Business, Consumer Services and Housing Agency– Governor Gavin Newsom

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BUREAU FOR PRIVATE POSTSECONDARY EDUCATION

COMMITTEE MEETING NOTICE AND AGENDA

PUBLIC TELECONFERENCE MEETING

March 17, 2021
2pm to 4pm

Action may be taken on any item listed on the agenda.

NOTE: Pursuant to the provisions of Governor Gavin Newsom's Executive Order N-29-20, dated March 17, 2020, neither Committee member locations nor a public meeting location are provided. Public participation may be through teleconferencing as provided below.

Important Notices to the Public: The Bureau for Private Postsecondary Education will hold a public meeting via a WebEx Events. To participate in the WebEx Events meeting, please log on to this website the day of the meeting:

https://dca-meetings.webex.com/dca-meetings/onstage/g.php?MTID=ec8b706018af499c709ba69de4af7f27b

INSTRUCTIONS FOR PARTICIPATION: Please see the instructions attached hereto to observe and participate in the meeting using WebEx from a Microsoft Windows-based PC.

Members of the public may but are not obligated to provide their names or personal information as a condition of observing or participating in the meeting. When signing into the WebEx platform, participants may be asked for their name and email address. Participants who choose not to provide their names will be required to provide a unique identifier such as their initials or another alternative, so that the meeting moderator can identify individuals who wish to make public comment; participants who choose not to provide their email address may utilize a fictitious email address in the following sample format: XXXXX@mailinator.com.

Public comments will be limited to two minutes unless, in the discretion of the Committee, circumstances require a shorter period; members of the public will not be permitted to "yield" their allotted time to other members of the public to make comments.

As an alternative, members of the public who wish to observe the meeting without making public comment can do so (provided no unforeseen technical difficulties) at ***https://thedcapage.wordpress.com/webcasts/***.

OPEN SESSION:

1. Welcome, Introductions, and Establishment of a Quorum **(Katherine Lee-Carey)**

2. Public Comment on Items not on the Agenda (Note: The Advisory Committee may not discuss or take action on any matter raised during this public comment section, except to decide whether to place the matter on the agenda of a future meeting (Government Code Sections 11125 and 11125.7(a)) **(Katherine Lee-Carey)**

3. Bureau for Private Postsecondary Education Fee Analysis Presentation and Discussion **(Capitol Accounting Partners)**

4. Adjournment

Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the Committee Chair and may be taken out of order. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the Committee are open to the public.

Note: This meeting will be Webcast, provided there are no unforeseen technical difficulties or limitations. To view the Webcast, please visit **https://thedcapage.wordpress.com/webcasts/**.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the Committee prior to the Committee taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Committee, but the Committee Chair may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the Committee to discuss items not on the agenda; however, the Committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

The meeting is being held via Webex Events. The meeting is accessible to the physically disabled. A person who needs disability-related accommodation or modification in order to participate in the meeting may make a request by contacting: Richie Barnard at (916) 574-8903, by emailing richie.barnard@dca.ca.gov or sending a written request to the Bureau for Private Postsecondary Education, P.O. Box 980818, West Sacramento, CA 95798-0818. Providing your request is a least five (5) business days before the meeting will help to ensure availability of the requested accommodations. Toll Free: (888) 370-7589.

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BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY • GAVIN NEWSOM, GOVERNOR

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MEMORANDUM

DATE	February 23, 2021
TO	Kimberly Kirchmeyer, Director Department of Consumer Affairs
FROM	Budget Office Department of Consumer Affairs
SUBJECT	**Bureau for Private Postsecondary Education Fund Condition and Fee Study**

Overview

The Bureau for Private Postsecondary Education (Bureau) is a program within the Department of Consumer Affairs (DCA). Its mission is to protect students through the oversight of California's private postsecondary educational for-profit institutions by conducting qualitative reviews of educational programs and operating standards, proactively combating unlicensed activity, impartially resolving student and consumer complaints, and conducting outreach for displaced students impacted by school closures. The Bureau is supported by fees assessed to the institutions it oversees, which are deposited into the Private Postsecondary Education Administration Fund (fund).

Currently, the Bureau's fund has a significant structural imbalance, meaning that annual expenditures exceed annual revenue intake, which draws down the balance of the fund. The fund's balance has been declining over the last several years and it is estimated to become insolvent in fiscal year 2020-21 absent external assistance such as a loan from another special fund within the DCA or from the General Fund. To ensure the fund remains solvent through 2021-22, DCA plans to execute a $5.5 million Control Section 14.00 special fund cash loan for the Bureau to keep the fund solvent, however any loan processed will need to be repaid within two years of the date in which it is taken.

