

# **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
- Flat funding in FY 2014 and FY 2015

## 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 2012, 322 career colleges, schools, and learning centers were registered with the Board. These schools offered 2,787 programs and enrolled over 85,000 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. 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 four 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, ensuring the quality of 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 some online forms to facilitate data collection and analysis, and the Board hopes to have all forms and data submission online by the end of FY 2013.

### **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.

Table 1a. School Registration Fees	
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

Table 1b. Program Authorization and Agent Permit Fees	
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 2010 to FY 2012 and estimates for FY 2013 to FY 2015. The Board's fee revenue spiked to an average of approximately \$1,000,000 per year over FY 2011 and FY 2012. A Board spokesperson indicates that this increase was due to market-wide growth in the number of schools and school activity, and that the growth seems to have slowed over the past year. In every year since the Board transitioned to Fund 4K90, the Board's revenues have exceeded its expenditures. As of February 6, 2013, the Board's current revenue for FY 2013 was \$503,555. For the FY 2014-FY 2015 biennium, fee revenue is expected to remain approximately \$800,000 per year. With revenues at this level, the Board will continue to operate at a surplus over the biennium.

Table 2. Fee Revenue for the State Board of Career Colleges and Schools, FY 2010-FY 2015						
	Actual			Estimate		
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Fee Revenue	\$895,516	\$1,101,520	\$916,645	\$800,000	\$800,000	\$800,000
Annual % Change	--	23.0%	16.8%	12.7%	0.0%	0.0%

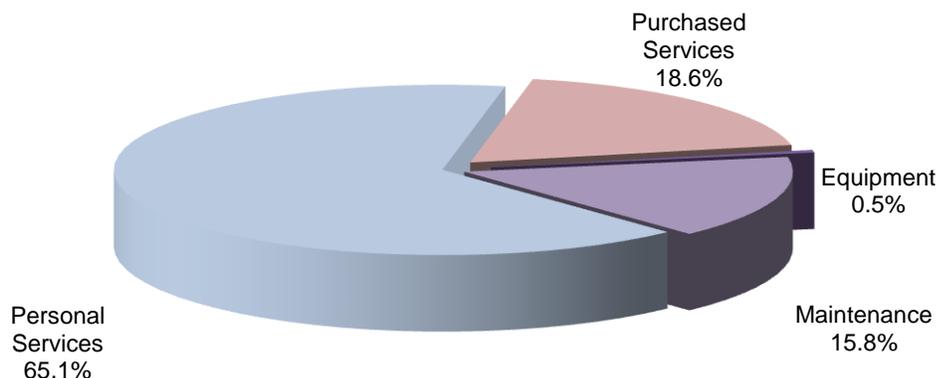
### Appropriation Overview

The executive budget recommends flat funding for the Board in FY 2014 and FY 2015. 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 2014-FY 2015 biennium. As seen from Chart 1, 65.1% of the executive budget recommendations for the biennium will go to personal services, 18.6% to purchased services, mainly for the four part-time school evaluators, 15.8% for maintenance, and the remaining 0.5% will be used to purchase equipment.

**Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2014-FY 2015**



### Registered Schools, Programs Offered, and Student Enrollment

As Table 3 illustrates, from FY 2006 to FY 2012 the Board saw fluctuations in the number of registered career colleges and schools, from 282 schools in FY 2006 to 305 in FY 2012. In-state student enrollment has steadily increased from a low of 61,629 in FY 2006 to a high of 96,744 in FY 2010, an increase of 57.0% over four years. Since FY 2010, in-state student enrollment has decreased by 19.4% to 78,002 in FY 2012.

Table 3. Registered Schools and Enrollment, FY 2006-FY 2012							
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Registered Schools	282	279	291	308	311	309	305
In-state Enrollment	61,629	63,453	70,426	84,390	96,744	93,141	78,002
Out-of-state Enrollment	4,706	5,330	5,422	9,233	10,251	8,055	7,220
<b>Total Enrollment</b>	<b>66,335</b>	<b>68,783</b>	<b>75,848</b>	<b>93,623</b>	<b>106,995</b>	<b>101,196</b>	<b>85,222</b>

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 1,803 in FY 2006 to 2,787 in FY 2012, an increase of 54.6%.

<b>Table 4. Programs Offered by Registered Schools, FY 2006-FY 2012</b>							
<b>Program</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Certificate	572	495	535	596	646	576	649
Diploma	617	509	674	577	623	658	710
Associate Degree	565	654	695	943	1,057	1,102	1,195
Advanced Degree	49	53	67	66	106	144	233
<b>Total</b>	<b>1,803</b>	<b>1,711</b>	<b>1,971</b>	<b>2,182</b>	<b>2,432</b>	<b>2,480</b>	<b>2,787</b>

## 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 2014	FY 2015
<b>General Services Fund Group</b>				
4K90	233501	Operating Expenses	\$579,328	\$579,328
<b>General Services Fund Group Subtotal</b>			<b>\$579,328</b>	<b>\$579,328</b>
<b>Total Funding: State Board of Career Colleges and Schools</b>			<b>\$579,328</b>	<b>\$579,328</b>

### 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 in FY 2014 and in FY 2015. 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 2006-FY 2012							
Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Agent Permits Issued	946	1,003	1,037	1,200	1,200	1,772	1,155
New Schools Approved	24	34	39	45	33	33	22
New Programs, Degrees, and Majors Approved	388	356	394	669	691	656	621
School Registrations Renewed	146	136	130	142	139	116	177
Programs and Degrees Renewed	786	777	808	742	974	948	1,374

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 2012 there were 75 complaints lodged against registered schools. Most of these complaints were resolved through voluntary compliance by the schools; however, the Board did conduct four 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.

Table 6. Investigation and Review Statistics, FY 2006-FY 2012							
Activity	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Complaints	69	54	58	72	73	92	75
Investigative Inquiries	13	17	10	8	5	8	4
On-site Reviews	260	275	250	270	220	250	290

## 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 2012, the Board did not receive any student claims. As of June 30, 2012, the fund had a balance of approximately \$1.3 million.

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## State Board of Career Colleges and Schools

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### General Services Fund Group

#### **4K90 233601      Operating Expenses**

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$495,676	\$495,779	\$539,382	\$579,328	<b>\$579,328</b>	<b>\$579,328</b>
	0.0%	8.8%	7.4%	<b>0.0%</b>	<b>0.0%</b>

**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 2014 - FY 2015 Introduced Appropriation Amounts**

**All Fund Groups**

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>SCR State Board of Career Colleges and Schools</b>								
4K90	233601	Operating Expenses	\$ 539,382	\$ 579,328	\$ 579,328	0.00%	\$ 579,328	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 539,382</b>	<b>\$ 579,328</b>	<b>\$ 579,328</b>	<b>0.00%</b>	<b>\$ 579,328</b>	<b>0.00%</b>
<b>State Board of Career Colleges and Schools Total</b>			<b>\$ 539,382</b>	<b>\$ 579,328</b>	<b>\$ 579,328</b>	<b>0.00%</b>	<b>\$ 579,328</b>	<b>0.00%</b>