

State Board of Career Colleges and Schools

House Higher Education Subcommittee

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Legislative Service Commission*

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LSC Redbook

for the

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February 23, 2005

State Board of Career Colleges and Schools

- Funding for FY 2006 is 12.8% above FY 2005
- Funding for FY 2007 is 4.5% above FY 2006
- Funding is entirely provided by fee revenues
- The proposed funding will allow for the hiring of one new staff member beginning in FY 2006

OVERVIEW

The State Board of Career Colleges and Schools monitors and regulates Ohio's private, for-profit, post-secondary career schools in order to ensure compliance with the standards set by state law. The Board establishes the standards for the registration and operation of the schools, which include standards to ensure a school's financial stability. The Board regulates approximately 265 career colleges and schools, enrolling over 60,000 students across the state. The funding for the Board is completely supported by fee revenue that is deposited in a General Services Fund (Fund 4K9), and receives no appropriations from the General Revenue Fund (GRF).

The Board consists of eight members: the Superintendent of Public Instruction or designee, the Chancellor of the Board of Regents or designee, and six members appointed by the Governor, one of which (the member representing students) is nonvoting. The six members of the Board appointed by the Governor are reimbursed at an hourly rate for their time conducting Board business. An executive director oversees the daily operations of the Board and its two other full-time employees. The full-time staff reviews new and renewal applications for certificates of registration, which a school must have in order to operate legally, as well as reviewing and accrediting each program offered by the schools, and issuing permits for agents of the schools. In addition, the Board has five part-time school evaluators who are based around the state, and perform the Board's fieldwork under purchased service contracts.

All schools are investigated at least once every two years when their certificates of registration are renewed, though initial certificates are issued for only one year. The Board also provides 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 from 82 complaints in 1991 (when the Board began tracking complaints) to 43 in 2004.

In addition, the Board maintains 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. Furthermore, the Board maintains a fund to provide tuition recovery to the students of closed schools through the Ohio Student Tuition Recovery Program. However, before payment is made from the fund, reimbursement of any loss of prepaid tuition due to a school closure is to first be paid from the surety bond maintained by

the school. Reimbursement would be made from the Student Tuition Recovery Fund only if the surety bond were not sufficient to cover the entire cost of a prepaid tuition loss due to a school closure. The Board has the ability to establish rules designating the period that a surety bond must remain in effect, as well as establishing different bond amounts for different categories of schools.

The 4K9 Fund

The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state’s professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated were not sufficient to meet their expenditures. The 4K9 Fund eliminated these problems since the philosophy of the fund is that each board must generate enough revenue to cover their expenses, and that the surpluses of some boards will cover the shortfalls of those who are not generating enough revenue. The executive budget has recommended that most boards in the 4K9 Fund be absorbed into the departments of Health, Commerce, and Public Safety effective July 1, 2006. However, the State Board of Career Colleges would not be affected by this recommendation, and would remain independent and funded through the fees it deposits into the 4K9 Fund. The Board has been funded by the 4K9 Fund since FY 2004. Prior to FY 2004, the Board was funded by the GRF.

Summary of FYs 2006-2007 Budget Issues

For FY 2006 and FY 2007, the executive budget has completely funded the budget request of the Board. The executive budget recommends \$486,700 in FY 2006, a 12.8% increase over the funding level in FY 2005, and \$508,600 in FY 2007, a 4.5% increase over FY 2006. As a result of the full funding, the Board will be able to go ahead with its plan to hire one additional full-time employee beginning in FY 2006.

Staffing Levels

State Board of Career Colleges and Schools Staffing Levels						
	Actual				Estimated	
Fiscal Year	2002	2003	2004	2005	2006	2007
Full-time Administrative Staff	4	3	3	3	4	4
Part-time School Evaluators	5	4	5	5	5	5

- Because the executive proposal completely funds its request, the Board will be able to go ahead with its plans to hire one additional full-time employee beginning in FY 2006. The estimated cost for hiring one additional employee is expected to be \$32,000 in FY 2006 and \$42,000 in FY 2007.
- In addition to the full-time administrative staff and part-time school evaluators, the Board will be compensating newly appointed Board members at an hourly rate for their time conducting Board business. Currently two Board members are hourly pay eligible, and by FY 2007 there will be six paid Board member positions. The estimated cost is expected to be \$5,300 in FY 2006 and an additional \$6,600 in FY 2007.

FACTS AND FIGURES

Board Statistics

School Oversight			
Activity	FY 2002	FY 2003	FY 2004
Agent Permits Issued	639	595	689
New Schools Approved	50	27	48
New Programs, Degree, and Majors	283	355	559
School Registrations Renewed	100	115	123
Programs and Degrees Renewed	424	511	737
Investigations Initiated	101	59	78

- Many of these actions required on-site visits by consultants and staff. As a result, the Board's staff and consultants made 230 site visits to various schools throughout the state during FY 2004.

