

State Board of Career Colleges and Schools

House Higher Education Subcommittee

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Legislative Service Commission*

February 27, 2003

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LSC Redbook

for the

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February 27, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject with certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

State Board of Career Colleges and Schools

- Board will move from GRF funding to 4K9 funding beginning in FY 2004
- 261 schools registered in 2002

OVERVIEW

The State Board of Career Colleges and Schools (SCR), formerly the State Board of Proprietary School Registration, monitors and regulates Ohio's proprietary (private, for-profit, post-secondary career) schools to ensure compliance with minimum standards set by state law. The Board establishes the standards for the registration and operation of the schools, including, but not limited to, standards to ensure school financial stability. The Board regulates approximately 260 proprietary schools enrolling over 67,000 students across the state.

The Board consists of seven members: the Superintendent of Public Instruction or designee, the Chancellor of the Board of Regents or designee, and five members appointed by the Governor. Four staff employees, including an executive director, oversee daily operations and report directly to the Board. The staff reviews new and renewal applications for certificates of registration, which a school must have in order to operate legally. The staff also reviews and accredits each program offered by the schools, as well as the schools' faculties, and reviews applications for the schools' agents' permits. Four consultant-evaluators, based around the state, do the Board's fieldwork under purchased service contracts. Per law, the Board's fee revenues must equal at least 50% of its appropriation for each year. As a result of the budget cuts during the last biennium, the Board's fee revenues have accounted for approximately 75% of its spending. This was part of the reason for the introduction, and subsequent passage, of Am. Sub. S.B. 266 (see the discussion below).

All schools are investigated at least every two years when their certificates of registration are renewed. The Board also oversees a one-year certificate program and additional training for school directors in an attempt to be more proactive and preventative in its activities. In addition, the Board investigates any written complaints about a school's activities, notifications about schools operating without a registration, and notifications of school closures. An investigation might be initiated when the Board's evaluator discovers questionable activities during a routine review of the school. Corrective measures available to the Board range from consent agreements and civil penalties to the revocation of a school's certificate of registration and the school's closure. Since 1989, when the Board acquired the means to conduct investigations, the number of student complaints has declined significantly. The decline from 82 complaints in 1991 to 48 in 2002 demonstrates this trend.

As a result of statutory changes regarding its responsibilities in recent years, as well as a federal revision regarding schools that exceed a certain student loan default rate, the Board has widened its focus to provide services for the students of closed schools and to investigate schools not registered with the Board. The Board maintains a fund to provide tuition recovery to the students of closed schools through the Ohio Student Tuition Recovery Program.

The agency is required to maintain the records of students who attended schools that are now closed. The Board must provide transcripts upon request for the students who attended these schools. The Board is required to maintain student records for ten years and must keep student transcripts indefinitely. One of the Board's priorities in the upcoming biennium is sustaining the on-going efforts of tracking and maintaining student records from schools that are closed while improving monitoring of registered schools.

Recent Legislation Affecting the Board

On January 2, 2003, the Governor signed Am. Sub. S.B. 266 into law (effective April 3, 2003, certain provisions effective July 1, 2003). In addition to changing the name of the Board, this bill made several changes to the way the Board operates.

1. Prior to July 1, 2003, the Board receives its funding through the GRF. Senate Bill 266 would have placed funding for the Board into a separate fund that would have become active on July 1, 2003. The Board's budget would have also included a supplemental GRF appropriation.
2. The bill changes the provisions relating to the bonding requirements for a school. Former law states that schools must supply a surety bond in the amount of \$10,000 (to be maintained for five years after the school's original registration) at the same time that they apply for a certificate of registration from the Board. Under the new law, the five-year requirement is eliminated; the Board can now establish new rules designating the period that a bond must remain in effect. The Board may also establish different bond amounts for different categories of schools.
3. The bill requires that all reimbursements paid by the Student Tuition Recovery Authority be paid first from the surety bond maintained by the school. The Student Tuition Recovery Fund (from where these reimbursements used to be paid) would still exist in the event that the school's surety bond was not sufficient to cover the entire cost of a school closure.
4. The bill changes the reimbursement for expenses for the Board to a "fixed rate of compensation" for Board members for any day they spend working on Board business. Formerly, the cost for reimbursement averaged \$4,000 per year. It is estimated that this provision will add approximately \$7,000 per year to this total.

