

# Redbook

## LBO Analysis of Executive Budget Proposal

### State Board of Career Colleges and Schools

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# LBO Redbook

## State Board of Career Colleges and Schools

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### Quick look...

- The State Board of Career Colleges and Schools (SCR) is entirely funded through registration fee revenue. The Board receives no GRF funding.
- Currently, SCR oversees 244 career colleges, schools, and learning centers registered with the Board. Together, these schools offer over 1,000 programs and enroll over 53,000 students.
- The Board is governed by eight members: the Superintendent of Public Instruction or designee, the Chancellor of Higher Education or designee, and six members appointed by the Governor.
- SCR’s day-to-day operations are typically handled by three full-time staff members, including an executive director.
  - SCR also contracts with two part-time school evaluators who are based around the state and perform fieldwork and onsite visits.
- The executive budget recommends funding of \$551,000 in FY 2024 and \$567,000 in FY 2025.
  - These budget recommendations will allow for a continuation of SCR’s current operations.
  - Uses of the budget: 76.6% for personal services, 13.6% for supplies and maintenance, and 9.8% for purchased personal services.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
<b>Fund 4K90 ALI 233601, Operating Expenses</b>					
\$474,339	\$439,897	\$493,830	\$532,085	\$551,000	\$567,000
% change	-7.3%	12.3%	7.7%	3.6%	2.9%

### Agency overview

The State Board of Career Colleges and Schools (SCR) monitors and regulates Ohio’s private, for-profit, postsecondary career colleges and schools in order to ensure compliance with state law. SCR currently oversees 244 career colleges, schools, and learning centers that are registered with the Board. Together, these schools offer over 1,000 programs and enroll more than 53,000 students. The Board consists of eight members, including the Superintendent of Public Instruction or the Superintendent’s designee, the Chancellor of Higher Education or the Chancellor’s designee, and six members appointed by the Governor. The six appointed members are eligible for pay of \$19.55 per hour for their time conducting board business. SCR’s day-to-day operations are handled by three full-time staff members led by an executive director. SCR receives no GRF funding. It is entirely supported by fees that are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

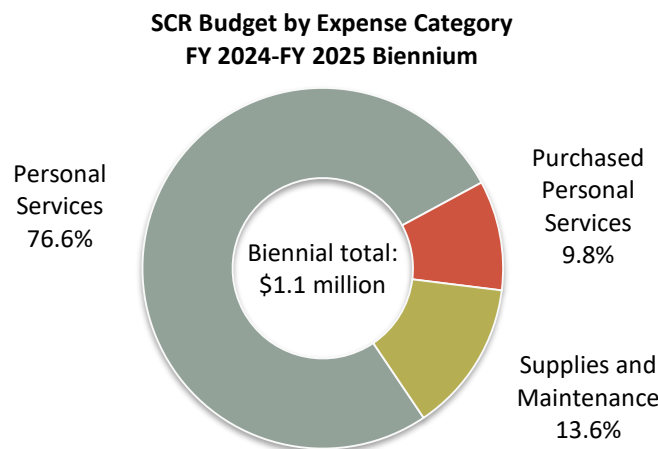
# Analysis of FY 2024-FY 2025 budget proposal

## Overview

The State Board of Career Colleges and Schools (SCR) is funded by a single appropriation item within Fund 4K90: appropriation item 233601, Operating Expenses. The preceding table shows SCR's actual expenditures from FY 2020 through FY 2022, appropriation for FY 2023, and recommended appropriations for FY 2024 and FY 2025. As can be seen in the table, the executive budget proposal increases SCR funding by 3.6% in FY 2024 and by another 2.9% in FY 2025. According to a Board spokesperson, the increase in appropriation over the biennium is mainly due to personnel costs. For certain periods of time in both FY 2022 and FY 2023, SCR's personnel expenditures needed to support only two full-time staff. The third full-time employee recently retired, and SCR expects to hire a replacement by the beginning of the next biennium. In addition, SCR anticipates contracting with a third part-time school evaluator to cover territory in the southwestern region of the state. Some of these increased costs may be somewhat offset by a decrease in travel-related expenses since there will be more evaluators covering the state closer to their residences, resulting in less need to travel longer distances. Overall, SCR's recommended budget provides sufficient funding for the continued support of its operations, including additional payroll and fringe benefit-related costs over the biennium.

## Executive recommendations by expense category

The chart below shows the \$1.1 million proposed budget for the biennium by expense category. As a regulatory agency, personnel cost is SCR's biggest expenditure category, at 76.6% of the proposed budget. This category provides the wages and benefits for SCR's three full-time staff as well as the pay for the six members appointed by the Governor. The Board typically meets six times per year. The next largest expenditure category for SCR is supplies and maintenance, at 13.6%. This category includes rent, information technology, and other services provided by the Department of Administrative Services (DAS), as well as reimbursements for travel and other necessary expenses. Purchased personal services represent 9.8% of the agency's budget. As described above, this funding supports contracts with three part-time school evaluators who will be based in different areas of the state and perform fieldwork and onsite visits.



