



Regular Meeting Minutes

September 29, 2016 – 10:30 A.M.-12:30 P.M.

Rio Salado College – Carver Conference Room (6th Floor)

Members

Joel Hauff, University of Arizona, Chair	X
Hank Radda, Grand Canyon University, Vice-Chair	-
Janelle Elias, Rio Salado College	X
Patricia Feldman, Arizona State University	X
Shari Miller, Northern Arizona University	X
Mary Gilliland, Central Arizona College	X
Michael Amick, Pima Community College	X
Teri Stanfill, Arizona State Board for Private Postsecondary Education	X

Others Present

Lanna Dueck, AZ SARA Council Executive Director	X
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- I. **CALL TO ORDER:** Chairman Hauff called the meeting to order at 10:30 A.M.

- II. **CALL TO THE PUBLIC:** Public input is encouraged. *Presentations must be limited to five minutes. In order to complete the agenda, the Chair may limit the number of speakers at any given meeting. Please be aware, however, that the Council may not discuss, consider or take action at this meeting on any item not appearing on its Agenda.*
 Mr. Hauff opened the call to the Public. No individuals from the public were present at the meeting.

III. COUNCIL MEETING MINUTES

MAY 24TH, 2016 MEETING MINUTES: Mr. Hauff introduced the minutes.

Motion to Approve: Ms. Miller

Second: Ms. Feldman

Vote: 7-0-0

IV. INSTITUTIONAL RENEWALS

- a. **CENTRAL ARIZONA COLLEGE:** Ms. Gilliland, Vice President of Academic Affairs, represented the institution and provided a general overview of the college.

Motion to Approve: Ms. Miller

Second: Ms. Stanfill

Vote: 6-0-1 (Ms. Gilliland)

- b. **PENN FOSTER COLLEGE:** Penn Foster was represented by Connie Dempsey, Chief Certification and Licensing Officer; James Baker, Controller; Heather McAllister, General Counsel; Stephanie Schroeder, Registrar, Scottsdale Office Manager; and Thomas Blesso, Chief Financial Officer. Mr. Hauff opened by explaining that as Penn Foster is a non-Title IV participating institution, it does not have a federal composite score. Therefore, during initial approval on 10.2015, to determine the financial health and stability of the institution the Council reviewed an alternative set of financials, in place of the composite score, thinking this was in alignment with NC SARA policy. The institution was subsequently approved. However, during the renewal process, a review was conducted of NC SARA policy and it in fact states that when an institution does not have a composite score, a score must be calculated. In initial conversations with Ms. Dueck, the institution indicated that its composite score was below 1.0, which does not meet SARA standards. When the score and calculation were provided in writing, the score came in at 2.03. This score was calculated by the institution using adjusted financials rather than audited financials. Penn Foster explained that as a non-Title IV participating institution, accounting decisions were made that negatively impact the calculation of a composite score because, before SARA standards were adopted, this was not an accounting focus of the institution. The institution further noted that the adjusted financials provide a more accurate financial picture of the institution. As the calculated score cannot be verified through independent reporting, such as with Title IV participating institutions, the decision was made to engage an independent CPA to perform the score calculation for verification purposes. The Council discussed the option of tentatively approving the institution, provided the CPA verified score met SARA standards. Ms. Stanfill noted that as a non-Title IV participating institution, both the Arizona State Board for Private Postsecondary Education and the AZ SARA Council hold more liability should the institution close. Ms. Miller asked about the health of the high school program and Mr. Baker indicated the program is profitable and enrollment is up. Ms. Stanfill questioned the financial loss noted in the provided financial statements. Mr. Baker responded that the loss is due to how the institution chose to amortize its goodwill and document student receivables. Ms. Miller inquired about the annual principal payments and Mr. Baker responded that they are paid. Ms. Miller further inquired about any outstanding concern with the IRS and the institution noted there is no IRS concern. Mr. Hauff asked the Council if there was a motion to tentatively approve provided the CPA score met SARA standards. No motion was made. Conversation continued on concerns over the State Board's and SARA liability and bonding

requirements. Ms. Stanfill indicated she would like more time to review Board documents, a Teach Out plan and several other questions. Ms. McAllister indicated the institution would be happy to provide the requested documents and answer any remaining questions. Ms. Stanfill suggested Penn Foster's renewal review be deferred to allow for additional information to be provided, and for a follow-up Council meeting to be scheduled to conduct the review. Mr. Hauff accepted the recommendation to defer and asked all Council members and Penn Foster representatives to make themselves available for a virtual meeting in two weeks' time. Ms. Dueck will compile Council questions for the institution and schedule a teleconference meeting.