The Bureau's main source of revenue is an annual institution fee, assessed to for-profit institutions that operate in California and are subject to the Bureau's oversight. This fee is based on a percentage of annual revenue reported by licensed institutions. DCA acknowledges that this revenue source is unconventional when compared to other DCA programs, due to it being based on an institution's profitability, which can lead to unpredictable revenue collections year to year based on a multitude of economic factors, including school closures. This unpredictability is evident when reviewing the Bureau's last fee increase in 2016, where the Bureau was estimated to collect $16.7 million in 2019-20 and annually thereafter. However, based on final revenue data for 2019-20, the Bureau fell short of this estimate by $1.9 million, only collecting $14.8 million.

The following instances are examples that impact the Bureau's revenue:

- High Profile School Closures (Brightwood College, San Francisco Art Institute, etc.)
- A change in an institution's business structure – Online Distance Learning (fewer physical school locations in California)
- Evolving Industry – the data used to forecast the Bureau's Annual Institution Fee is based on prior year data pulled from the Bureau's Annual Reports, data that is submitted annually to the Bureau by the schools. DCA acknowledges that schools are opting to provide more distance learning and a larger online presence. This, coupled with school closures every year, makes it very challenging to provide accurate estimates.

In addition to a volatile revenue source, the Bureau's expenditures have significantly increased since 2011-12 when the Bureau became fully operational from a previous sunset of the program. Since then, the Bureau's authorized positions have increased by 71% (63.0 positions → 108.0 positions) and authorized expenditures have increased by 155% ($7.6 million → $19.4 million). DCA notes that a sizable portion of the Bureau's expenditures are unfunded due to the workload related to addressing school closures.

DCA recognizes that the Bureau's current fee model appears not to be sustainable. A deeper look at industry trends and economic conditions is needed to determine if the Bureau's current fee structure is reasonable, or whether alternative fee structures would create a more sustainable revenue stream that can better scale with the Bureau's costs to provide regulatory oversight and weather times of economic downturn. Additionally, a comprehensive review of the Bureau's existing workload and regulatory requirements would be warranted to determine if the Bureau is structured appropriately for the regulatory population it oversees, and whether any efficiencies in business processes can be achieved to lower the Bureau's overall expenses.

Historical Information

Expenditures:

The Bureau's authorized expenditures have increased by approximately 155%, or $11.8 million, since 2011-12.

Some of the main contributing factors are:

- Annual Budget Adjustments to Salaries and Benefits (Employee Compensation and Retirement Rate increases) - $3.2 million increase (***27% of the overall increase***)

- Budget Change Proposals – Added 47.0 positions and $5.1 million in budget authority (***43% of the overall increase***) to respond to legislative mandates. Specifically, main programmatic changes were:
    - 2017-18 and 2020-21 - To establish the Office of Student Assistance and Relief (OSAR) to assist students displaced by school closures – 10.0 positions (6.0 positions were extended to two-year limited-term) and $1.300 million ongoing.
    - 2015-16 - Additional positions to address the response to the State Auditor's recommendation to contract with a third-party (CPS) to evaluate enforcement and licensing backlogs – 27.0 positions (17.0 positions converted to permanent from limited-term) and $2.748 million ongoing.
    - 2015-16 - Chapters 840, Statutes of 2014 (SB 1247) – additional resources to implement provisions related to Title 38 schools, an established Advisory Committee, and additional schools due to changes to accreditation standards – 10.0 positions and $1.077 million ongoing.
- Business Modernization (New IT System) - $2.3 million (***20% of the overall increase***)
- Department Pro Rata - $1.1 million increase (***10% of the overall increase***)

DCA would note that a good portion of Department Pro Rata costs are distributed to all DCA programs using an authorized position count ratio. So as the Bureau's staffing has increased since 2011-12, so has their departmental pro rata costs.

<u>Revenue</u>:

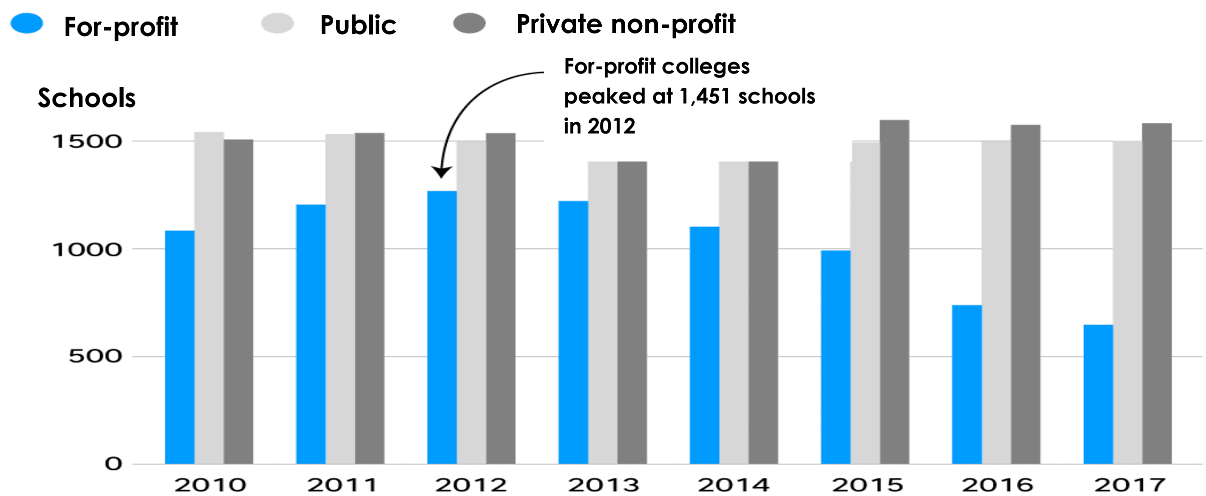
The Bureau is primarily funded by its Annual Institution Fee, which makes up roughly 90% of the Bureau's annual revenue intake. As costs to regulate the industry increased over the years, the Bureau restructured and increased its fees through Chapter 593, Statutes of 2016 (SB 1192). Specifically:

Fee Type	Previous Existing Fee	New Fee (2016)
Branch Fee	$1,000	$0
Minimum Annual Institution Fee	$0	$2,500
Maximum Annual Institution Fee	$25,000	$60,000
Annual Institution Fee	.75 of 1%	.55 of 1%

However, the revenue estimated from SB 1192 never fully materialized. As Table 1 below illustrates, per the U.S. Department of Education, due to increasing oversight and numerous lawsuits filed against for-profit schools, the number of for-profit institutions is declining, which directly impacts the Bureau's revenues. Although data reveals that for-profit schools are declining, the Bureau is still responsible to provide outreach and assistance to students affected by school closures, which can be costly.

The Bureau is responsible for reviewing and processing student claims for financial reimbursement from its Student Tuition Recovery Fund as well as providing student outreach and education regarding school closures.

Table 1 - Number of degree-granting institutions in the U.S.



Source: U.S. Department of Education

Attachment 1 provides a ten-year history of the Bureau's expenditures, revenues, and fund balance to provide context of the structural fund imbalance created.

Analysis of the Problem – Fee Study

As a first step to address the structural fund imbalance, in December 2019 the Bureau contracted with Capitol Accounting Partners, LLC to complete a cost analysis of the Bureau's fees to determine how much revenue is needed to support the Bureau's ongoing regulatory costs. The fee study identifies that the Bureau will need to collect $25.902 million annually in order to support its annual expenditures based on the Bureau's 2020-21 Enacted Budget, to pay back its special fund loan, and to rebuild its fund reserves over the next five years.

Attachment 2 provides a summary chart of the recommended fee increases from the study that are estimated to achieve the annual $25.902 million revenue target. DCA acknowledges that many of these increases are significant, some upwards of 1,309%, seemingly unfeasible for institutions to pay to be licensed with the Bureau. As footnoted in the study, the consultant sought to address this by concluding to only charge the direct costs associated with each license type and to redirect the indirect costs associated with each license type to the Annual Institution Fee.

DCA notes that the fee study used institution revenue information from calendar years

2018 and 2019, which were prior to the current COVID-19 pandemic. As such, the study does not take into account any impact of the current economic crisis and how it has and will continue to impact the for-profit higher education industry. The Bureau notes that the pandemic is changing the way institutions are conducting business, and the industry is evolving to a greater online presence (distance learning). This could have an impact on future Bureau revenue, especially if more California students choose distance learning from out-of-state private postsecondary educational institutions. The Bureau currently only requires domestic out-of-state institutions to register and pay a $1,500 registration fee to the Bureau.

While the recommended fee levels would appear to address the Bureau's pending fund insolvency, based on previous revenue estimate shortfalls and potential future school closures, DCA is not confident that the recommended increases would sustain the Bureau's costs in the long term. If the Bureau's ongoing fee structure cannot continue to sustain its regulatory costs, the Bureau will need to re-evaluate its fee structure and look to develop a more sustainable model to avoid these significant increases to license fees paid by institutions.

Conclusion

In review of the Bureau's fund condition and the fee study conducted by Capital Accounting Partners, LLC., the DCA Budget Office finds that the Bureau is in the precarious situation of needing to immediately adjust fees during a time of great uncertainty for an industry adversely impacted by the COVID-19 pandemic and economic downturn. Due to the many issues facing the for-profit higher education industry, complex economic factors that are still unfolding amidst the COVID-19 pandemic, and the unique circumstances surrounding the Bureau's ability to collect revenue to support its regulatory costs, DCA finds that a higher level of economic analysis and forecasting expertise is needed to fully assess the situation. The DCA Budget Office makes the following recommendations:

- Support a temporary (two-year) increase of the Bureau's annual institution fee at the level recommended by the fee study to ensure the Bureau can continue to operate through fiscal year 2022-23 and repay its loans.

- The Bureau should seek the services of an economist to evaluate the industry and provide alternative recommendations to the Bureau's existing fee model that can provide a more sustainable revenue stream for the Bureau.

- Conduct an evaluation of the Bureau's regulatory responsibilities and determine if the Bureau is appropriately structured.

