

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.

TABLE OF CONTENTS

OVERVIEW	1
Agency Overview.....	1
Strategic Plan for FY 2016-FY 2017 Biennium.....	2
Permit Period for an Agent of a Career College or School.....	2
Fee Revenue and Fund 4K90.....	3
Fee Structure.....	3
Fee Revenue.....	4
Appropriation Overview	4
Appropriations by Expense Category.....	4
Registered Schools, Programs Offered, and Student Enrollment	5
ANALYSIS OF EXECUTIVE PROPOSAL	6
Operating Expenses (233501).....	6
Student Tuition Recovery.....	7

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 2016 and FY 2017

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. Currently, 290 career colleges, schools, and learning centers are registered with the Board. These schools offer over 2,400 programs and enroll over 60,000 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 Director of Higher Education¹ 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 onsite 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

¹ The executive proposal renames the Board of Regents as the Department of Higher Education and the Chancellor of Board of Regents as the Director of Higher Education.

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 Department of Higher Education 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.

Strategic Plan for FY 2016-FY 2017 Biennium

The Board adopted a strategic plan for FY 2016 and FY 2017 in an effort to carry out its vision which is "To implement consumer protections that assure career colleges and schools offer quality options for career programs providing students better opportunities for employment and providing a competitive workforce and economic vitality for the citizens of Ohio."

To carry out its vision and mission, the Board identified five key strategies to work towards for the upcoming biennium. The five strategies are:

1. Continuously improve and update regulatory rules and processes;
2. Develop education and training;
3. Advocate for effective and vital career education;
4. Utilize technology to improve consumer and school access to information and services; and
5. Enhance internal leadership capacity.

Permit Period for an Agent of a Career College or School

Under continuing law, any individual whose primary duty, whether on or off school premises, is to solicit prospective students to their schools must first obtain a permit from the Board. Currently, agent permits need to be renewed every year. The executive budget extends the permit period to two years. According to a Board spokesperson, extending the period of time for permit renewal from one year to two years is unlikely to have any fiscal impact on the Board, as the Board eliminated the fees for agent permits in January 2011. Also, the change will align the renewal period for agent permits with the current, two-year renewal period for school licenses.

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 Dedicated Purpose 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. The Board anticipates fee revenue in excess of \$650,000 in both FY 2016 and FY 2017.

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 and program authorization 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.

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

Fee Revenue

Table 2 below shows the Board's fee revenue from FY 2012 to FY 2014 and estimates for FY 2015 to FY 2017. The Board's fee revenue has steadily declined every year since FY 2012. A Board spokesperson indicates that this decline may be due to a market-wide decrease in the number of available programs and schools, but that the revenue decline seems to be slowing. In every year since the Board transitioned to Fund 4K90, the Board's revenues have exceeded its expenditures. For the FY 2016-FY 2017 biennium, fee revenue is expected to be in excess of \$650,000 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 2012-FY 2017						
	Actual			Estimate		
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Fee Revenue	\$916,645	\$802,635	\$782,694	\$700,000	\$650,000	\$650,000
Annual % Change	--	-12.4%	-2.5%	-10.6%	-7.1%	0.0%

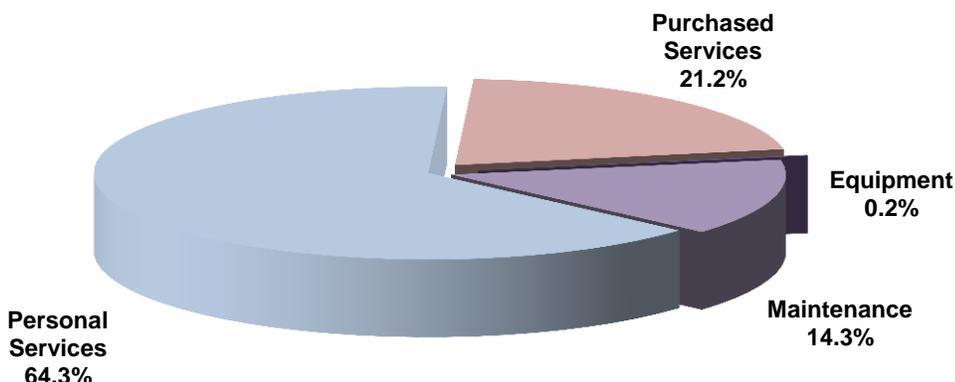
Appropriation Overview

The executive budget recommends flat funding for the Board in FY 2016 and FY 2017. 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. As seen from Chart 1, 64.3% of the executive budget recommendations for the biennium will go to personal services, 21.2% to purchased services, 14.3% for maintenance, and the remaining 0.2% will be used to purchase equipment.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2016-FY 2017