The executive budget proposes to make further changes in the Board's finances. In Am. Sub. S.B. 266, it was stated that the Board would deposit its fee revenues into the newly created Career Colleges and Schools Operating Fund. Instead, the Executive proposes that the Board deposit its fee revenues into the Occupational Licensing and Regulatory Fund (4K9), as is the case with other independent, regulatory boards. Thus, beginning July 1, 2003, the Board will be funded entirely through its own fee revenue. In order to make up the difference between fee revenue and GRF funding that the Board received, there are plans to possibly include a small per student fee as part of the registration fee, or to raise the current fee structure. The Board is working on this issue, and they have not settled on a solution as of January 2003.

ANALYSIS OF EXECUTIVE PROPOSAL

State Board of Career Colleges and Schools

Purpose Monitor and regulate Ohio’s proprietary schools to ensure compliance with minimum standards set by state law.

The following table shows the line items that are used to fund this agency, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
4K9	233-601	Operating Expenses	\$404,025	\$431,525
Total funding: State Board of Career Colleges and Schools			\$404,025	\$431,525

State Board of Career Colleges and Schools

Program Description: In accordance with Chapter 3332 of the ORC, the State Board of Career Colleges and Schools monitors and regulates Ohio’s proprietary (private, for-profit, post-secondary career) schools to ensure compliance with minimum standards set by state law. The Board establishes the standards for the registration and operation of the schools, including, but not limited to, standards to ensure school financial stability.

Funding Source: GSF – Occupational Licensing and Regulatory Fund (4K9)

Line Item: 233-601, Operating Expenses

Implication of the Executive Recommendation: The executive recommendations call for a 12.2% increase from FY 2003 to FY 2004 and for a 6.8% increase from FY 2004 to FY 2005. The executive recommendation is for full funding of the Board’s core and supplemental budget requests, however, the Board requested partial funding from the GRF, and the Governor proposes that the Board receive all its funding from Fund 4K9, a General Services Fund.

Staffing/personal services accounts for the majority of the Board’s budget. This accounts for over 50% of the Board’s funding in each fiscal year. With the Governor’s recommendations, the Board will be able to continue to fund its purchased service contracts, allowing the Board to continue to perform its statutory responsibilities. Purchased service work is the primary source of school and program oversight for the Board, and accounts for \$85,500 in FY 2004 (21.3% of the total funding for the Board) and \$100,000 in FY 2005 (23.2% of total funding). The FY 2004 funding for purchased service contracts represents a 3.6% decrease in funding from FY 2003; however, the FY 2005 funding for these contracts is increased 17.0% over FY 2004. The increase in funding for FY 2005 would allow for the partial reinstatement of the Board’s southern Ohio school evaluator.

The Governor’s recommendations would also give the Board enough funding to cover fixed operating costs, such as maintenance (\$80,000 in FY 2004 and \$83,000 in FY 2005) and equipment (\$3,225 in both fiscal years of the biennium). The funding recommendation for maintenance in FY 2004 represents an increase of 8.0% over FY 2003 funding levels while the recommendation for equipment represents an increase of 120% from FY 2003 to FY 2004. Following is a table with a breakdown of funding by object code for the Board.

Funding by Object Code					
<i>Fiscal Year</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
Object 10 – Personal Service	\$214,141	\$206,035	\$195,695	\$235,300	\$245,300
Object 13 – Purchased Service	\$104,424	\$90,776	\$88,725	\$85,500	\$100,000
Object 20 – Maintenance	\$84,712	\$78,155	\$74,100	\$80,000	\$83,000
Object 30 – Equipment	\$3,419	\$3,322	\$1,463	\$3,225	\$3,225
TOTAL	\$406,696	\$378,288	\$359,983	\$404,025	\$431,525

Notes: FY 2001 - FY 2003: GRF funding; FY 2003 amounts are estimates
FY 2004 - FY 2005: 4K9 funding as proposed by executive budget

ADDITIONAL FACTS AND FIGURES

State Board of Proprietary School Registration Staffing Levels						
	2000	2001	2002	2003	<i>Estimated</i>	
					2004	2005
Board Members	7	7	7	7	7	7
Administrative Staff	4	4	4	3	3	3
Totals	11	11	11	11	11	11

- In addition, the Board contracts with four consultants, via purchased services contracts, who perform school and program evaluations.

