

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 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
- Funding increase of 12.0% in FY 2012 and 3.7% in FY 2013

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 2010, 311 career colleges and schools were registered with the Board. These schools offered over 2,400 programs and enrolled over 100,000 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 February 2011, there are two vacancies on 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.

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, 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.

Technological Initiatives

Technological improvement is an ongoing effort for the Board. Over the FY 2010-FY 2011 biennium, the Board used both the Department of Administrative Services (DAS) and a private company to improve the design and functionality of their agency web site. The Board's web site now includes online forms to facilitate data collection and analysis, and the Board hopes to expand capabilities to include online program and school authorization renewals. In January 2011, the Board introduced a mandatory online agent training course for all agent permit applicants. Agents must pass the test only once and pay the same fee (\$125) that was required for application before the test was instituted. Of the required course fee, \$100 is paid to the firm that created the online course content. The remaining \$25 is deposited into a private account that is maintained by the firm and will be used to provide scholarships to students of Ohio's career colleges and schools. The Board anticipates that this scholarship program could be operational by FY 2012.

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. However, the Board increasingly collected fee revenue in excess of its operating expenditures. In FY 2010, the Board voted to eliminate several of its miscellaneous fees, including a fee for new school site visits and fees for changing the name, director, or location of a school.

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 duplicate permit fees and late payment charges.

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 2008 to FY 2010 and estimates for FY 2011 to FY 2013. The Board's fee revenue has averaged about \$848,000 per year over FY 2009 and FY 2010. In every year since the Board transitioned to Fund 4K90, the Board's revenues have exceeded its expenditures. As of February 28, 2010, the Board's current revenue for FY 2011 was \$716,601; higher than average for that point in the fiscal year. For the FY 2012-FY 2013 biennium, fee revenue is expected to remain approximately \$750,000 per year. With revenues at this level, the Board will continue to operate at a surplus over the biennium.

	Actual			Estimate		
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Fee Revenue	\$646,945	\$800,474	\$895,516	\$750,000	\$750,000	\$750,000
Annual % Change	--	23.7%	11.9%	-16.2%	0.0%	0.0%

Appropriation Overview

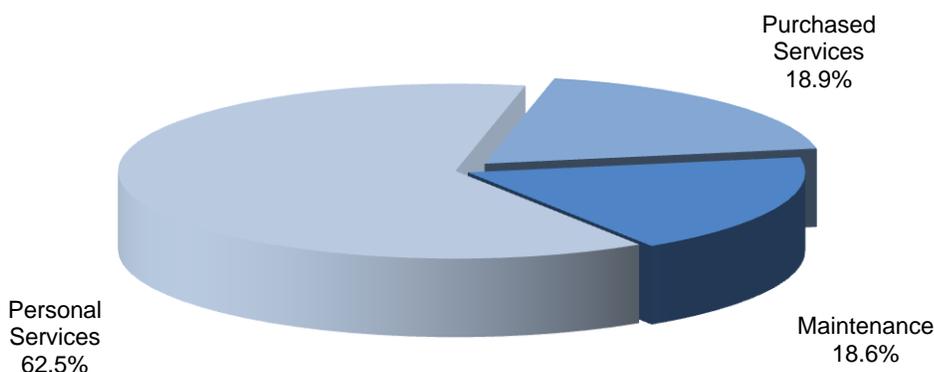
The executive budget recommends for the Board an appropriation of \$558,658, an increase of 12.0%, in FY 2012 and an appropriation of \$579,328, an increase of 3.7%,

in FY 2013. At this funding level, the Board will be able to maintain its current operations and pay for the Board's two-year audit by the State Auditor.

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 2012-FY 2013 biennium. As seen from Chart 1, 62.5% of the executive budget recommendations for the biennium will go to personal services, 18.9% to purchased services, mainly for the five part-time school evaluators, and the remaining 18.6% to maintenance.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2012-FY 2013



Growth of Registered Schools, Programs Offered, and Student Enrollment

As Table 3 illustrates, from FY 2004 to FY 2010 the Board saw fluctuations in the number of registered career colleges and schools, from 270 schools in FY 2004 to 311 in FY 2010. In-state student enrollment has steadily increased from a low of 56,135 in FY 2004 to a high of 96,744 in FY 2010, an increase of 72.3% over seven years.

Table 3. Registered Schools and Enrollment, FY 2004-FY 2010							
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Registered Schools	270	285	282	279	291	308	311
In-state Enrollment	56,135	58,831	61,629	63,453	70,426	84,390	96,744
Out-of-state Enrollment	4,675	5,475	4,706	5,330	5,422	9,233	10,251
Total Enrollment	60,810	64,306	66,335	68,783	75,848	93,623	106,995

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 1,607 in FY 2004 to 2,432 in FY 2010, an increase of 51.3%.

Table 4. Programs Offered by Registered Schools, FY 2004-FY 2010							
Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Certificate	562	701	572	495	535	596	646
Diploma	511	553	617	509	674	577	623
Associate Degree	499	577	565	654	695	943	1,057
Advanced Degree	35	48	49	53	67	66	106
Total	1,607	1,879	1,803	1,711	1,971	2,182	2,432

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 2012	FY 2013
General Services Fund Group				
4K90	233501	Operating Expenses	\$558,658	\$579,328
General Services Fund Group Subtotal			\$558,658	\$579,328
Total Funding: State Board of Career Colleges and Schools			\$558,658	\$579,328

Operating Expenses (233501)

The Board has one line item that funds its activities. As indicated earlier, the executive budget increases appropriations for the Board by 12.0% in FY 2012 and by 3.7% in FY 2013. 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 2004-FY 2010							
Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Agent Permits Issued	689	850	946	1,003	1,037	1,200	1,200
New Schools Approved	48	35	24	34	39	45	33
New Programs, Degrees, and Majors Approved	559	352	388	356	394	669	691
School Registrations Renewed	123	141	146	136	130	142	139
Programs and Degrees Renewed	737	746	786	777	808	742	974

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 2010 there were 73 complaints lodged against registered schools. Most of these complaints were resolved through voluntary compliance by the schools; however, the Board did conduct five 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 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Complaints	43	40	69	54	58	72	73
Investigative Inquiries	25	31	13	17	10	8	5
On-site Reviews	235	250	260	275	250	270	220

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 repayments 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 2010, more than 75 claims were made to the fund and approximately \$566,000 was paid to claimants. The large number of claims was due to a mid-year school closing. The Student Tuition Recovery Fund was used to repay student loans and reimburse prepaid tuition for students of the defunct school. As of June 30, 2010, the fund had a balance of approximately \$1.3 million.

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State Board of Career Colleges and Schools

General Services Fund Group

4K90 233601 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$490,008	\$540,093	\$495,676	\$499,008	\$558,658	\$579,328
	10.2%	-8.2%	0.7%	12.0%	3.7%

Source: General Services Fund Group: 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.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
SCR State Board of Career Colleges and Schools								
4K90	233601	Operating Expenses	\$ 495,676	\$ 499,008	\$ 558,658	11.95%	\$ 579,328	3.70%
General Services Fund Group Total			\$ 495,676	\$ 499,008	\$ 558,658	11.95%	\$ 579,328	3.70%
State Board of Career Colleges and Schools Total			\$ 495,676	\$ 499,008	\$ 558,658	11.95%	\$ 579,328	3.70%