

LSC Redbook

Analysis of the Executive Budget Proposal

**State Board of Career Colleges
and Schools**

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the State Board of Career Colleges and Schools (SCR), which includes the following three sections.

1. **Overview:** Provides a brief description of SCR and an overview of the provisions of the executive budget that affect SCR.
2. **Analysis of the Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for SCR.
3. **Attachments:** Includes the catalog of budget line items (COBLI) for SCR, which briefly describes SCR's appropriation line item; and the LSC budget spreadsheet for SCR.

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ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

State Board of Career Colleges and Schools

- Non-GRF agency; funding is entirely provided by fee revenue
- Flat funding in FY 2010 and FY 2011

OVERVIEW

Agency Overview

The State Board of Career Colleges and Schools monitors and regulates Ohio's private, for-profit post-secondary career colleges and schools in order to ensure compliance with state law. In FY 2008, 291 career colleges and schools were registered with the Board. These schools offered 1,971 programs and enrolled nearly 76,000 students. The Board establishes the rules for the registration and operation of the schools, including standards to ensure a school's financial stability, sound business practices, and adequate programs and curricula. It also investigates and resolves consumer complaints and maintains funds and records to assist students when schools close. All of the Board's operations are funded through fee revenue generated through its registrations – no expenditures are made from the General Revenue Fund (GRF).

The Board's governing authority 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 whom (the member representing students) is nonvoting. The six members appointed by the Governor are eligible for pay at \$19.55 per hour for their time conducting Board business. As of January 2008, there are two vacancies on the Board, one of which is expected to be filled in FY 2009.

The Board's goals are to enhance and ensure the value of career colleges and schools as a quality option for career training, to develop a competitive workforce, and to improve the economic vitality of the citizens of Ohio. The Board's two-fold mission is to continuously improve standards of excellence, assuring the consumer of quality programs and services through the regulatory structure, and to provide advisory expertise to schools regarding the best career education practices and standards to enhance their effectiveness.

The Board is currently responsible for registering for-profit career colleges and schools that recruit or offer diploma, certificate, and associate degrees, and some that offer baccalaureate or master's degree programs. Until FY 2002 the Board was also responsible for registering all for-profit career colleges and schools with advanced degrees. In that year, Sub. S.B. 116 of the 124th General Assembly required registration with the Board of Regents for all baccalaureate or master's degree programs offered at

for-profit institutions on or before February 20, 2002. Since then, additional Ohio schools have introduced advanced degree programs. Because they did not offer advanced degree programs when the bill became effective, these schools are not included in the S.B. 116 provisions and they must register with the Board.

The day-to-day operations of the Board are the responsibility of an executive director, who is appointed by the eight-member governing authority. Including the executive director, the Board has four full-time staff members. In addition, the Board contracts with five part-time school evaluators who are based around the state and perform the Board's fieldwork and on-site visits.

Fee Revenue and Fund 4K90

As indicated earlier, the Board is completely funded by fee revenue, which is deposited in the Occupational Licensing and Regulatory Fund (Fund 4K90), a General Services Fund. Fund 4K90 serves as a repository for license fees and other assessments collected by the state's professional and occupational licensing boards, including the State Board of Career Colleges and Schools. Prior to FY 2004, the Board's fee revenue was deposited in the GRF and its operations were funded by GRF appropriations. Since FY 2004 the Board has received no GRF appropriations.

Fee Structure

With the transition from the GRF to Fund 4K90, the Board increased its fees on July 3, 2003, in order to cover its total operations. The fee schedule was restructured so that most of the increased fee burden was placed on those schools with gross tuition revenues above \$1.0 million. Tables 1a and 1b show current school registration fees as well as program authorization and agent permit fees charged by the Board. A school registration expires after two years except for the initial registration, which lasts only one year with a fee level equal to one-half of the amount listed in Table 1a. A program authorization certificate also generally lasts two years. In addition to school registration and program authorization fees, the Board charges an agent permit fee and some other miscellaneous fees, such as a school name-change fee and a program revision or name-change fee.

Gross Annual Tuition Income	Fee Amount
Less than \$100,000	\$300
\$100,000 to \$499,999	\$500
\$500,000 to \$999,999	\$800
\$1,000,000 to \$1,999,999	\$1,200
\$2,000,000 and over	\$1,600

Type of Program	Fee Amount
Certificate/Diploma	\$150
Associate Degree	\$225
Major within Degree Program	\$150
Learning Center	\$175 per year
Agent Permit	\$125

Fee Revenue

Table 2 below shows the Board's fee revenue from FY 2006 to FY 2008 and estimates for FY 2009 to FY 2011. The Board's fee revenue has averaged about \$634,000 per year over the last three years. The relatively low revenue in FY 2006 and relatively high revenue in FY 2007 was due to a change in fee collection that allowed some institutions to pay after July 1, 2006, and shifted revenue from FY 2006 to FY 2007. In every year since the Board transitioned to Fund 4K90, the Board's revenues have exceeded its expenditures. As of December 31, 2008, the Board's current revenue for FY 2009 was \$336,492, in line with the average for that point in the fiscal year. For the FY 2010-FY 2011 biennium, fee revenue is expected to remain approximately \$635,000 per year. With revenues at this level, the Board will continue to operate on a surplus over the biennium.

