

# STATE BOARD OF PRIVATE CAREER EDUCATION

## Enabling Laws

Act 1955 of 2005

AR Code § 6-51-601 through 622

## History and Organization

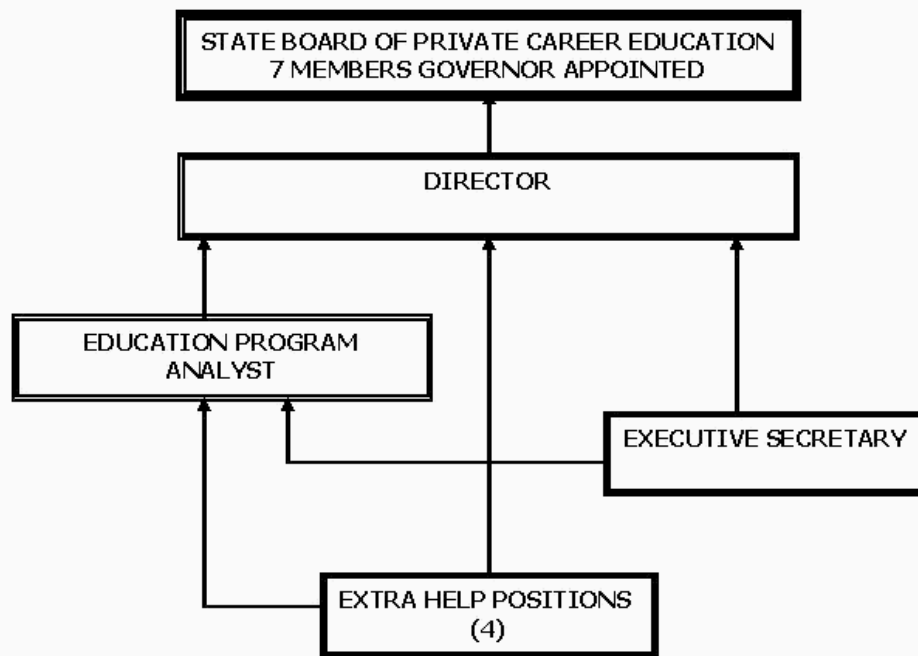
**MISSION:** The Arkansas State Board of Private Career Education (SBPCE) was established to provide consumer protection for Arkansas residents by licensing and monitoring organizations that offer training that leads to or enhances a career. The Board's authority extends to organizations that offer education in Arkansas or that recruit students to attend a school located in another state.

The Board was established in 1989 with responsibilities and authority as set forth in Arkansas Code Annotated § 6-51-601 et seq. The Governor appointed Board consists of seven members; four (4) members from the general public and three (3) members from the education industry, as well as ex officio members representing the Departments of Higher Education and Workforce Education.

A total of 240 schools and 205 admissions representatives are currently licensed. The original licensure process includes review and approval of items such as program content and goals, facilities, equipment, instructor qualifications, etc. Continued monitoring requires review of financial stability, advertising practices, record maintenance, transcripts, placement records, catalogs, processing student complaints, etc. Review of student complaints can include arbitration and the convening of the SBPCE Arbitration Panel, if requested by either party.

When a school ceases to operate and students are enrolled it is the responsibility of the SBPCE Director to attempt to place each student of the school in another private career school. When a school closes the Board receives the academic transcripts for the previous ten (10) years. The transcripts are scanned, maintained and serviced as long as the computer equipment available will allow for retrieval. Financial aid records from closed schools are maintained in one of two ways: (A) Records for schools participating in the Federal Financial Aid Program are received from the previous three (3) years and will be maintained for three (3) years or (B) Records for schools not participating in the Federal Financial Aid programs are received from the previous year and are maintained for one (1) year. We currently have 48,710 student transcripts available from closed schools. Transcript requests are processed twice a month.