- C. PIMA COMMUNITY COLLEGE:** Mr. Amick, Vice President of Distance Education, represented the institution. He provided an update on Higher Learning Commission (HLC) activity. The college was placed on Notice in February 2016 and HLC performed a site visit in September. HLC's response to the visit and subsequent reports is anticipated in February 2017. Ms. Miller inquired as to how the visit went and for an update on staffing stability. Mr. Amick indicated that the visit's focus was on demonstrating consistency in new processes and evidence that the changes made are working. Additionally, leadership changes have been dramatic, however needed, for the required changes. Ms. Miller asked for comment on public perception to which Mr. Amick responded that it continues to be mixed and that the institution is focused on rebuilding community trust. Ms. Miller inquired as to the college's SARA enrollment numbers and Mr. Amick indicated that while they remain low, it is the Chancellor's initiative to grow online enrollments.

Motion to Approve: Ms. Miller

Second: Ms. Stanfill

Vote: 6-0-1 (Mr. Amick)

- D. UNIVERSITY OF ADVANCING TECHNOLOGY:** Mr. Pistillo, President, represented the institution and provided a general update. Included in the update were highlights on a partnership with Arizona Ballet and another focused on veterans. Additionally, the institution recently celebrated thirty-three years of serving students. Ms. Miller asked how the Arizona Ballet partnership was going and Mr. Pistillo indicated it was moving forward well. Mr. Hauff commented on UAT's strong financial outlook.

Motion to Approve: Ms. Elias

Second: Ms. Feldman

Vote: 7-0-0

- E. YAVAPAI COLLEGE:** Ms. Stacey Hilton, Dean of Computer Technologies and Instructional Support, represented the institution via teleconference and provided a general update

including new staff hires and continued good standing with the Higher Learning Commission.

Motion to Approve: Ms. Miller

Second: Ms. Gilliland

Vote: 7-0-0

V. NEW INSTITUTION APPLICATIONS

- A. ARIZONA CHRISTIAN UNIVERSITY:** Mr. Karl Sterner, Vice President of Professional, Adult and Online Studies represented the institution. Also in attendance were, Dr. Gary Damore, Provost and Mr. Tim Fischer, Chief Financial Officer. Mr. Sterner provided a general overview of the institution and indicated that it is currently in the process of seeking HLC approval to offer its first online distance education programs: a Bachelors in Business Administration and a Bachelors of Science in Education in elementary Education. The institution anticipates offering these programs in Spring 2017. Ms. Miller inquired as to what prompted the university to move into the online arena. Mr. Sterner responded that the institution seeks to grow in delivery of online Christian education. Additionally, the institution conducted market analysis related to the two proposed online programs. These are currently the highest enrollment programs for in-person offerings at the institution. Ms. Miller and Ms. Gilliland asked questions regarding the online platform and the college's readiness to launch. Mr. Sterner indicated that the institution already has a platform in use with program development completed. They are ready to launch upon HLC approval.

Motion to Approve: Mr. Amick

Second: Ms. Miller

Vote: 7-0-0

- B. BROOKLINE COLLEGE:** Mr. Matthew Egan, Chief Compliance Officer, represented the college. Mr. Egan noted that the institution has approximately 300-400 online students. He also indicated that the institution is currently seeking accreditation with the Accrediting Commission of Career Schools and Colleges (ACCSC). This is due to the current U.S. Department of Education's review of the institution's current accreditor, the Accrediting Council for Independent Colleges and Schools (ACICS), and that accreditor's subsequently unknown future standing. Mr. Amick inquired as to the college's technology programs. Mr. Egan indicated that although the institution sought and received approval to offer these, they have since decided to not offer technology programs and instead focus on current programmatic offerings. Ms. Feldman commented on the institution's high personnel turnover rate to which Mr. Egan responded that although the new president has been in place for only three months, he has served at the institution for over 7 years. Additionally, the institution's Board has demonstrated strong continuity with little turnover. Ms. Miller asked about the institution's relationship with the Board of Nursing. Mr. Egan noted that the institution

currently has a consent agreement with the Board related to clinical placements and anticipates moving back to normal status soon. Mr. Hauff inquired as to the current projections demonstrating an approximate \$400,000 in losses. Mr. Egan responded that financials are expected to be on target. Ms. Stanfill asked if the institution was able to transfer in ITT Technical students resultant of the latter institution's closure. The institution currently has four Arizona ITT Technical students.

