

Redbook

LBO Analysis of Executive Budget Proposal

State Board of Career Colleges and Schools

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February 2021

TABLE OF CONTENTS

| | |
|--|---|
| Quick look..... | 1 |
| Agency overview | 1 |
| Analysis of FY 2022-FY 2023 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 | 5 |
| 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 235 career colleges, schools, and learning centers registered with the Board. Together, these schools offer over 1,000 programs and enroll over 44,000 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 two part-time school evaluators who are based around the state and perform fieldwork and onsite visits.
- The executive budget recommends funding of \$513,000 in FY 2022, a decrease of 5.0% from the FY 2021 appropriation, and flat funding in FY 2023.
 - These budget recommendations will allow for a continuation of SCR's current operations.
 - Uses of the budget: 76.4% for personal services, 16.6% for supplies and maintenance, and 7.0% for purchased personal services.

| FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Introduced | FY 2023 Introduced |
|---|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| Fund 4K90 ALI 233601, Operating Expenses | | | | | |
| \$489,383 | \$470,399 | \$474,339 | \$540,260 | \$513,000 | \$513,000 |
| % change | -3.9% | 0.8% | 13.9% | -5.0% | 0.0% |

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 235 career colleges, schools, and learning centers that are registered with the Board. Together, these schools offer over 1,000 programs and enroll more than 44,000 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 2022-FY 2023 budget proposal

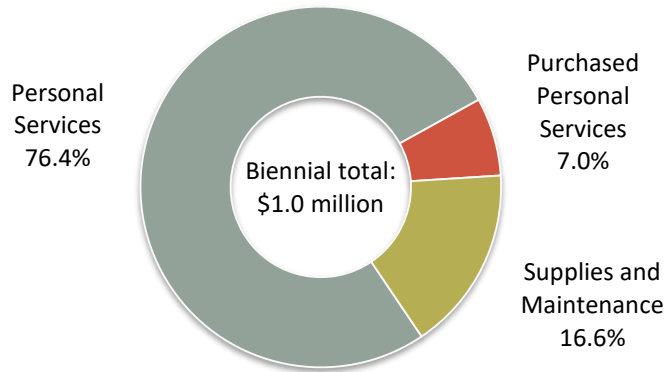
Overview

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 2018 through FY 2020, appropriation for FY 2021, and recommended appropriations for FY 2022 and FY 2023. As can be seen in the table, the executive budget proposal decreases SCR funding by 5.0% in FY 2022 and provides flat funding in FY 2023. According to a Board spokesperson, the decrease in appropriation for FY 2022 is driven by a proposed reduction in expenses for SCR's two contracted school evaluators. Although SCR anticipates retaining these individuals in the next biennium, costs are expected to be lower mainly due to the transition to increasingly remote ways of conducting evaluations of schools, which has become more common during the COVID-19 pandemic. These remote methods for evaluations have resulted in less travel-related expenses for the evaluators over the last year. In addition, SCR may transition some of these services to the full-time staff. Overall, the \$38,000 estimated costs for these contracted services in FY 2022 is expected to be approximately 37.7% less than the \$60,000 spent on three contracted school evaluators in FY 2018. Despite the proposed decrease in appropriation for FY 2022, SCR's recommended budget provides sufficient funding for the continued support of its operations, including slight additional payroll and fringe benefit-related costs over the biennium.

Executive recommendations by expense category

The chart below shows the \$1.0 million proposed budget for the biennium by expense category. As a regulatory agency, personnel cost is SCR's biggest expenditure category, at 76.4% 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 16.6%. 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 7.0% of the agency's budget. As described above, this funding supports contracts with two part-time school evaluators who are based in the north and south halves of the state and perform fieldwork and onsite visits.

**SCR Budget by Expense Category
FY 2022-FY 2023 Biennium**



Fee revenue

As indicated above, SCR does not receive any GRF funding. SCR is completely funded by fee revenue. The Board charges initial school registration and program authorization fees. An initial school registration expires after one year, while a renewal registration period lasts two years with a fee level double the initial amount. The fee amounts are established in rules adopted by the Board. SCR proposes to increase several of its current fees. The current and proposed fee amounts are listed in Tables 1a and 1b. The proposed fee increases are the first for SCR since 2003. As shown in Table 1b, fees for “Bachelor/Other Degree” and “Major within Degree Program” programs will not be increased. SCR anticipates the new fees, if adopted, to be in place by the beginning of the 2021-2022 academic year.