The Student Protection Trust Fund (SPF) is funded by an annual assessment to each licensed school. On May 30, 2004 for the first time since the establishment of the Board the SPF had a balance in excess of \$500,000. On May 30 of 2005 and 2006 the SPF continued to have a balance in excess of \$500,000. Schools that were originally licensed anytime during 1989-1991 and have maintained their licensure for fifteen (15) years will not be assessed additional fees unless the fund has a balance of less than \$500,000 on May 30 of any year. Schools that were not licensed in 1989 will continue to be assessed the fee until they have paid into the fund for fifteen (15) years. The primary purpose of the SPF is to cover expenses associated with providing remaining education, known as a teach out, to students enrolled in a closed school or to pay student claims when a teach out cannot be arranged.



## Agency Commentary

For General Operations of the State Board of Private Career Education, funded primarily from special revenue derived from annual license and admissions representative fees, a Change Level increase of \$8,451 each year in Extra Help and associated Personal Services Matching costs is requested. Need has been demonstrated since the appropriation for Extra Help was virtually depleted in the last two (2) fiscal years. Additional appropriation will permit the Board to expeditiously fill any Extra Help positions needed during peak work time such as annual license renewals. Also, the use of extra help is vital to the success of handling school closings by helping in areas such as the handling of increased phone calls, correspondence to students, and the retrieval, filing, and processing of student records from the school.

For the balance of the General Operations appropriation, continuation of Authorized Level each year of the 2007-09 biennium is requested.

For the Student Protection Trust Fund appropriation, funded from special revenues received from annual assessment fees charged applicable schools, continuation of Authorized Level for each year of the biennium is requested. This appropriation will be used for the Student Protection Fund to:

- pay claims filed by students when a school becomes insolvent or ceases to operate without offering a complete program of study;
- pay expenses incurred by a school that are directly related to educating a student placed in the school for teach out purposes;
- reimburse the Private Career Education Fund for expenses directly associated with the storage and maintenance of student academic and financial aid records; and
- reimburse the Private Career Education Fund for administrative costs incurred due to school closings.

For Cash Operations funded through cash fees, grants, and proceeds received from school surety bonds for students, the request is for continuation of Authorized Level for each year of the 2007-09 biennium.

**Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
 AUDIT OF :  
 ARKANSAS STATE BOARD OF PRIVATE CAREER EDUCATION  
 FOR THE YEAR ENDED JUNE 30, 2004

Findings	Recommendations
None	None

**Employment Summary**

	Male	Female	Total	%
White Employees	0	3	3	75 %
Black Employees	0	1	1	25 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	25 %
Total Employees			4	100 %

**Publications**

**A.C.A 25-1-204**

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
None	N/A	N	N	0	N/A

## Department Appropriation

Appropriation		Historical Data						Agency Request and Executive Recommendation							
		2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
		Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
505	Private Career Educ-Operations	290,164	4	350,843	4	341,857	4	360,737	4	360,737	4	360,737	4	360,737	4
506	Student Protection Trust	33,576	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
834	Private Career Ed-Cash in Treas	52,029	0	100,500	0	100,500	0	100,500	0	100,500	0	100,500	0	100,500	0
Total		375,769	4	951,343	4	942,357	4	961,237	4	961,237	4	961,237	4	961,237	4

Funding Sources			%		%		%		%		%		%
Fund Balance	4000005	1,297,650	79.9	1,247,822	78.6			683,432	66.2	683,432	66.2	455,530	56.7
Special Revenue	4000030	283,347	17.5	260,000	16.4			268,451	26.0	268,451	26.0	268,451	33.4
Cash Fund	4000045	10,477	0.6	50,000	3.1			50,000	4.8	50,000	4.8	50,000	6.2
Trust Fund	4000050	32,117	2.0	30,000	1.9			30,000	3.0	30,000	3.0	30,000	3.7
Total Funds		1,623,591	100.0	1,587,822	100.0			1,031,883	100.0	1,031,883	100.0	803,981	100.0
Excess Appropriation/(Funding)		(1,247,822)		(636,479)				(70,646)		(70,646)		157,256	
Grand Total		375,769		951,343				961,237		961,237		961,237	

Fund balances differ between fiscal years due to excess levels of appropriation for Fund Centers 834 (Private Career Education) and 506 (Student Protection Trust).