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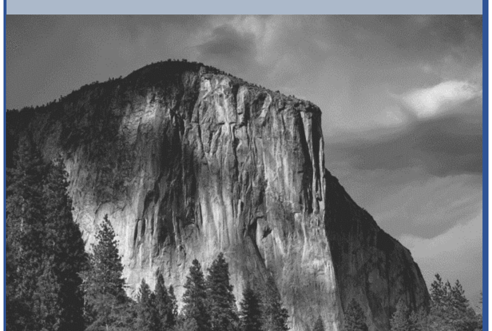

California Bureau for Private Postsecondary Education

2020 Report

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Introduction and Scope

The Bureau's mission is to protect students and consumers through the oversight of California's private postsecondary educational institutions by conducting qualitative reviews of educational programs and operating standards, proactively combating unlicensed activity, impartially resolving student and consumer complaints, and conducting outreach. As such, it provides an essential public safety function. This project aligns with the mission of the Bureau by calculating the resource requirements to execute this mission fully. Without adequate financial resources, the Bureau cannot meet this critical role of consumer protection.

This report summarizes the processes, procedures, and findings of the Bureau's fee study. It details the analysis that resulted in cost calculations for the institutional licenses issued by the Bureau, to operate in the State of California.

The Bureau engaged Capital Accounting Partners to prepare a detailed cost analysis of its fees. The objectives of the study were to ensure adequate revenues are in place to meet its consumer protection mandate. The Bureau's only sources of income are fees charged for each of the various licenses. Thus, the Bureau is entirely self-supporting, so it is vital that the fees charged to licensees fully recover the program's costs.

The scope of this study included the following objectives:

- Calculate the full cost of issuing licenses.
- Determine a fair and equitable method of allocating non-license related expenses, such as enforcement, investigations, the Student Tuition Recovery Fund (STRF), and the Office of Student Assistance and Relief (OSAR).
- Develop revenue projections for 5 years; and
- Review the performance of core business processes.

This project required active participation by the Bureau's management and staff. We want to take this opportunity to recognize their involvement, time, and effort to collect the data and discuss the analysis, results, and recommendations.

Creating a Sustainable Bureau for Private Postsecondary Education

The Bureau provides an essential regulatory function, as it relates to consumer protection. From our observation, there are three significant parts to the services provided by the Bureau:

1. Licensing institutions that provide educational services to the public.

2. Investigating and enforcing the regulatory requirements of these licenses, and
3. Providing ongoing support for students if the student suffers an economic loss.

Given that the Bureau is to be entirely self-funded by the fees it charges for licensing, we see two challenges to its mission:

1. The workload to review the required documentation and to make a determination of licensing is significant. The cost of processing many of the licenses may prohibit some schools from offering educational opportunities. For example, based on the current fee schedule, we calculated the fee for a "substantive change to an institution's approval to operate (change in objective) / per program" at $8,011.This cost compares with the current price of $500, (see appendix 1, row CS-7).
2. When a school closes, whether because of market conditions or poor management, the Bureau still retains significant work. Students require transcripts (which are provided free of charge), student access to the STRF program is triggered, and the Student Assistance Relief program is engaged. These programs may require work for many years into the future, without revenue to pay for these activities.

In our observation, we see that these challenges are, at least in part, why the Bureau has more regulatory requirements to fulfill than revenue to pay for its work. Therefore, the value of this project centers on the sustainability of the Bureau. It goes beyond the scope of this project, to determine if the current business model is appropriate to the Bureau's mission or if it is feasible to charge full cost for its licensing obligations. Furthermore, budgeted expenditures do not initially include additional costs to rebuild reserves. We have included a discussion and an approach to add these costs to the analysis.