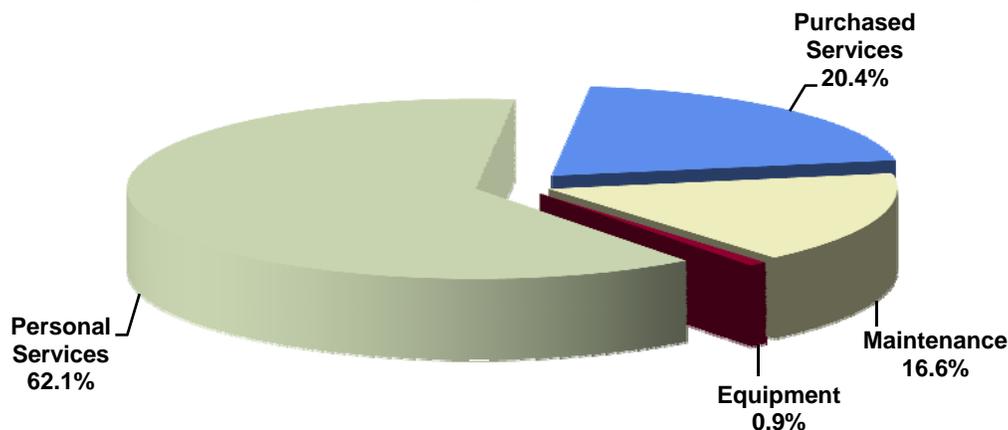
	Actual			Estimate		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Fee Revenue	\$568,819	\$686,624	\$646,945	\$635,000	\$635,000	\$635,000
Annual % Change	--	17.2%	-6.1%	-1.9%	0.0%	0.0%

Appropriation Overview

The executive budget recommends flat funding for the Board in FY 2010 and FY 2011. At this funding level, the Board will be able to maintain its current operations.

Appropriations by Expense Category. As a regulatory agency, personnel cost is the biggest expenditure category of the Board. The Board does not expect to change its current appropriation allocation in the FY 2010-FY 2011 biennium. As seen from Chart 1, 62.1% of the executive budget recommendations for the biennium will go to personal services, 20.4% to purchased services, mainly for the five part-time school evaluators, and the remaining 17.5% to maintenance and equipment.

**Chart 1: Biennial Executive Budget Recommendations
by Expense Category, FY 2010-FY 2011**



Financial Aid Eligibility for Students Attending Career Colleges and Schools

The executive budget recommends the elimination of students of career colleges and schools from the Ohio College Opportunity Grant (OCOG) program and creates the Career College Need-based Financial Aid Block Grant Program to provide need-based financial aid to those students, beginning in FY 2010. Under current law, OCOG is the primary source of state need-based aid for students in post-secondary education. The Chancellor of the Board of Regents is responsible for determining the allocation of the Career College Need-based Financial Aid Block Grant. BOR indicates that each school will receive an allocation based on the number of students enrolled that are eligible for a federal Pell Grant, as determined by the Free Application for Federal Student Aid (FAFSA). Each school is responsible for distributing its allocation of the block grant to financially needy students. It is likely that aid levels will differ from those under OCOG. Approximately 44,000 students are currently enrolled in certificate or degree programs that would be affected by these changes. The executive proposal earmarks \$30.0 million in each year of the biennium (in BOR's budget) for these grants.

H.B. 119 of the 127th General Assembly required for-profit proprietary schools to obtain BOR authorization of advanced degree programs in order for students of those programs to receive OCOG aid after the 2007-2008 academic year. Due to various delays in the authorization process, the H.B. 119 OCOG restrictions have not yet taken effect. Nearly all affected proprietary schools have applied for authorization. The executive budget maintains the BOR authorization requirement under the Career College Needs-based Financial Aid Block Grant.

Growth of Registered Schools, Programs Offered, and Student Enrollment

As Table 3 illustrates, from FY 2003 to FY 2008 the Board saw fluctuations in the number of registered career colleges and schools, from 265 schools in FY 2003 to 291 in

FY 2008. In-state student enrollment has steadily increased from a low of 56,135 in FY 2004 to a high of 70,426 in FY 2008, an increase of 25.5% over four years.

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Registered Schools	265	270	285	282	279	291
In-state Enrollment	56,460	56,135	58,831	61,629	63,453	70,426
Out-of-state Enrollment	4,349	4,675	5,475	4,706	5,330	5,422
Total Enrollment	60,809	60,810	64,306	66,335	68,783	75,848

The Board offers registration and authorization for four different types of programs: certificate, diploma, associate degree, and advanced degree. 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 diploma programs. Associate degrees are generally two-year programs that augment the diploma programs with general studies components. Advanced degrees include baccalaureate, masters, and doctoral degrees. Table 4 shows the numbers of each type of program registered with the Board in recent years. As seen from the table, the total number of programs registered with the Board increased from 1,440 in FY 2003 to 1,971 in FY 2008, an increase of 36.9%.