**Agency Position Usage Report**

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
3	2	1	3	0	33.33%	4	4	0	4	0	0.00%	4	4	0	4	0	0.00%

## **Analysis of Budget Request**

**Appropriation:** 505 - Private Career Educ-Operations

**Funding Sources:** SCS - Private Career Education Fund

The State Board of Private Career Education was created by Act 906 of 1989 and is responsible for annual licensure and monitoring of private career schools and admissions representatives in Arkansas. The State Operations appropriation is funded by special revenue derived primarily from annual license and admissions representative fees paid by the schools to the Board.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. The Base Level request of \$198,048 for each year of the 2007-09 biennium for Regular Salaries does include board member Stipend payments. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

For the 2007-09 biennium, the agency is requesting additional Extra Help and related Personal Services Matching totaling \$8,451 each year for costs associated with the increased use of Extra Help personnel to meet demands in such areas as annual license renewals, school closings, management of student records, and technical assistance to students.

The Executive Recommendation provides for the Agency Request.

## Appropriation

**Appropriation:** 505 Private Career Educ-Operations  
**Funding Sources:** SCS - Private Career Education Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	179,064	198,048	195,641	198,048	198,048	198,048	198,048	198,048	198,048
<b>#Positions</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Extra Help 5010001	22,520	25,000	25,000	25,000	32,500	32,500	25,000	32,500	32,500
<b>#Extra Help</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Personal Services Matching 5010003	63,953	70,795	64,216	72,238	73,189	73,189	72,238	73,189	73,189
Operating Expenses 5020002	23,594	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Conference & Travel Expenses 5050009	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Professional Fees 5060010	1,033	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>290,164</b>	<b>350,843</b>	<b>341,857</b>	<b>352,286</b>	<b>360,737</b>	<b>360,737</b>	<b>352,286</b>	<b>360,737</b>	<b>360,737</b>
<b>Funding Sources</b>									
Fund Balance 4000005	645,476	638,659		547,816	547,816	547,816	455,530	455,530	455,530
Special Revenue 4000030	283,347	260,000		260,000	268,451	268,451	260,000	268,451	268,451
<b>Total Funding</b>	<b>928,823</b>	<b>898,659</b>		<b>807,816</b>	<b>816,267</b>	<b>816,267</b>	<b>715,530</b>	<b>723,981</b>	<b>723,981</b>
Excess Appropriation/(Funding)	(638,659)	(547,816)		(455,530)	(455,530)	(455,530)	(363,244)	(363,244)	(363,244)
<b>Grand Total</b>	<b>290,164</b>	<b>350,843</b>		<b>352,286</b>	<b>360,737</b>	<b>360,737</b>	<b>352,286</b>	<b>360,737</b>	<b>360,737</b>

The FY07 Budgeted amount in Regular Salaries & Personal Services Matching exceeds the Authorized amount due to salary and matching rate adjustments during the 2005-07 biennium.

## Change Level by Appropriation

**Appropriation:** 505-Private Career Educ-Operations

**Funding Sources:** SCS - Private Career Education Fund

### Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	352,286	4	352,286	100.0	352,286	4	352,286	100.0
C01	Existing Program	8,451	0	360,737	102.4	8,451	0	360,737	102.4

### Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	352,286	4	352,286	100.0	352,286	4	352,286	100.0
C01	Existing Program	8,451	0	360,737	102.4	8,451	0	360,737	102.4

### Justification

C01	Additional Extra Help and associated Personal Services Matching appropriation of \$8,451 each year is requested to provide agency with authority to adequately process annual licensure renewals, manage student records, and provide students with technical assistance during school closings.
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## **Analysis of Budget Request**