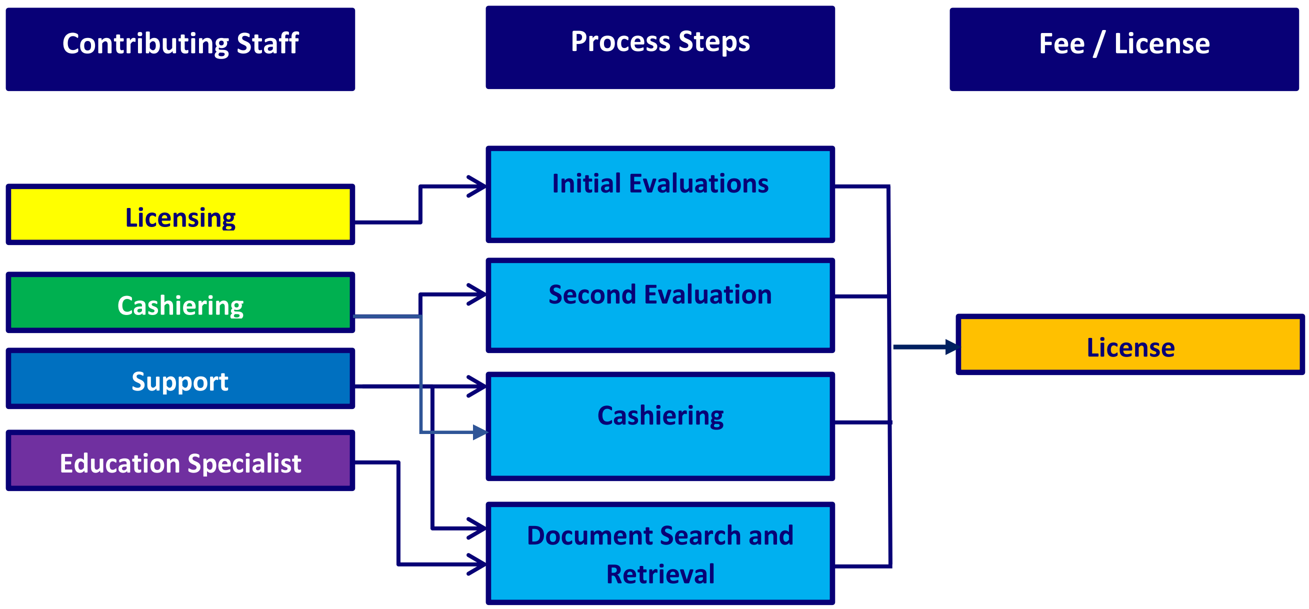
Also, we understand that recent legislative mandates will increase the amount of regulatory oversight. This will mean additional staffing and costs. Therefore, we would urge a thorough discussion of the Bureau's business model, to create a long-term strategy to continue its critical mission.

Summary of Costing Methodologies

Driver Based Costing Models

Developing a driver-based costing model is a precise and robust method of calculating a specific service's cost. Grounded on the principles of activity-based costing, it seeks to understand cost at an operational level. This means it relies on understanding the time staff invests in core business processes to process applications as well as enforcement, investigation, and other administrative services. Graphically, the following figure illustrates this methodology.

Hypothetical Illustration of a Driver Based Costing Model



Step 1: Collect Data – This first step involves discussions with staff to identify those positions within each program that support direct services. It also involves collecting program budget and expenditure data, identifying the salary and benefits for each position, and identifying non-personnel expenditures, as well as any program and Bureau overhead. Specifically, the steps involve the following:

- Identifying staff positions – This includes identifying both position titles and names.
- Calculating the number of productive hours – Frequently, we will calculate the actual number of productive hours available on an annual basis. However, in this project, we used the Department of Consumer Affairs pre-calculated number of 1,776 hours.
- Identifying and allocating non-personnel costs – Costs for materials and supplies are assigned to the salary and benefits for each position.
- Assigning any other expenses that are budgeted in other areas – There are often expenses that should be included with the total cost of services. Examples of such costs might consist of amortized capital expenses for vehicles and technology.
- Identifying core business processes or activities – This step also involves discussions with staff to understand, at an operational level, the work of the operating unit. Core business processes used to provide services are identified and then defined by the tasks that are involved. Processes are also organized by direct and indirect categories.

- Direct processes and activities – Those processes that directly contribute to the processing of an application or certificate, are first identified. Evaluation of the license application is the most notable example.
- Support and Service Costs – Those processes that support, but do not directly apply to the processing of a specific license. An example of a support activity is enforcement, statewide and Department prorata, compliance, OSAR and STRF activities.

Step 2: Building cost structures – This second step involves significant interaction with staff and the development of time estimates for both direct and indirect processes in each program area. Specifically, this step is at the core of the analysis. Three processes comprise this step:

- Gathering time estimates for direct processes – By interviewing staff in individual and group meetings, an estimate of time was assigned to each fee or license by the process that is indicated. The sum of the process steps is the total time required to provide that specific fee or license.
- Assigning support and service time – Staff provided an annual estimate of time for those support or service processes in which they are involved. These include Bureau as well as program administration, compliance and enforcement activities.
- Calculating fully loaded hourly rates and the cost of service. Once the total time for each direct and support service is estimated, the cost of service is calculated using the fully loaded hourly rates for each staff member or position involved with the service. The fully loaded hourly rate for each employee is based on the employee's salary and benefit costs plus a share of non-personnel and Bureau overhead costs divided by the employee's available work hours, i.e., 1,776. Thus, the direct and indirect cost by activity includes program and Bureau overhead as well as non-labor expenses.
- Gathering activity or volume data – A critical element in the analysis is the number of times a given license is provided on an annual basis. This is essential data for three reasons:
    - It allows a calculated projection of current revenue based on current prices. This is compared with actual revenue to see if there is a close match.
    - It allows for a calculated projection of revenue at full cost. This is compared to actual expenditures to see if there is a close match as the data should match.
    - It allows for a calculation of total hours consumed. Hours consumed must closely match actual hours available.

If any of the three calculations do not approximate actual numbers, then time estimates and/or volume data need to be re-evaluated. These are critical quality checks for costing accuracy.