## Fee revenue

As indicated above, SCR does not receive any GRF funding. SCR is completely funded by fee revenue. Tables 1a and 1b show the initial school registration and program authorization fees currently charged by the Board. An initial school registration expires after one year, while a renewal registration period lasts two years with a fee level double the initial amount listed in Table 1a. In FY 2022, the Board increased several of its fees for the first time since 2003. The updated fee schedule continues to place a greater burden on those schools with gross tuition revenue above \$1.0 million, a policy that has been in place since FY 2010.

Table 1a. School Registration Fees	
Gross Annual Tuition Income	Fee (Initial)
Less than \$100,000	\$200
\$100,000 to \$999,999	\$350
\$1,000,000 and over	\$1,000

Table 1b. Program Authorization Fees	
Type of Program	Fee (Annual)
Certificate/Diploma	\$200
Associate Degree	\$275
Bachelor/Other Degree	\$450
Major within Degree Program	\$150

Fees collected by SCR are deposited in the Occupational Licensing and Regulatory Fund (Fund 4K90). Many of the state's professional and occupational licensing boards, including SCR, use Fund 4K90 as an operating account to support their regulatory operations. Table 2 below shows SCR's operating revenue and expenditures from FY 2020 to FY 2025. As can be seen in the table, fee revenue per year over this period of time was at its lowest in FY 2020, likely due to COVID-19-related issues. Since then, SCR's fee revenue increased by about \$113,000 (29.1%) to more than \$502,000 in FY 2022. A Board spokesperson indicates the increase in revenue during each of FY 2021 and FY 2022 was likely due to a combination of an increase in the number of small schools registered and the previously mentioned January 2022 fee increases. The estimated increase in FY 2023 corresponds with the new fee amounts being in place for the entire year.

For the FY 2024-FY 2025 biennium, fee revenue is expected to stay consistent with the projected FY 2023 level of about \$565,000 per year. With revenues at this level, the Board anticipates operating at a small surplus in FY 2024 and a small deficit in FY 2025.

	Actual			Estimate		
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$389,004	\$431,350	\$502,251	\$565,000	\$565,000	\$565,000
Expenses	\$474,339	\$439,897	\$493,830	\$532,085	\$551,000	\$567,000
Net	-\$85,335	-\$8,547	\$8,421	\$32,915	\$14,000	-\$2,000

## School, program, and student enrollment statistics

Table 3 shows the numbers of registered schools, in-state programs offered, and student enrollment from FY 2017 to FY 2022. In addition to the over 800 in-state programs offered at Ohio's SCR registered schools, there are about 160 out-of-state programs that have Ohio residents enrolled in them. As Table 3 shows, the total number of in-state programs and registered schools increased slightly in FY 2022. These small increases come after several years of general decline for both, which were mostly due to regulatory changes at the federal level leading to the closure of some large schools and overall market conditions. These factors led to a sharp decline in enrollment, which fell to about 38,250 students in FY 2018. Since then, enrollment has increased 44.5% to over 55,000 students in FY 2022, led mostly by a 43.8% increase in in-state student enrollment. The programs that have seen the most growth are in the fields of medicine, trades, and information technology, enrolling 40%, 13%, and 12%, respectively, of all students in FY 2022.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Registered Schools</b>	251	245	232	236	241	244
<b>In-State Programs Offered</b>						
Certificates	412	375	367	394	425	415
Diplomas	329	271	291	299	270	277
Associate Degree	302	193	161	182	152	159
Advanced Degree	44	14	5	14	17	20
<b>Total</b>	<b>1,087</b>	<b>853</b>	<b>824</b>	<b>889</b>	<b>864</b>	<b>871</b>
<b>Student Enrollment</b>						
In-State	37,764	37,324	42,711	43,683	49,702	53,663
Out-of-State	1,097	929	1,572	728	1,199	1,623
<b>Total</b>	<b>38,861</b>	<b>38,253</b>	<b>44,283</b>	<b>44,411</b>	<b>50,901</b>	<b>55,286</b>

## Investigation and enforcement statistics

The Board's regulatory obligations also include onsite<sup>1</sup> 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 4, there were 43 complaints and investigative inquiries involving registered schools in FY 2022. Approximately 38 of these actions were resolved through informal means or by consent agreement and five resulted in formal disciplinary action. 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 2018	FY 2019	FY 2020	FY 2021	FY 2022
Complaints	43	36	35	30	40
Investigative inquiries	5	8	4	2	3
Onsite reviews	185	160	150	125	125

## Student Tuition Recovery Fund

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 approximately 500,000 records, some from as far back as the 1970s, of students who attended schools that are now closed and provides transcripts for the students who attended those 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 to establish different bond amounts for different categories of schools if the fund balance is significantly depleted. In calendar year 2022, the Board paid out 14 student claims totaling \$53,682. As of January 9, 2023, the fund had a balance of approximately \$1.0 million.

SCR/lb

<sup>1</sup> According to a Board spokesperson, most site visits in FY 2021 were conducted online or by telephone due to COVID-19-related restrictions. Onsite visits resumed in July 2021.