**Appropriation:** 506 - Student Protection Trust

**Funding Sources:** TCS - Private Career School Student Protection Trust Fund

The State Board of Private Career Education requests the continuation of the \$500,000 Base Level for each year of the 2007-09 biennium for the Student Protection Trust Fund Program. Revenues deposited into this fund consists of annual certification fees paid by participating schools to the Board and are primarily used to cover expenses associated with providing for a student's continuing education in the event a school closes or to pay student claims when this arrangement is not feasible. Schools originally licensed during the 1989-91 biennium and have maintained their licensure for fifteen (15) years will not be assessed additional fees unless the fund balance totals less than \$500,000 on May 30th of any fiscal year. Regardless of the fund balance, schools that have not paid licensure fees for fifteen (15) years will continue being charged until they have paid fees for a minimum of fifteen (15) years. The requested appropriation will enable the Student Protection Trust Fund to carry forward the following functions:

- pay claims filed by students when a school becomes insolvent or ceases to operate without offering a complete program of study;
- pay expenses incurred by a school that are directly related to educating a student placed in the school for teach out purposes;
- reimburse the Private Career Education Board Fund for expenses directly associated with the storage and maintenance of student academic and financial aid records; and
- reimburse the Private Career Education Board Fund for administrative costs incurred due to school closings.

The Executive Recommendation provides for the Agency Request.

**Appropriation**

**Appropriation:** 506 Student Protection Trust  
**Funding Sources:** TCS - Private Career School Student Protection Trust Fund

**Historical Data**

**Agency Request and Executive Recommendation**

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses/Claims/Fees 5900046	33,576	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	33,576	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Funding Sources</b>									
Fund Balance 4000005	607,075	605,616		135,616	135,616	135,616	0	0	0
Trust Fund 4000050	32,117	30,000		30,000	30,000	30,000	30,000	30,000	30,000
Total Funding	639,192	635,616		165,616	165,616	165,616	30,000	30,000	30,000
Excess Appropriation/(Funding)	(605,616)	(135,616)		334,384	334,384	334,384	470,000	470,000	470,000
Grand Total	33,576	500,000		500,000	500,000	500,000	500,000	500,000	500,000

## **Analysis of Budget Request**

**Appropriation:** 834 - Private Career Ed-Cash in Treas

**Funding Sources:** NPC - Cash in Treasury

Funds for the Cash Operations appropriation are received through grants from the Real Estate Foundation and the Winthrop Rockefeller Foundation and from surety bond receipts paid to the Board to be used for payment of tuition refunds to students or potential students. These funds are used to supplement funding for regular operation costs of the Arkansas Private Career Education Board. The agency is requesting Base Level, which is the FY07 Authorized Level of \$100,500 for each year of the 2007-09 biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

**Appropriation**

**Appropriation:** 834 Private Career Ed-Cash in Treas  
**Funding Sources:** NPC - Cash in Treasury

**Historical Data**

**Agency Request and Executive Recommendation**

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	52,029	81,287	81,287	81,287	81,287	81,287	81,287	81,287	81,287
Conference & Travel Expenses 5050009	0	8,898	8,898	8,898	8,898	8,898	8,898	8,898	8,898
Professional Fees 5060010	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Data Processing 5090012	0	315	315	315	315	315	315	315	315
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>52,029</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>
<b>Funding Sources</b>									
Fund Balance 4000005	45,099	3,547		0	0	0	0	0	0
Cash Fund 4000045	10,477	50,000		50,000	50,000	50,000	50,000	50,000	50,000
<b>Total Funding</b>	<b>55,576</b>	<b>53,547</b>		<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
Excess Appropriation/(Funding)	(3,547)	46,953		50,500	50,500	50,500	50,500	50,500	50,500
<b>Grand Total</b>	<b>52,029</b>	<b>100,500</b>		<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>	<b>100,500</b>