



National Council for State Authorization Reciprocity Agreements

A voluntary, regional approach to state oversight of distance education

SARA FALL REPORT, NOVEMBER 2015

Executive Summary

The State Authorization Reciprocity Agreement (SARA) is a voluntary, nationwide initiative among member states, districts and territories that establishes comparable national standards for interstate offering of postsecondary distance education courses and programs. SARA initially was funded by Lumina Foundation and the Bill and Melinda Gates Foundation and developed by national and regional higher education thought leaders. It is coordinated by the National Council for State Authorization Reciprocity Agreements (NC-SARA) and administered by four regional compacts: Midwestern Higher Education Compact (MHEC); New England Board of Higher Education (NEBHE); Southern Regional Education Board (SREB); and Western Interstate Commission for Higher Education (WICHE). SARA benefits states, institutions and students by reducing complexity of the regulatory process, minimizing institutional costs of compliance, while increasing student protections.

This report addresses several topics including revenue and expenses, strategic initiatives and performance-related data and information. The SARA team prepared this brief, high-level report in part to share insights and multiple areas of focus in developing and managing SARA. The following points are among the most important findings regarding the initiative to this point.

- 1) SARA ended FY2015 with 27 member states, 284 participating institutions and \$1.0M in revenue collected since the beginning of the SARA initiative.
- 2) November 20, 2015 SARA consisted of 36 states, 528 institutions and \$1.9M in revenue collected since the beginning of the SARA initiative.
- 3) In Q1 of FY 2016, staff projected 105 new institutions and \$383,250 in revenue. Actual data were 186 institutions and \$670,900 in revenue.
- 4) In FY2016 (July 1, 2015 - June 30, 2016), SARA is projected to produce \$3.3M in revenue and all four regional compacts are expected to end FY2016 with surpluses ranging from \$39K in NEBHE to \$180K in WICHE.

In terms of non-financial characteristics of SARA, several indicators were collected to create a high-level profile. Among those data, the following were of particular interest.

1. In FY2015, of all SARA-participating institutions, approximately 57% were public, 33% independent/private non-profits and 10% for-profits.
2. In FY2015, institutions with FTE enrollment below 2,500 represented the largest (41%) share of participating institutions.

Purposes of the Fall Report

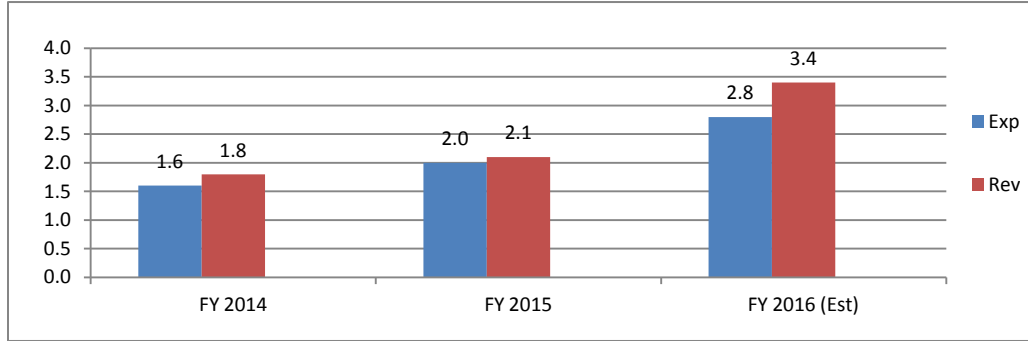
SARA must secure adequate resources to ensure quality management of the initiative. As states enter their second year of membership and institutions their second year of participation, more detailed data and information about SARA operating expenses will serve many functions, to include:

- 1) Identifying and analyzing operational costs to inform future budgeting;
- 2) Estimating the fiscal impact of adequate staffing;
- 3) Determining appropriate fees to charge SARA-participating institutions;

- 4) Envisioning the emerging financial implications of NC-SARA as an independent 501c3; and
- 5) Projecting the optimum time to begin creating reserve funds at the national and regional levels.

Expenses and Revenue

Figure 1. FY2014-FY2016 (Projected)



Partner Profiles, FY2015

Table 1. Partners' Characteristics

	SARA	NC-SARA	M-SARA	N-SARA	S-SARA	W-SARA
SARA FTE	10.75	2.75	2.0	2.0	2.0	2.0
Member states	27	----	8	2	6	11
Number of participating institutions	284	----	129	7	38	110
% of all SARA participating institutions	100	----	45	3	13	39
% Private For-profit institutions	10	----	2	0	2	5
% Private, Not-for-profit institutions	33	----	20	1	3	10
% Public institutions	57	----	24	1	8	24
% Institutions 2,500 <	41	----	43	57	37	40
% Institutions 2,501-9,999	33	----	35	14	26	24
% Institutions 10,000 >	26	----	22	29	37	36
Fee revenue allocation percentage	100	36	16	15	16	17

Anticipated FY2016 Strategic Initiatives with Significant Financial Impact

In FY2014 and FY2015 NC-SARA assumed many of the start-up costs (i.e., IT, annual meeting costs, legal and auditing consulting fees) for SARA. In addition, it is the only SARA partner to include a FY2016 budget line for strategic initiatives. Its collaborative and coordinating role with the regional compacts continues as it plans for other components necessary to enhance success of the initiative. These costs are distributed by category in Table 3.