Motion to Approve: Ms. Miller

Second: Ms. Stanfill

Vote: 6-0-1 (Ms. Elias)

- C. SOUTHWEST INSTITUTE OF THE HEALING ARTS:** Mr. Brad Boute, Director of Compliance and On-Campus Education, represented the institution and provided an overview of the institution. Mr. Amick requested clarification on online offerings. Mr. Boute provided a list of the online programs. Ms. Miller commented on the significant change in operational leases indicated in the financial statements. Mr. Boute responded that this was due to the institution moving to a new location. The move is anticipated for Spring 2017. Ms. Miller also commented on the slight decrease in enrollment. Mr. Boute noted that the decrease is largely due to a decline in enrollment in the institution's massage therapy program. This correlates to a national trend in decreased enrollment in such programs. In response, the institution is conducting a market analysis and developing new marketing campaigns.

Motion to Approve: Ms. Miller

Second: Mr. Amick

Vote: 7-0-0

VI. EXECUTIVE DIRECTOR'S REPORT

- A. BUDGET UPDATE:** The budget was presented to the Council in meeting materials. Ms. Dueck continues to meet with Rio Salado College's Business Services office to manage the Council budget. Rio's Business Services office was able to pull aggregate numbers for both salary and benefits from January 2016 through July 2016. These are reflected in the budget. Current total fees deposited equal \$440,000 and total expenses incurred equals \$120,186 with a balance of \$319,814.
- B. STUDENT COMPLAINTS:** Ms. Dueck provided the Council members with a summary of complaints received between May 24th, 2016 and September 26, 2016. Three complaints were documented. No complaints constituted review by the Council per NC SARA policy.

C. NC SARA UPDATES:

I. CONSOLIDATED FINANCIALS POLICY:

Ms. Dueck provided an overview. NC SARA convened a committee, chaired by John Lopez, to make a determination on what set of financials to review for institutions with parent companies. The committee’s recommendation to the NC SARA board is to accept consolidated financials as the official financials for such institutions in relation to SARA requirements. This will be reviewed by the board at their October 2016 meeting.

II. SARA STATE STATUS:

Outstanding States/Territories	
States	Territories
California	American Samoa
Connecticut	Guam
Florida	N. Marianas Islands
Kentucky	Puerto Rico
Massachusetts	Virgin Island
New Jersey	American Samoa
New York	
Pennsylvania	

States Approved Since Last Council Meeting- 5.24.16	
States	Approved as SARA State
Delaware	09/01/2016
District of Columbia	07/01/2016
North Carolina	06/13/2016
South Carolina	07/01/2016
Utah	08/25/2016
Wisconsin	08/12/2016

III. NC SARA 9.20.16 ANNUAL SPA FORUM:

Data Reporting: Expected policy changes on reporting zeros for states where enrollment is 10 or less. Also anticipated inclusion on reporting in-person learning experiences, in addition to online, in enrollment reporting requirements.

New Policy Manual: Compilation of current Policies and Standards and FAQs into a single source for SARA information. New Manual will be reviewed and voted on by the NC SARA Board at their October 2016 meeting.

Proposed Federal Regulation Impact on NC SARA: Clarification is needed in the proposed language on the applicability of state consumer protection laws. If all state consumer protection laws are applicable, SARA's position as a viable reciprocity agreement is under question. NC SARA is hoping the language will be modified to align with SARA consumer protection.

- IV. ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS (ACICS): Ms. Dueck provided an overview of the current situation with ACICS. In June 2016, the National Advisory Committee on Institutional Quality and Integrity (NACIQI), a federal panel charged with reviewing ACICS, recommended termination of the accrediting agency to the U.S. Department of Education (ED). ED has 90 days from the recommendation to make a decision regarding ACICS. If termination moves forward, ACICS may appeal. There may also be a range of lawsuits filed in relation to the decision.

NC SARA Impact: One of the requirements to participate in SARA is to be accredited by an accrediting agency recognized by the U.S. Department of Education. If ACICS loses its accreditation standing, this removes one of the qualifying criteria for SARA participation.

Brookline College is the only institution reviewed by the Arizona SARA Council that is ACICS accredited. NC SARA will provide direction on how to proceed with ACICS institutions if ED decides on termination of the agency.

D. ASSIGNMENT OF ACCOUNT: Ms. Dueck provided the below overview.

Context: The Arizona SARA Council currently requires private Arizona institutions to post a Surety Bond in the required amount as part of the SARA application for participation. Pima Medical Institute requested the Council consider accepting an Assignment of Account in place of the surety bond. This request was vetted with NC SARA and met with no concerns. The Washington Student Achievement Council (WSAC) is the regulatory body in Washington State and allows its institutions to either post a bond or use the Assignment of Account option. Mr. Michael Ball, WSAC regulator, provided the Council with a copy of its Assignment of Account document along with his opinion of this option.