| Table 1a. School Registration Fees | | | |
|------------------------------------|-----------------------|------------------------|-----------|
| Gross Annual Tuition Income | Current Fee (Initial) | Proposed Fee (Initial) | \$ Change |
| Less than \$100,000 | \$150 | \$200 | \$50 |
| \$100,000 to \$999,999 | \$250 | \$350 | \$100 |
| \$1,000,000 and over | \$800 | \$1,000 | \$200 |

| Table 1b. Program Authorization Fees | | | |
|--------------------------------------|----------------------|-----------------------|-----------|
| Type of Program | Current Fee (Annual) | Proposed Fee (Annual) | \$ Change |
| Certificate/Diploma | \$150 | \$200 | \$50 |
| Associate Degree | \$225 | \$275 | \$50 |
| Bachelor/Other Degree | \$450 | \$450 | \$0 |
| Major within Degree Program | \$150 | \$150 | \$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 2018 to FY 2023. As can be seen in the table, SCR's fee revenue declined by about \$188,000 (32.6%) between FY 2018 and FY 2020 but is expected to rebound by about \$50,000 (11.8%) in FY 2021. A Board spokesperson indicates the decline in revenue during FY 2019 and FY 2020 is likely due to a few of the larger schools closing in those years. The increase in FY 2021 is due to an increase in the number of small schools registered.

For the FY 2022-FY 2023 biennium, the projected revenue increases are a result of its proposal to increase fees. The fee increases are projected to increase annual revenues to approximately \$535,000 per year in the next biennium. With revenues at this level, the Board anticipates operating at a small surplus in FY 2022 and FY 2023.

| | Actual | | | Estimate | | |
|----------|-----------|-----------|-----------|------------|-----------|-----------|
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Revenue | \$577,040 | \$431,905 | \$389,004 | \$435,000 | \$535,000 | \$535,000 |
| Expenses | \$489,383 | \$470,399 | \$474,399 | \$475,000* | \$513,000 | \$513,000 |
| Net | \$87,657 | -\$38,494 | -\$85,395 | -\$40,000 | \$22,000 | \$22,000 |

*SCR estimated expenditures for FY 2021 as of February 5, 2021

School, program, and student enrollment statistics

Table 3 shows the numbers of registered schools, in-state programs offered, and student enrollment from FY 2015 to FY 2020. In addition to the over 800 in-state programs offered at Ohio's SCR registered schools, there are about 180 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 2020. These small increases come after several years of decline for both, which were mostly due to the closure of some large schools and overall market conditions. These factors led to a sharp decline in enrollment, which fell to about 37,250 students in FY 2018. Since then, enrollment has increased 18.7% to over 44,000 students in FY 2020, led mostly by an 18.2% increase in in-state student enrollment.

Table 3. Registered Schools, In-State Programs Offered, and Enrollment, FY 2015-FY 2020

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Registered Schools | 280 | 261 | 251 | 245 | 232 | 235 |
| In-State Programs Offered | | | | | | |
| Certificates | 401 | 426 | 412 | 375 | 367 | 388 |
| Diplomas | 428 | 425 | 329 | 271 | 291 | 276 |
| Associate Degree | 556 | 503 | 302 | 193 | 161 | 162 |
| Advanced Degree | 93 | 85 | 44 | 14 | 5 | 14 |
| Total | 1,478 | 1,439 | 1,087 | 853 | 824 | 840 |
| Student Enrollment | | | | | | |
| In-State | 51,718 | 50,806 | 37,764 | 36,673 | 42,711 | 43,361 |
| Out-of-State | 3,160 | 1,233 | 1,097 | 576 | 1,572 | 859 |
| Total | 54,878 | 52,039 | 38,861 | 37,249 | 44,283 | 44,220 |

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 42 complaints and investigative inquiries involving registered schools in FY 2020. Approximately 36 of these actions were resolved through informal means or by consent agreement and six 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 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|-------------------------|---------|---------|---------|---------|---------|
| Complaints | 23 | 42 | 43 | 36 | 37 |
| Investigative inquiries | 1 | 3 | 5 | 8 | 5 |
| Onsite reviews | 205 | 175 | 168 | 164 | 91 |

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 2020, the Board paid out two student claims totaling \$300. As of January 31, 2021, the fund had a balance of approximately \$1.1 million.