Activity (presumed cost Q2-Q4 FY 2016)	Budget
1) Repayment to WICHE	\$87,000
2) Inaugural annual SARA meeting	\$75,000
3) NC-SARA as a 501c3	
a. IT service provider	\$48,000
b. Accounting service provider	\$36,000
c. Auditing services	\$25,000
d. Legal/consulting fees	\$25,000
e. Administrative services	\$10,000
4) Achieve appropriate SARA staffing levels	\$75,000
5) Potential SARA EC Programs Database	\$60,000
Estimated Total	\$441,000

Financial Summary

Table 2. Partners' Budget Summaries, FY2014 - FY2016 (Projected)

	Revenue				Expenses			Projected FY2016 Year-end Balance
	FY2014	FY2015	FY2016 (Proj)		FY2014	FY2015	FY2016 (Proj)	
NC-SARA	\$ 640,255	\$ 893,350	\$ 1,221,790		\$ 640,255	\$ 893,350	\$ 1,196,175	\$ 25,615
MHEC	\$ 344,200	\$ 326,466	\$ 543,018		\$ 271,736	\$ 354,063	\$ 396,000	\$ 147,018
NEBHE	\$ 267,731	\$ 307,065	\$ 509,079		\$ 267,731	\$ 307,065	\$ 469,051	\$ 40,028
SREB	\$ 358,700	\$ 262,863	\$ 543,018		\$ 161,652	\$ 158,502	\$ 388,000	\$ 155,018
WICHE	\$ 232,878	\$ 314,955	\$ 576,957		\$ 232,873	\$ 314,955	\$ 395,444	\$ 181,513
TOTAL	\$ 1,843,764	\$ 2,104,699	\$ 3,393,862		\$ 1,574,247	\$ 2,027,935	\$ 2,844,670	\$ 549,192

Table 3. NC-SARA Expenses, FY2016

		FY 2016 Q1	FY 2016 Q2	FY 2016 Q3	FY 2016 Q4	FY 2016
	FY 2015 Actual	Actual	Projected	Projected	Projected	Proj Total
Salaries & Benefits	\$ 425,803	\$ 106,309	\$ 110,070	\$ 147,570	\$ 147,570	\$ 511,519
Legal & Consulting	\$ 46,753	\$ 3,975	\$ 7,500	\$ 32,499	\$ 32,499	\$ 76,473
Rent & Utilities	\$ 56,257	\$ 8,356	\$ 12,000	\$ 12,000	\$ 12,000	\$ 44,356
Travel, mtgs & Conferences	\$ 78,017	\$ 4,331	\$ 28,000	\$ 12,000	\$ 28,000	\$ 72,331
Communication	\$ 9,740	\$ 1,186	\$ 1,700	\$ 1,500	\$ 2,000	\$ 6,386
Software Purch, Dev & IT User Fees	\$ 211,393	\$ 59,615	\$ 30,000	\$ 39,000	\$ 39,000	\$ 167,615
Other (i.e., indirects)	\$ 65,085	\$ 27,379	\$ 34,735	\$ 55,467	\$ 52,914	\$ 170,495
WICHE Loan Repayment	\$ -	\$ -	\$ -	\$ 43,500	\$ 43,500	\$ 87,000
Strategic Initiatives	\$ -		\$ -	\$ 30,000	\$ 30,000	\$ 60,000
	\$ 893,048	\$ 211,151	\$ 224,005	\$ 373,536	\$ 387,483	\$ 1,196,175

Observations and Findings

- I. While transitioning from grant funds to institutional revenues, SARA experienced brief cash flow challenges; however, due to the success of the initiative and forthcoming revenue, partners should soon be positioned to create reserve funds.
- II. The SARA initiative may benefit from adoption of general accounting agreements as it determines the actual cost of SARA at the regional compact level. Table 2 reflects percent changes in expenses from FY2015 to FY2016 (projected); they range from a low of +12% for MHEC to a high of +145% in SREB.
- III. As SARA moves from start-up, to managing operations and maturity, overall costs will change and perhaps decrease.
- IV. Although no data are referenced in this report, through three reporting cycles, SARA student complaint reporting has yet to reveal any substantive concerns among SARA institutions.
- V. Data in Table 2 support initial goals of SARA essentially to be revenue/cost neutral to the regional compacts.
- VI. Future metrics will include renewal and estimated participation and saturation rates.

Please feel free to visit the NC-SARA website, <http://nc-sara.org>