Washington Student Achievement Council (WSAC), Michael Ball Narrative

"In the case of an assignment of account, the school gets a certificate of deposit, the bank completes the form, and the school submits the document to our agency, usually as part of an application to operate. The assignment of account gives the state immediate access to those funds in the event we have found justification for a refund of tuition and fees due to an unfair business practice.

Not many of our schools use the assignment of account approach because most of them don't have the extra cash laying around. However, I prefer the assignment of account to a surety bond. Collecting on a surety bond can be like collecting on an insurance claim. The company wants to argue. With an assignment of account, the banks just needs an official letter from the state and they cut a certified check (once a local bank manager has verified with their lawyers they can)."

Recommendation: Adoption by the Council of the option for private Arizona institutions to either post a surety bond or an assignment of account with the Council upon initial approval or at the next institutional renewal.

Impact: This would result in an update to page 8 of the SARA application and applicable website content. Additionally, an assignment of account form would need to be created using Washington's as an example.

Council Discussion: Council members agreed that the assignment of account option is viable for Council purposes and approved its use as an alternative option to the surety bond. Ms. Dueck and Ms. Miller will draft the form and provide to the Council for review at the next Council meeting.

- E. AZ SARA FEES REVIEW:** Ms. Dueck provided the Council with three alternative fee schedule structures. The first resulted in a 30% reduction to all institutions, the second a 35% reduction and the third, a scaled approach starting with a reduction of 45% for small institutions and graduating to 30% for the largest institutions. Ms. Miller commented on the need to retain a reserve amount and inquired if remaining funds could be used to assist SARA students in the event of an AZ SARA institution closure. Mr. Hauff indicated that funds were collected for the purpose of administering SARA operations and that use for student assistance is unlikely. Conversation continued regarding the appropriate amount to maintain in reserve and concluded with a reserve equal to two years of the projected operating budget (approximately \$150,000). Reserve set for \$300,000. Council members agreed on Option one, a 30% reduction of fees, for the Council's new fee structure.

	CURRENT FEE STRUCTURE	ADOPTED FEE STRUCTURE
FEWER THAN 10,000 FTE STUDENT ENROLLMENTS	\$5,000	\$3,500
10,000-19,999 FTE STUDENT ENROLLMENTS	\$10,000	7,000
20,000-39,999 FTE STUDENT ENROLLMENTS	\$20,000	14,000
40,000 OR MORE FTE STUDENT ENROLLMENTS	\$30,000	21,000

VII.

- A. FESS SURPLUS DISCUSSION:** Ms. Dueck opened the discussion indicating that prior Council conversations had articulated potential uses of the Council’s surplus funds as scholarship funds for SARA students or donations to other higher education agencies in financial need. Council conversation focused on the appropriate use of these funds. Mr. Hauff suggested the funds be returned to the institutions that applied during year one of Council operations. Council members agreed this was the best solution and approved the return of funds to year one member institutions. Mr. Hauff will work with Ms. Dueck to develop an appropriate return rate that will be granted to each institution at the time of its next renewal in the form of a discount to the newly established fee schedule.
 - B. AZ SARA COUNCIL MEMBERS: TERM SCHEDULE OVERVIEW:** Ms. Dueck provided the Council with a table indicating term dates for all Council Members. Council appointments do not have time limitations and each sector is responsible for appointing its three representatives. Ms. Dueck will reach out to sector leads at the appropriate time for new appointments or confirmation of current appointment continuation. Sector Leads: Public University, Arizona Board of Regents; Community Colleges: Arizona Community Colleges Coordinating Council as represented by Dr. Chris Bustamante, President of Rio Salado College; Privates: Arizona State Board for Private Postsecondary institutions.
 - C. INSTITUTION VISITS:**

 - I. NORTHERN ARIZONA UNIVERSITY- 6.3.2016**
 - II. UNIVERSITY OF ARIZONA- 9.26.2016**
 - D. 2017 COUNCIL MEETING DOODLE POLL:** Ms. Dueck will send out Doodle poll to schedule the Council’s 2017 calendar.
 - E. NEXT COUNCIL MEETING:**

 - 1.24.17 @ 1:00 PM. RENEWAL INSTITUTIONS TO BE REVIEWED**
 - I. ACACIA UNIVERSITY**
 - II. SOUTHWEST COLLEGE OF NATUROPATHIC MEDICINE**
- VIII. EXECUTIVE SESSION:** Mr. Hauff motioned to move into Executive Session. Ms. Miller seconded and the motion carried. Moved into Executive Session at 12:58 PM.
- A. LEGAL UPDATE: STATUS OF COUNCIL AS A PUBLIC BODY**
- IX. ADJOURNMENT:** The Meeting of the Arizona SARA Council Adjourned at 1:15 PM.