Step 3: Allocating enforcement, investigations, Quality of Education, and other costs such as institutional closure activities – This third step requires an understanding of who benefits from these support costs and determines an allocation measure that is the best fit for cost recovery. For the Boards and Bureaus of the Department of Consumer Affairs, these are a significant portion of the cost.

Step 4: Set cost recovery policy – Depending on Bureau policies and other considerations, the level of cost recovery is a decision that should be made for each type or group of licenses. For example, the Bureau may want to subsidize one specific application with revenues from another application or license.

Quality Assurance

Assuring the accuracy and quality of results are an essential function of the analysis. Our approach builds on the concept that a quality process assures a quality outcome. Besides focusing on a quality process, we also incorporate quantitative checks of our results. These quantitative checks include:

1. Are the total resources included in the model, equal to the total cost of services?
2. Are the total number of staff hours available fully accounted for in the model?

When our results fall within our parameters, then we assume the results are accurate. The following graphic reflects the results of our quality assurance checks. It is a summary table that we use to monitor Bureau expenditures, revenues, and staff workload hours. For example, the table demonstrates that:

- All resources from budgeted allocations and direct fund support is fully accounted for.
- The total hours represented by 106 Full Time Equivalents (FTEs) are fully accounted for based on 2019-2020 roster data.

Resource and Workload Hours Summary (2020-21 Expenditures)	
Budget vs Revenue Analysis	
Resources Available (Expenditures)	$ 23,547,000
Resources Assigned (Projected Revenues at Full Cost of Services)	$ 23,547,000
Total Cost	**$ 23,547,000**
Difference	$ (0.0)
Analysis of Workload Hours	
Total Hours Available	188,256
Total Hours Assigned	188,256
Difference	(0.0)

Budget vs Revenue Analysis Calculations: We recognize that expenditures shown in the graphic above are higher than direct licensing labor costs. However, additional expenditures for non-licensing workload, departmental prorata, statewide prorata, supplemental pension payments, and upcoming loan repayment obligations need to be included within the fees to capture the full cost of the Bureau. This number will also serve as our total revenue target that will allow the Bureau to be fully self-funded. Please see pages 11-12 for the detail of these costs.

Analysis of Workload Hour Calculations: These calculations assume 106 authorized positions working 1,776 hours per year.

Summary of the Bureau Project

Primary Data Sources

For this project, there are three primary sources of data that have driven the analysis:

1. Budgeted expense data (based on the fiscal year 2020-2021 enacted budget), which includes:
    a. Salaries and benefit expenditures.
    b. Services and supplies.
    c. Overhead, including both department and statewide prorata allocations; and

   d. External enforcement costs from the Attorney General's Office, the Office of Administrative Hearings and Evidence / Witness fees.

2. Time estimates for staff to process each license type, broken down by core processes or activities. These included activities such as:
   a. Receive the application for processing.
   b. Assign the application to an analyst for review.
   c. Determination of review for approval or denial.
   d. Qualification of education review.
   e. Compliance inspections.
   f. Discipline process, and
   g. Annual compliance report.
3. Staff participation in support and administrative services. These include:
   a. Administering the STRF.
   b. Administering the OSAR.
   c. Institutional Inspections, Compliance, and Discipline.
   d. Complaints and Investigations.
   e. Conduct workshops, and
   f. Licensing Administration and support.

Assumptions Used in the Costing Model

Any project to calculate costs comes with certain assumptions.

Expense Data – Current Budget

These projects do represent a point in time. We recognize that there are often differences between budgeted expenses and actual expenses. Actual costs can vary based on a variety of factors. Frequently these include lower spending on services and supplies than anticipated, pushing back the hiring of new staff, or just the timing of staff turnover. However, we assume that 100% of the budget will be spent. We did not adjust multiyear averages in labor, services, or any of the prorata costs allocated to the Bureau. Additionally, we further recognize there are future costs that are not captured at this point in time. For example, the Bureau anticipates potential statewide spending cuts, new legislative requirements, and other external factors that may influence the current baseline budget used in this model. In addition, the Bureau will be receiving a 24-month loan that will need to be paid back, with interest, and business modernization technology that will all impact actual expenses. All of which will need to be recovered through fees.

Revenues – Consistent Activity Data

In reviewing historical workload and revenue data, we concluded that the Bureau does not have large swings in staff hours. Additionally, we did not observe wide swings in annual licenses and the resulting revenue. However, we did observe that the Bureau's main source of revenue is determined by the profitability of an educational institution which is difficult to forecast. It is important to note that the data used to forecast this revenue is based on annual report data reported for 2018 and 2019 which was modified to not include schools that have closed since those time periods. Future implications such as COVID-19 may influence our revenue assumptions if school's profit margins and operations are affected in future years.

This consistency is important to our analysis for two reasons:

1. In our costing models, activity data drives the total consumption of staff hours. If the activity data is not correct, it will either over assign staff time or underestimate staff time relative to the total available time.
2. Projecting revenue. If the number of applications for licenses varies significantly on an annual basis, projecting revenue will be challenging. However, if the number of applications for licenses and school profitability is stable, then revenues will be stable.