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Certificate	484	562	701	572	495	535
Diploma	445	511	553	617	509	674
Associate Degree	463	499	577	565	654	695
Advanced Degree	48	35	48	49	53	67
Total	1,440	1,607	1,879	1,803	1,711	1,971

ANALYSIS OF EXECUTIVE PROPOSAL

The following table shows the Governor's recommended appropriations for the State Board of Career Colleges and Schools.

Governor's Recommended Amounts for State Board of Career Colleges and Schools				
Fund	ALI and Name		FY 2010	FY 2011
General Services Fund Group				
4K90	233501	Operating Expenses	\$572,000	\$572,000
General Services Fund Group Subtotal			\$572,000	\$572,000
Total Funding: State Board of Career Colleges and Schools			\$572,000	\$572,000

Operating Expenses (233501)

The Board has one line item that funds its activities. As indicated earlier, the executive budget provides flat funding for the Board. Table 5 illustrates some activities the Board has completed in recent years related to its monitoring and supervision of the schools it regulates.

Table 5. School Regulation Statistics, FY 2003-FY 2008						
Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Agent Permits Issued	595	689	850	946	1,003	1,037
New Schools Approved	27	48	35	24	34	39
New Programs, Degrees, and Majors Approved	355	559	352	388	356	394
School Registrations Renewed	115	123	141	146	136	130
Programs and Degrees Renewed	511	737	746	786	777	808

The Board's regulatory obligations also include on-site visits and investigative inquiries by consultants and staff. On-site visits are primarily conducted as part of the registration and review process. As seen in Table 6, in FY 2008 there were 58 complaints lodged against registered schools. Most of these complaints were resolved through voluntary compliance by the schools; however, the Board did conduct ten investigative inquiries. Corrective measures available to the Board range from consent agreements and civil penalties to the revocation of a school's certificate of registration and closure.

Activity	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Complaints	37	43	40	69	54	58
Investigative Inquiries	9	25	31	13	17	10
On-site Reviews	225	235	250	260	275	250

Central Service Agency

The executive budget requires the Central Service Agency (CSA) to perform and provide services for the State Board of Career Colleges and Schools. CSA is a subsidiary agency of the Department of Administrative Services (DAS) designed to provide payroll, administrative, and financial services for state professional licensing boards. Although CSA is not required to provide services for the Board under current law, the Board has chosen to use CSA for some of its administrative and financial operations. Since the Board is already using CSA, the executive budget changes will likely have only a minimal effect on the Board's expenses for these administrative services. The executive budget also allows CSA to require its member boards and commissions to share office equipment, office space, or other assets if sharing would result in efficiencies or savings. If the CSA requires the Board to share equipment, space, or assets it may affect the administrative operations of the Board.

Student Tuition Recovery

The Board is also responsible for maintaining the Ohio Student Tuition Recovery Fund. This fund and its regulatory body, the Ohio Student Tuition Recovery Authority, were created in 1991 to protect students from career colleges and schools that default on payments of prepaid tuitions after closure. The Board maintains the records of approximately 150,000 students who attended schools that are now closed and provides transcripts for the students who attended these schools.

The Board maintains the fund through collections from all registered schools in the form of an annually assessed deposit of \$500 for the first five years of registration. The reimbursement of any loss of prepaid tuition due to a school closure is first to be paid from the surety bond each school is required to maintain. Reimbursement is made from the Student Tuition Recovery Fund only if the surety bond is not sufficient to cover the entire cost of a prepaid tuition loss. The Board has the authority to establish rules designating the period that a surety bond must remain in effect, as well as establish different bond amounts for different categories of schools if the fund balance is significantly depleted. In FY 2008 two claims were made to the fund for a total cost of \$4,150. The fund also paid out approximately \$11,800 in costs related to the storage of closed school records. As of June 30, 2008, the fund had a balance of approximately \$1.4 million.

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General Services Fund Group

4K90 233601 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$500,771	\$493,602	\$490,008	\$572,700	\$572,700	\$572,700
	-1.4%	-0.7%	16.9%	0.0%	0.0%

Source: GSF: Fees received from the career colleges and schools registered with the Board

Legal Basis: ORC 3332.04

Purpose: This line item is 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.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2008</i>	<i>2009</i>	<i>As Introduced 2010</i>	<i>% Change 2009 to 2010</i>	<i>As Introduced 2011</i>	<i>% Change 2010 to 2011</i>
SCR State Board of Career Colleges and Schools								
4K90	233601	Operating Expenses	\$ 490,008	\$ 572,700	\$ 572,700	0.0%	\$ 572,700	0.0%
General Services Fund Group Total			\$ 490,008	\$ 572,700	\$ 572,700	0.0%	\$ 572,700	0.0%
Total All Budget Fund Groups			\$ 490,008	\$ 572,700	\$ 572,700	0.0%	\$ 572,700	0.0%