Registered Schools, Programs Offered, and Student Enrollment

As Table 3 illustrates, from FY 2007 to FY 2013 the Board saw fluctuations in the number of registered career colleges and schools, from 279 schools in FY 2007, to a high of 311 in FY 2010, and back down to 273 schools in FY 2013. In-state student enrollment steadily increased from 63,453 in FY 2007 to a high of 96,744 in FY 2010, an increase of 52.5% over three years. Since FY 2010, in-state student enrollment has decreased by 35.7% to 62,203 in FY 2013.

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Registered Schools	279	291	308	311	309	305	273
In-state Enrollment	63,453	70,426	84,390	96,744	93,141	78,002	62,203
Out-of-state Enrollment	5,330	5,422	9,233	10,251	8,055	7,220	6,119
Total Enrollment	68,783	75,848	93,623	106,995	101,196	85,222	68,322

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 1,711 in FY 2007 to 2,446 in FY 2013, an increase of 43.0%.

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Certificate	495	535	596	646	576	649	616
Diploma	509	674	577	623	658	710	643
Associate Degree	654	695	943	1,057	1,102	1,195	918
Advanced Degree	53	67	66	106	144	233	269
TOTAL	1,711	1,971	2,182	2,432	2,480	2,787	2,446

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 2016	FY 2017
Dedicated Purpose Fund Group				
4K90	233501	Operating Expenses	\$579,328	\$579,328
<i>Dedicated Purpose Fund Group Subtotal</i>			\$579,328	\$579,328
Total Funding: State Board of Career Colleges and Schools			\$579,328	\$579,328

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 2016 and in FY 2017. 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 2010-FY 2014					
Program	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Agent Permits Issued	1,200	1,772	1,155	1,457	1,228
New Schools Approved	33	33	22	20	25
New Programs, Degrees, and Majors Approved	691	656	621	509	542
School Registrations Renewed	139	116	177	125	158
Programs and Degrees Renewed	974	948	1,374	1,178	1,144

The Board's regulatory obligations also include onsite visits and investigative inquiries by consultants and staff. Onsite visits are primarily conducted as part of the registration and review process. As seen in Table 6, in FY 2014 there were 45 complaints lodged against registered schools. About half of these complaints were resolved through voluntary compliance by the schools and the other half of the complaints resulted in the Board finding that the school did not violate any regulations. The Board also conducted seven investigative inquiries in FY 2014. 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 2010-FY 2014					
Activity	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Complaints	73	92	75	53	45
Investigative Inquiries	5	8	4	6	7
Onsite Reviews	220	250	290	250	225

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 2014, the Board received one student claim for \$995. As of June 30, 2014, the fund had a balance of over \$1.2 million.

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State Board of Career Colleges and Schools

Dedicated Purpose Fund Group

4K90 233601 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$539,382	\$526,051	\$545,437	\$579,328	\$579,328	\$579,328
	-2.5%	3.7%	6.2%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: Fees received from the career colleges and schools registered with the Board

Legal Basis: ORC 3332.04; Section 231.10 of Am. Sub. H.B. 59 of the 130th G.A.

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 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Estimate	Introduced	FY 2015 to FY 2016	Introduced	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	FY 2017	% Change	
					% Change		% Change	
Report For Main Operating Appropriations Bill			Version: As Introduced					
SCR State Board of Career Colleges and Schools								
4K90	233601	Operating Expenses	\$ 545,437	\$ 579,328	\$ 579,328	0.00%	\$ 579,328	0.00%
Dedicated Purpose Fund Group Total			\$ 545,437	\$ 579,328	\$ 579,328	0.00%	\$ 579,328	0.00%
State Board of Career Colleges and Schools Total			\$ 545,437	\$ 579,328	\$ 579,328	0.00%	\$ 579,328	0.00%