Revenue from Fines and Enforcement Activity

In each of our fee audits for the Department of Consumer Affairs, a frequent question arises about how we handle fines and revenue from enforcement activity. Essentially, we exclude these from our calculations for the following reasons:

1. It is a small number compared to total cost.
2. The Bureau has little if any control of the revenue. In the judicial process, fines can be reduced or eliminated with no regard to the Bureau's need of the revenues. Therefore, our approach is to assume the Bureau must be supported solely by the fees it charges for its licensing services.

Direct Vs. Support and Service Allocated Costs

For this analysis, direct costs include salaries, benefits, and a prorated amount for services and supplies. These costs comprise the productive hourly rate that is the direct fee calculations. Support costs are layered on top of the direct costs and include Department of Consumer Affairs prorata, and direct fund costs such as the Statewide prorata, and the loan repayment. This breakdown is illustrated in the following graphic:

Summary of Expenses		
Total Budget Expenditures		
Labor *	$	12,426,000
Services, Supplies, Contracts *	$	3,633,000
Indirect Costs – (Dept Prorata) *	$	3,377,000
Total Budgetary Expenditures for 2020-2021	**$**	**19,436,000**
Total Direct Fund Costs		
Statewide Prorata *	$	872,000
Supplemental Pension Payments *	$	382,000
Loan Repayment **	$	2,857,000
Total Direct Fund Costs for 2020-2021	**$**	**4,111,000**
Total Costs for 2020-2021	**$**	**23,547,000**

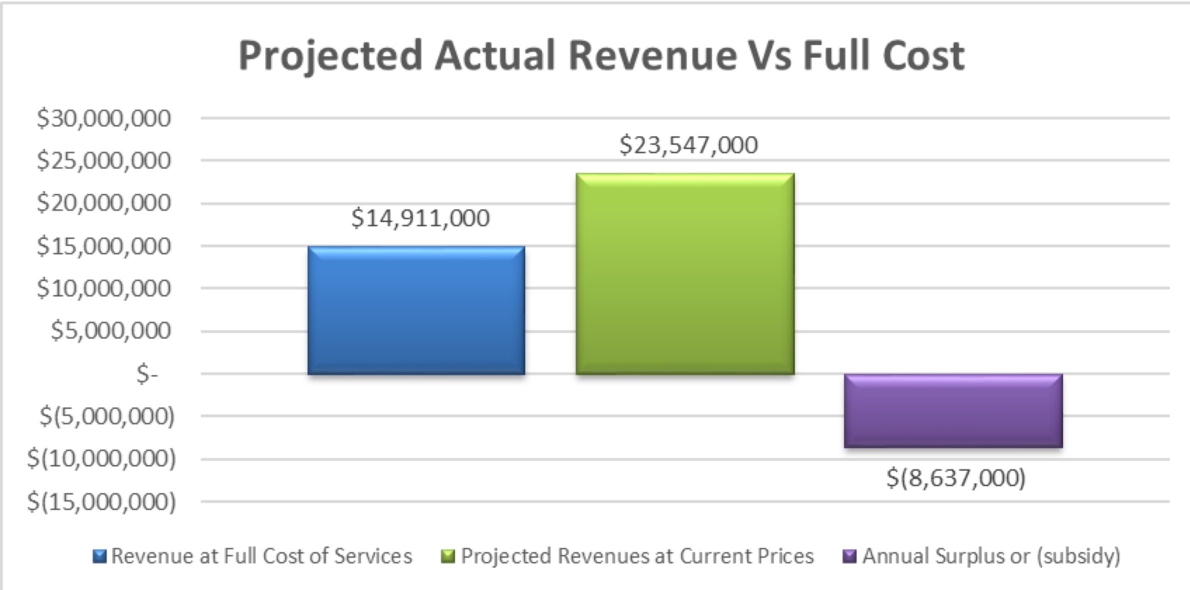
* Ties to the Fiscal Year 2020-2021 Enacted Budget

