Governors University shall be considered eligible to participate in the Demonstration Program and authorizes additional waivers that the Secretary may provide if WGU were to be selected.

October and November 2000 attracted over 150 participants from more than 100 institutions.

The deadline for applications is February 16, 2001. Applicants will be screened by the Department to determine their financial responsibility and administrative capability. Applications that pass the initial screening will be thoroughly reviewed; the Department expects to employ the same two-stage review process as was used for the first year of the Demonstration Program. The first reading is expected to take place during the first two weeks of April, and the second reading is expected to take place in early May. The Department will make the final selection based on the panel recommendations, the significance of the financial aid and distance education experiments proposed, and the need to ensure diversity by size, mission and geographic location. New participants will be announced on or around May 15, 2001.