

Redbook

LBO Analysis of Executive Budget Proposal

State Board of Career Colleges and Schools

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TABLE OF CONTENTS

| | |
|--|---|
| Quick look..... | 1 |
| Agency overview | 1 |
| Analysis of FY 2020-FY 2021 budget proposal..... | 2 |
| Overview | 2 |
| Executive recommendations by expense category | 2 |
| Fee revenue | 3 |
| School, program, and student enrollment statistics | 4 |
| Investigation and enforcement statistics | 4 |
| Student tuition recovery fund | 5 |

LBO Redbook

State Board of Career Colleges and Schools

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 245 career colleges, schools, and learning centers registered with the Board. Together, these schools offer 850 programs and enroll over 37,000 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 handled by three full-time staff members, including an executive director.
 - SCR also contracts with three part-time school evaluators who are based around the state and perform fieldwork and onsite visits.
- The executive budget recommends flat funding of \$540,260 in each year of the biennium.
 - These budget recommendations will allow for a continuation of SCR's current operations.
 - Uses of the budget: 69.6% for personal services, 15.8% for purchased personal services, and 14.6% for supplies and maintenance.

| FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Estimate | FY 2020 Introduced | FY 2021 Introduced |
|---|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| Fund 4K90 ALI 233601, Operating Expenses | | | | | |
| \$480,560 | \$495,892 | \$489,383 | \$540,260 | \$540,260 | \$540,260 |
| % change | 3.2% | -1.3% | 10.4% | 0.0% | 0.0% |

Agency overview

The State Board of Career Colleges and Schools (SCR) monitors and regulates Ohio's private, for-profit, post-secondary career colleges and schools in order to ensure compliance with state law. SCR currently oversees 245 career colleges, schools, and learning centers that are registered with the Board. Together, these schools offer 850 programs and enroll over 37,000 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).

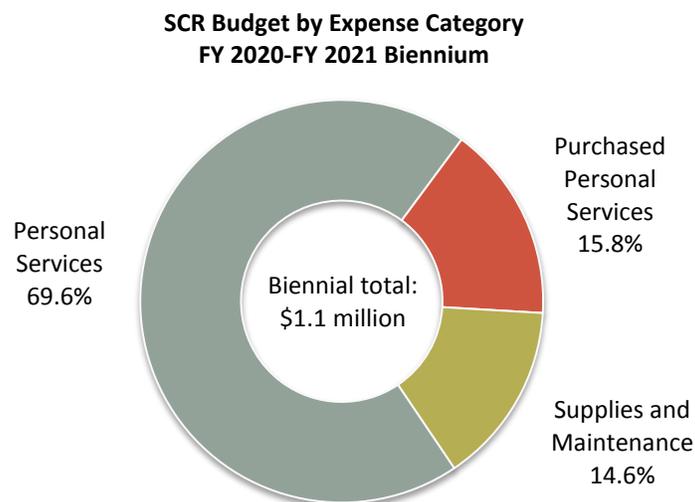
Analysis of FY 2020-FY 2021 budget proposal

Overview

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 2016 through FY 2018, appropriation for FY 2019, and recommended appropriations for FY 2020 and FY 2021. The executive budget proposal provides flat funding with the amounts appropriated in FY 2018 and FY 2019 under the current budget. FY 2018 expenditures were lower than the appropriated amount, in part, due to lower than expected purchased personal service expenses associated with SCR's contracted evaluators. According to a Board spokesperson, SCR's contract payments for these services declined by about \$34,000 (36.2%) in FY 2018 partially because of a health issue that prevented one of the evaluators from working for a period of time. Payments to the contracted evaluators are expected to return to more typical levels in FY 2019 as well as in the upcoming biennium. SCR's recommended budget provides sufficient funding for contracted evaluations and supports 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 69.6% 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 purchased personal services, at 15.8%. As described above, this funding supports contracts with three part-time school evaluators who are based around the state and perform fieldwork and onsite visits. Supplies and maintenance costs represent 14.6% of the agency's budget. 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.



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 amount listed in Table 1a. In FY 2016, the Board consolidated its previous five gross annual tuition income categories into the three listed in Table 1a. 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 | \$150 |
| \$100,000 to \$999,999 | \$250 |
| \$1,000,000 and over | \$800 |

| Table 1b. Program Authorization Fees | |
|--------------------------------------|--------------|
| Type of Program | Fee (Annual) |
| Certificate/Diploma | \$150 |
| Associate Degree | \$225 |
| Bachelor/Other Degree | \$450 |
| Major within Degree Program | \$150 |
| Learning Center | \$0 |

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 2016 to FY 2021. As can be seen in the table, SCR's fee revenue declined by about \$110,000 (18.2%) in FY 2017 but rebounded by about \$86,000 (17.6%) in FY 2018. A Board spokesperson indicates the FY 2017 decline in revenue is likely due to a market-wide decrease in the number of available programs and schools. The increase in FY 2018 is likely due to an increase in registration renewals.

For the FY 2020-FY 2021 biennium, fee revenue is expected to stay consistent with the FY 2019 level of about \$550,000 per year. With revenues at this level, the Board anticipates operating at a surplus over the biennium.

| Table 2. Revenues and Expenditures, FY 2016-FY 2021 | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| | Actual | | | Estimate | | |
| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Revenue | \$599,840 | \$490,845 | \$577,040 | \$550,000 | \$550,000 | \$550,000 |
| Expenses | \$480,560 | \$495,892 | \$489,383 | \$540,260 | \$540,260 | \$540,260 |
| Net | \$119,280 | -\$5,047 | \$87,647 | \$9,740 | \$9,740 | \$9,740 |

School, program, and student enrollment statistics

Table 3 shows the numbers of registered schools, programs offered, and student enrollment from FY 2013 to FY 2018. They all experienced decreases in recent years due mainly to market conditions.

| Table 3. Registered Schools, Programs Offered, and Enrollment, FY 2013-FY 2018 | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| Registered Schools | 273 | 258 | 261 | 243 | 235 | 245 |
| Programs Offered | | | | | | |
| Certificates | 616 | 419 | 401 | 426 | 412 | 365 |
| Diplomas | 643 | 588 | 428 | 425 | 329 | 276 |
| Associate Degree | 918 | 835 | 815 | 503 | 302 | 194 |
| Advanced Degree | 269 | 210 | 154 | 85 | 44 | 15 |
| Total | 2,446 | 2,052 | 1,798 | 1,439 | 1,087 | 850 |
| Student Enrollment | | | | | | |
| In-State | 62,203 | 60,437 | 51,718 | 50,806 | 37,764 | 36,673 |
| Out-of-State | 6,119 | 9,261 | 3,160 | 1,233 | 1,097 | 576 |
| Total | 68,322 | 69,698 | 54,878 | 52,039 | 38,861 | 37,249 |

Investigation and enforcement statistics

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 4, there were 48 complaints and investigative inquiries involving registered schools in FY 2018. Approximately 36 of these actions were resolved through voluntary compliance by the schools, 11 resulted in SCR finding that the school did not violate any regulations, and one 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.

| Table 4. Enforcement Statistics | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|
| Activity | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| Complaints | 45 | 50 | 29 | 42 | 40 |
| Investigative Inquiries | 7 | 8 | 6 | 9 | 8 |
| Onsite reviews | 225 | 230 | 205 | 175 | 168 |

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 the records of approximately 150,000 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 2018, the Board paid out student claims totaling approximately \$41,000. As of January 1, 2019, the fund had a balance of approximately \$1.2 million.