Board Statistics

Fee Structure	
Type of Fee	Fee Amount
School Registration/Renewal	
New School/New Ownership Fee	\$110 - \$450
Renewal Fee	\$220 - \$900
Program Authorization/Renewal	
Certificate/Diploma	\$110 (new), \$170 (renewal)
Associate Degree	\$130, \$260
Bachelor/Other Degree	\$215, \$430
Major within Degree Program	\$110, \$220
Miscellaneous	
New Learning Center (new or renewal)	\$150 per year
Program Revision or Name Change	\$110
Agent Permit (new or renewal)	\$110
Duplicate Agent Permit	\$27
School Change of Location	\$165
School Name Change	\$110
School Director Change	\$110
New School Site Visit	\$110
Late Fee for Renewal of Certificate of Registration	20% of school renewal fee

- Fees for the Board have not increased since 1997.
- Fees for school registration are based on the gross annual tuition income. After paying for the initial certification, schools need only renew their registration every two years.
- Certificates of program authorization are valid for a period of time specified by the Board (generally two years). In the table above, the first number is for a new authorization and the second number is for renewal of the authorization.

Revenues and Expenditures				
Fiscal Year	FY 1999	FY 2000	FY 2001	FY 2002
Expenditures	\$360,220	\$397,383	\$406,447	\$368,822
Fee Revenue	\$261,399	\$241,083	\$323,365	\$266,088
GRF	\$98,821	\$156,300	\$83,082	\$102,734
Percentage of expenditures paid by GRF	27%	39%	21%	28%
Percentage of expenditures paid by registration fees	73%	61%	79%	72%

- By law, the Board’s fee revenue must equal at least 50% of its expenditures each fiscal year. In the past the Board had trouble raising enough revenues from its fees. As a result, the Board raised its registration fees in FY 1997 and reduced the size of its staff by half.

School Oversight				
Activity	FY 1999	FY 2000	FY 2001	FY 2002
Agent Permits Issued	612	626	685	639
New Schools Approved	27	31	39	50
New Programs, Degree, and Majors	147	262	355	283
School Registrations Renewed	106	84	123	100
Programs and Degrees Renewed	309	284	591	424
School Site Visits Completed	275	310	250	225
Investigations Initiated	102	116	106	101

- Many of these actions required on-site visits by consultants and staff. As a result, the Board’s staff and consultants made over 200 site visits to various schools throughout the state during FY 2002.

Programs Offered				
Program	FY 1999	FY 2000	FY 2001	FY 2002
Certificate	195	258	334	399
Diploma	250	253	238	259
Associate Degree	230	256	258	250
Advanced Degree	6	8	42	44
Total	681	775	872	952

- Of the 1,290 programs offered by registered career colleges and schools throughout the country in FY 2002, 952 (73.8%) programs were offered by 261 schools in Ohio.

Snapshot of FY 2002 Statistics

Enrollment Statistics by Race/Ethnicity			
Race/Ethnicity	Male	Female	Total
Non-Resident Alien	57	30	87
Black/Non-Hispanic	4,158	7,661	11,819
American Indian & Alaskan	71	74	145
Asian & Pacific Islander	184	133	317
Hispanic	546	508	1,054
White/Non-Hispanic	14,762	16,185	30,947
Race Unknown	1,914	4,197	6,111
Ethnic/Gender Unknown			16,669
Total	21,692	28,788	67,149

- These numbers reflect enrollment in programs approved by the Board.
- Students in career colleges and schools are more likely to be economically disadvantaged, female, minority, and independent of parental income compared to traditional higher education students.

Enrollment Statistics by Program			
Programs	In-State	Out-of-State	Total
Certificate	16,287	232	16,519
Diploma	24,233	1,129	25,362
Associate Degree	18,169	2,672	20,841
Advanced Degree	4,115	311	4,426
Total	62,805	4,344	67,149

- As the table above shows, 93.5% of the total number of students enrolled in Ohio’s career colleges and schools are from Ohio.

Employment Statistics			
Type of Employee	Full-Time	Part-Time	Total
Administrative	475	133	608
Instructional	797	1,536	2,333
Professional	390	66	456
Technical	140	67	207
Agent	386	35	421
Other (general support staff)	267	252	519
Total	2,455	2,089	4,544

- These statistics represent employees of the 261 registered schools. The salaries for all employees totals more than \$96 million.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Board's activities and spending decisions during the next biennium.