Programs Offered			
Program	FY 2002	FY 2003	FY 2004
Certificate	424	484	506
Diploma	365	445	446
Associate Degree	429	463	490
Advanced Degree	72	48	58
Total	1,290	1,440	1,500

- Certificate programs are short-term programs that provide certification in a single skill, such as a two-week course in bartending.
- Diploma programs also provide certification in a single skill, though the programs tend to last for a period of 12 to 18 months. Medical assistant and secretarial programs are examples of what are included in the diploma programs.
- Associate degrees are generally two-year programs, which augment the diploma programs with a general studies component.
- Advanced degrees include baccalaureate, master's, and doctoral degrees. Schools that offer these type of degrees must also get approval of their programs from the Board of Regents.

Fee Structure

- Prior to July 3, 2003, fees for the Board had not increased since 1997. In each of the three tables below, both the old and new fee amounts are included.

Renewal of School Registration			
Old Fee Amount		New Fee Amount	
Gross Annual Tuition Income	Fee	Gross Annual Tuition Income	Fee
Less than \$49,999	\$220	Less than \$100,000	\$300
\$50,000 to \$499,999	\$300	\$100,000 to \$499,999	\$500
\$500,000 to \$999,999	\$380	\$500,000 to \$999,999	\$800
\$1,000,000 to \$1,999,999	\$460	\$1,000,000 to \$1,999,999	\$1,200
\$2,000,000 to \$3,999,999	\$540	\$2,000,000 and over	\$1,600
\$4,000,000 to \$6,999,999	\$690		
\$7,000,000 and over	\$900		

- Fees for school registration are based on the gross annual tuition income computed at the end of a normal tax accounting year for the school. The renewal fee is paid every two years. The initial certification is for only one year, and the fee is one-half of the amounts listed above.

Program Authorization/Renewal		
Type of Program	Old Fee Amount New, Renewal	New Fee Amount Same for New and Renewals
Certificate/Diploma	\$110, \$170	\$150
Associate Degree	\$130, \$260	\$225
Bachelor/Other Degree	\$215, \$430	\$450
Major within Degree Program	\$110, \$220	\$150

- Certificates of program authorization are valid for a period of time specified by the Board (generally two years). Under the old fee structure, there were different fees for new authorization and renewals. Under the new fee structure, the fee remains the same in both cases.

Miscellaneous Fees		
	Old Fee Amount	New Fee Amount
New Learning Center (new or renewal)	\$150 per Year	\$175 per Year
Program Revision or Name Change	\$110	\$125
Agent Permit (new or renewal)	\$110	\$125
Duplicate Agent Permit	\$27	\$25
School Change of Location	\$165	\$175
School Name Change	\$110	\$125
School Director Change	\$110	\$125
New School Site Visit	\$110	\$100
Late Fee for Renewal of Certificate of Registration	20% of School Renewal Fee	20% of School Renewal Fee
Late Fee for Unpaid Invoice	None	10% of Invoice
Student Registration Fee	None	Maximum of \$5 per Student

ANALYSIS OF EXECUTIVE PROPOSAL

State Board of Career Colleges and Schools

Purpose: To support the activities necessary to monitor, regulate, and conduct investigations of career colleges and schools in accordance with Chapter 3332. of the Revised Code.

The following table shows the line item that is used to fund the State Board of Career Colleges and Schools, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
General Services Fund				
GSF: 4K9	233-601	Operating Expenses	\$486,700	\$508,600
General Services Fund Subtotal			\$486,700	\$508,600
Total Funding: State Board of Career Colleges and Schools			\$486,700	\$508,600

Regulation

The only program of the Board is Regulation, which funds the Board’s monitoring, regulating, and conducting of investigations of career colleges and schools, in order to ensure their compliance with the standards set by state law. For FY 2006 and FY 2007, the executive budget has completely funded the budget request of the Board. The executive budget recommends \$486,700 in FY 2006, a 12.8% increase over the funding level in FY 2005, and \$508,600 in FY 2007, a 4.5% increase over FY 2006. The table below includes the actual amounts spent in FY 2004, the estimates for FY 2005, and the amounts recommended for FY 2006 and FY 2007 broken down by object of expense.

State Board of Career Colleges and Schools						
Object of Expense	Actual	Estimated	Recommended			
	FY 2004**	FY 2005	FY 2006	% of Total	FY 2007	% of Total
10 - Personal Service	\$202,347	\$233,000	\$289,700	59.5%	\$311,600	61.3%
13 - Purchased Service	\$72,133	\$104,000	\$105,000	21.6%	\$105,000	20.6%
20 - Maintenance	\$81,631	\$89,525	\$90,000	18.5%	\$90,000	17.7%
30 - Equipment	\$13,289	\$5,000	\$2,000	0.4%	\$2,000	0.4%
TOTAL	\$369,400	\$431,525	\$486,700		\$508,600	

**Does not include \$1,163 in Purchased Service under GRF appropriation item 233-100, Personal Services, and \$789 in Maintenance under GRF appropriation item 233-200, Maintenance.

