

SREB



Southern Regional Education Board
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March 14, 2012

TO: *Electronic Campus* State Coordinators

FR: Bruce N. Chaloux, Director,
Student Access Programs and Services

A handwritten signature in black ink, appearing to read 'B. Chaloux', written over the printed name of the sender.

RE: SREB's Reciprocal 'Free Trade Zone' Arrangement

Since the inception of the *Electronic Campus (EC)* in 1998, SREB states and institutions have participated in a unique regional reciprocal arrangement labeled the 'Free Trade Zone' (FTZ). The FTZ was established and agreed upon by representatives of the then 15 member states following a review and assessment of state authorization practices in SREB states (and later Delaware when it rejoined SREB; see attachment for survey report and listing of state representatives). The arrangement was designed to provide a quality assurance mechanism that would allow vetted online courses and programs to operate without the potential limiting constraints of state authorization. The approach that was agreed upon was designed to 'incubate' and help support expansion of online activities across the region. The procedures agreed upon included:

- adoption of the *Principles of Good Practice and Common Standards* (enclosed in attachment);
- a review by a college or university wishing to participate in the *EC* of SREB and certification that the institution complies with the Principles;
- a review and sign-off by the home state SHEEO agency of the institution's offerings, certification of compliance with the Principles, and transmittal of its approval to SREB;
- submission by the college or university of detailed information about course and program offerings to SREB (through the *EC* 'back office'); and
- a review and approval by SREB staff that institutional information was complete and accurate before the course or program was made available to the public.

The purposes of this multi-step review process were to:

1. provide prospective students with an assurance that the offerings have been reviewed and approved by the institution's home state;
2. provide a level of consumer protection for prospective students by providing detailed course and program information; and
3. establish a procedure, acceptable to all participating states, that would reduce barriers for institutions, specifically authorization requirements.

The Common Standards outlined 10 requirements for participation in the EC, including #8 which captured the FTZ concept: “*In lieu of other state regulations or policies, participating states agree to accept the decision of the state where the offering institution is located and that the institution meets the Principles of Good Practice.*”

Participation in the *EC* was limited, and remains so, to regionally accredited, not-for-profit institutions chartered in an SREB state. Moreover, the reciprocal FTZ was limited to those courses and programs that had been reviewed and approved at the state level and by SREB prior to listing in the *EC*. It did not encompass all online cross border offerings by institutions, just those listed in the *EC*.

The benefit of the reciprocal approach was the ‘freedom’ to operate within the region, the clear intent and a central objective of the state leaders who helped develop the process in 1997. The FTZ has worked well since that time, with only two instances prior to 2010 where the FTZ was called into question. Both of those situations were resolved. The FTZ has allowed the *EC* to grow to include more than 30,000 course offerings and some 1,700 degree programs from nearly 300 colleges and universities. Those institutions participating in the EC have done so freely and openly across the region.

The issuance of new regulations by the Department of Education in October, 2010 (‘Program Integrity Rules’ the regulations—34 C.F.R. § 600.9) brought renewed attention to state authorization and raised questions about SREB’s FTZ. Those regulations, some aspects of which were vacated by a court decree in July, 2011 (and which is now under appeal by the Department), restated the requirements that any institution offering instruction online to students outside of the state had to be authorized, or exempted from requirements, as a prerequisite to undertaking instructional activities in those states. However, the Department stated that reciprocal arrangements between states would be recognized. Accordingly, SREB sought recognition, if not approval, from the Department for the FTZ. The request was not acted upon due to pending court action and remains in ‘limbo’ during the current appeals process.

Over the past several months, questions from representatives in SREB states about the FTZ and its applicability have been raised. We now seek to clarify the arrangement and each state’s participation in the FTZ. We are asking each state to inform SREB, in writing, by June 1, 2012 of the following:

1. its recognition of SREB’s FTZ arrangement;
2. its agreement to continue to utilize existing procedures for the review and approval of online offerings from its institutions prior to listing in the *EC*;
3. its agreement to the reciprocal nature of the FTZ, i.e. recognition of the sign-off for those courses and programs listed in the *EC*; and
4. its desire to continue participation in SREB’s FTZ after July 1, 2012.

We are asking each state to restate its participation in the FTZ arrangement even if their current state authorization requirements would otherwise exempt or not be applicable to colleges and universities enrolling students in online courses in the state. This is essential to ensure the reciprocal nature of the FTZ.

Since the inception of the *EC*, participation has been voluntary for both states and institutions. SREB has and will respect the wishes of each state to participate or not. For those states agreeing to continue participation, they will be afforded reciprocal privileges with other SREB states for courses and programs approved for listing in the *EC*. For those opting not to participate, their institutions may continue to list courses and programs in the *EC* but those institutions will be required to seek authorization in any other SREB state which requires authorization. Conversely, institutions from other SREB states will have the same requirement to pursue authorization in any non-participating state.

Two final notes of clarification: First, SREB's FTZ did not (and does not) override any institutional activities where there is a physical presence in another state (as the state defines presence). This includes such activities as internships, clinical experiences or student teaching. Secondly, any state licensure requirements for nursing, teaching or other professional programs that require institutions and affected students to pursue and secure necessary approvals are not amended by the FTZ.

Should you have any questions about the *Electronic Campus*, the review and approval processes that have been and will continue to be used, or the 'Free Trade Zone,' please do not hesitate to contact us. SREB staff will be pleased to meet individually with representatives of any states (by conference call or in person) or to schedule a regional webinar to address any issues or questions you may have prior to informing us of your plans.

Attachments

cc: SHEEO Officer
Non-SHEEO Agency Authorizing Agencies