Permanent Law

Revised Code section 3332.04 – Elimination of the Career Colleges and Schools Operating Fund

This language eliminates the Career Colleges and Schools Operating Fund as established by Am. Sub. S.B. 266 of the 124th General Assembly. The Career Colleges and Schools Operating Fund was to commence operations in July 2003. Under the executive budget, it will never be used. Instead, the executive recommendation requires that the revenues of the Board be deposited in the Occupational Licensing and Regulatory Fund (4K9).

Temporary Law

There are no temporary law changes affecting this agency.

REQUESTS NOT FUNDED

This section describes requests not funded in the executive budget and the effects on the Board's activities and spending decisions during the next biennium.

The Board's request was fully funded for the biennium. However, it was funded through the Occupational Licensing and Regulatory Fund (4K9), as opposed to partial funding from the GRF (as the Board had originally requested). The Board will be increasing fees so as to produce sufficient revenue to support the appropriation level.

General Revenue Fund

GRF 233-100 Personal Services

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$314,319	\$318,566	\$296,810	\$284,420	\$0	\$0
	1.4%	-6.8%	-4.2%	-100.0%	N/A

Source: GRF

Legal Basis: Discontinued line item - ORC 3332

Purpose: This appropriation provided funds for personal services including payroll and benefits for the State Board of Career Colleges and Schools.

GRF 233-200 Maintenance

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$75,659	\$84,713	\$78,154	\$74,100	\$0	\$0
	12.0%	-7.7%	-5.2%	-100.0%	N/A

Source: GRF

Legal Basis: Discontinued line item - ORC 3332

Purpose: This appropriation provided funds for maintenance for the State Board of Career Colleges and Schools.

GRF 233-300 Equipment

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$4,616	\$3,419	\$3,322	\$1,463	\$0	\$0
	-25.9%	-2.8%	-56.0%	-100.0%	N/A

Source: GRF

Legal Basis: Discontinued line item - ORC 3332

Purpose: This appropriation provided funds for equipment for the State Board of Career Colleges and Schools.

General Services Fund Group

4K9 233-601 Operating Expenses

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$0	\$0	\$0	\$0	\$404,025	\$431,525
	N/A	N/A	N/A	N/A	6.8%

Source: GSF: Registration fees received from proprietary schools

Legal Basis: ORC 3332 (originally established in Am. Sub. S.B. 266 of the 124th G.A., however, the Executive Budget switches the funding from a separate fund to 4K9)

Purpose: This line item provides funds for payroll and fringe benefits, maintenance, materials, and equipment for the State Board of Career Colleges and Schools. The board monitors and regulates Ohio's private, for-profit, and post-secondary career schools to ensure compliance with minimum standards set by state law. This line item is new for FY 2004 and replaces GRF items 233-100, Personal Services, 233-200, Maintenance, and 233-200, Equipment.

Under Am. Sub. S.B. 266 of the 124 General Assembly, a separate fund was created for the Board. In the executive budget, the funding was switched to the Occupational Licensing and Regulatory Fund (4K9). Also, the Executive Budget ends GRF funding for the Board. This was not anticipated in S.B. 266, but under the Executive Budget proposal, GRF funding ceases in FY 2004, and the Board is expected to cover 100% of its operating costs.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2002</i>	<i>Estimated 2003</i>	<i>Executive 2004</i>	<i>% Change 2003 to 2004</i>	<i>Executive 2005</i>	<i>% Change 2004 to 2005</i>
SCR Career Colleges and Schools, State Board of								
GRF	233-100	Personal Services	\$ 296,810	\$284,420	\$ 0	-100.0%	\$ 0	N/A
GRF	233-200	Maintenance	\$ 78,154	\$74,100	\$ 0	-100.0%	\$ 0	N/A
GRF	233-300	Equipment	\$ 3,322	\$1,463	\$ 0	-100.0%	\$ 0	N/A
General Revenue Fund Total			\$ 378,286	\$ 359,983	\$ 0	-100.0%	\$ 0	N/A
4K9	233-601	Operating Expenses	----	\$0	\$ 404,025	N/A	\$ 431,525	6.8%
General Services Fund Group Total			----	\$ 0	\$ 404,025	N/A	\$ 431,525	6.8%
Total All Budget Fund Groups			\$ 378,286	\$ 359,983	\$ 404,025	12.2%	\$ 431,525	6.8%