The personal services object of expense will see almost all of the increases from FY 2005 to FY 2006, and all of the increase from FY 2006 to FY 2007. This is due to: (a) the hiring of one additional employee, which will cost approximately \$32,000 in FY 2006 and \$42,000 in FY 2007, (b) increases of \$11,900 in FY 2006 and an additional \$5,300 in FY 2007 to fund both the 4% raise scheduled for July 1, 2005 and the estimated increases in health costs for the Board’s current full-time staff, and (c) increases of \$5,300 in FY 2006 and an additional \$6,600 in FY 2007 to fund the hourly pay of Board members that is currently being phased in.

With the transition from the GRF to Fund 4K9, the Board increased its fees in order to cover the total operations of the Board. The fee schedule was restructured so that most of the increased fee burden was placed on those schools with gross tuition revenues over \$1 million. In addition, increased school activity in FY 2004 led to fee revenue almost doubling from FY 2003 to FY 2004. This resulted in a surplus of over \$207,000 in FY 2004, as can be seen in the table below.

Fee Revenue for the State Board of Career Colleges and Schools				
	FY 2002	FY 2003	FY 2004	FY 2005**
Fee Revenue	\$266,080	\$288,689	\$576,617	\$323,017
Expenditures*	\$378,288	\$363,434	\$369,400	\$179,410
Difference	(\$112,208)	(\$74,745)	\$207,217	\$143,607

*Expenditures in FY 2002 and FY 2003 are from the GRF. Expenditures in FY 2004 and FY 2005 are from Fund 4K9, therefore it excludes the expenditure of \$1,953 from the GRF in FY 2004.

**Through December 31, 2004

Through December 31, 2004, fee revenue for FY 2005 is slightly below the pace of FY 2004, though the total fee revenue for FY 2005 is expected to be approximately \$550,000. The fee revenue for FY 2006 and FY 2007 is expected to remain at the same level, which means there will be adequate fee revenue to pay for the increased appropriations in the executive proposal, as well as still providing a surplus for future years.

Temporary and Permanent Law Provisions: There are no temporary or permanent law provisions affecting the State Board of Career Colleges and Schools in the executive proposal.

REQUESTS NOT FUNDED

The executive proposal completely funds the requests made by the State Board of Career Colleges and Schools for the FY 2006-2007 biennium.

General Revenue Fund

GRF 233-100 Personal Services

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$296,810	\$289,667	\$1,164	\$0	\$0	\$0
	-2.4%	-99.6%	-100.0%	N/A	N/A

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3332)

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

GRF 233-200 Maintenance

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$78,154	\$72,767	\$789	\$0	\$0	\$0
	-6.9%	-98.9%	-100.0%	N/A	N/A

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3332)

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

GRF 233-300 Equipment

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$3,322	\$1,000	\$0	\$0	\$0	\$0
	-69.9%	-100.0%	N/A	N/A	N/A

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3332)

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

General Services Fund Group

4K9 233-601 Operating Expenses

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
\$0	\$0	\$369,400	\$431,525	\$486,700	\$508,600
	N/A	N/A	16.8%	12.8%	4.5%

Source: GSF: Registration fees received from the various career colleges and schools, which are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K9).

Legal Basis: ORC 3332.04

Purpose: The funds from this line item are used to pay the expenses of operating the State Board of Career Colleges and Schools. The board monitors and regulates Ohio's private, for-profit post-secondary career colleges and schools, in order to ensure compliance with the standards set by state law. This line item was created in FY 2004, and replaces GRF line items 233-100, Personal Services, 233-200, Maintenance, and 233-300, Equipment.

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2004</i>	<i>Estimated 2005</i>	<i>Executive 2006</i>	<i>% Change 2005 to 2006</i>	<i>Executive 2007</i>	<i>% Change 2006 to 2007</i>
<i>SCR Career Colleges and Schools, State Board of</i>								
GRF	233-100	Personal Services	\$ 1,164	\$0	\$ 0	N/A	\$ 0	N/A
GRF	233-200	Maintenance	\$ 789	\$0	\$ 0	N/A	\$ 0	N/A
General Revenue Fund Total			\$ 1,953	\$ 0	\$ 0	N/A	\$ 0	N/A
4K9	233-601	Operating Expenses	\$ 369,400	\$431,525	\$ 486,700	12.8%	\$ 508,600	4.5%
General Services Fund Group Total			\$ 369,400	\$ 431,525	\$ 486,700	12.8%	\$ 508,600	4.5%
<i>Total All Budget Fund Groups</i>			\$ 371,353	\$ 431,525	\$ 486,700	12.8%	\$ 508,600	4.5%