** Anticipated Loan Repayment

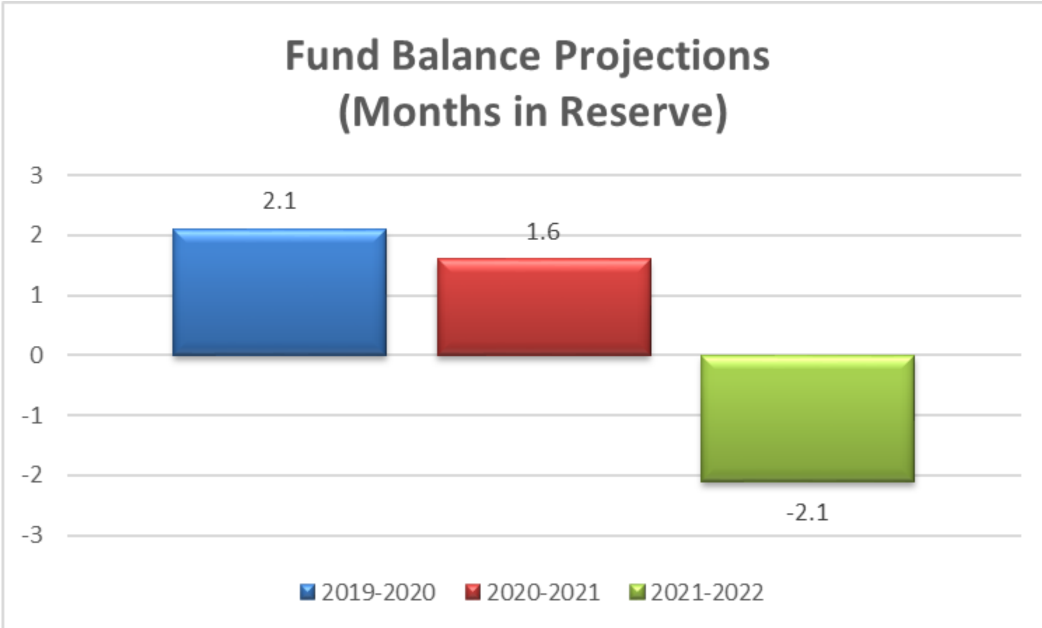
It is noted there is a plan for the Bureau to borrow $5,500,000 from the Bureau of Automotive Repair – Vehicle Inspection and Repair Fund to address a revenue shortfall in fiscal year 2020-2021. This will need to be repaid within a twenty-four-month period with interest totaling approximately $214,000 based on the Pooled Money Investment Rate. Total costs above therefore include a loan and repayment assumption ($5.5 million x 1.934% interest rate x 24 months (two years) = $2,857,000/year).

Summary of Findings- General Observations

The most obvious finding is that the Bureau is significantly under recovering its operational expenses. Based on our analysis, the Bureau will fall short of meeting its revenue requirement by approximately $8,637,000 (Appendix 1, row CS-45) in 2020-2021 as the following graph will illustrate.



We understand that careful management of expenditures may result. This will result in savings and a lower subsidy to fees. Still, the Bureau is at an inflection point. It must either dramatically cut expenses, which will impact its ability to complete its regulatory mission, or it must increase its fees. As further evidence of the seriousness of this revenue shortfall is the reserve balance. Based on current expenditure projections, which assume a reversion of approximately $1.2 million in 2019-2020, the Bureau will have 2.1 months of reserve at the end of 2019-2020. Further, based on 2020-2021 enacted expenditures and current projected revenue, the Bureau is anticipated to have 1.6 months of reserve by the end of 2020-2021, and -2.1 months of reserve at the end of 2021-2022. The following graph illustrates the seriousness of the shortfall in revenue, especially going into 2021-2022.



As mentioned previously, the Bureau anticipates receiving a loan of $5,500,000 as a temporary funding source. We understand there is a twenty-four-month repayment plan with an estimated additional $214,000 of interest requirement.

Therefore, without immediate action, the Bureau will be in a financially precarious position.

Reasons Why Revenue is Not Meeting Expenses

In conducting multiple fee audits for the Department of Consumer Affairs and many municipal agencies in California, Oregon, Washington, Arizona, and Hawaii, we frequently see these kinds of emergency situations. This is usually the reason why a public agency will ask us to conduct a cost of service study. The Bureau's situation is very similar to many other agencies we have studied. From our observation, there are three general reasons why revenues and expenses get out of alignment.

- Adjusting fees as part of a normal routine, operating practice, or policy does not occur.
- Regulatory requirements increase without corresponding increase in fees to pay for them.
- Political pressure to keep fees low.

These observations are consistent with what we see within the Bureau.

- We understand that fees have not been adjusted since 2010. There was an intermediate measure taken in 2016 and again in 2018 that adjusted the annual fee, but this did not address individual licenses.
- In recent years, the Bureau has been tasked with the administration of new STRF eligibility requirements, the OSAR, and it processes requests for transcripts for students who attended schools that have closed. However, there is no funding to administer these programs.
- The Bureau, like any public agency operates within a political environment. From our observation, there is always a tension between providing public services and paying for those services. We understand that this can be a very fine line that needs to be navigated with thoughtfulness.

A summary of why the Bureau is not meeting its revenue targets is on pages 29-31.

Allocating the Cost of Enforcement, Investigations, and other Support Costs

The actual cost of processing licenses is relatively small compared to the total cost. The largest components of cost are other program and enforcement costs. These include:

- Administering the STRF
- Administering the OSAR
- Administering the Quality of Education Program
- Administering the Annual Report Compliance Program
- Conducting Institutional Inspections
- Enforcement and Investigation Expenses Including
    1. State Attorney General, the Office of Administrative Hearings, Evidence & Witness Fees, and Division of Investigations Prorata.
    2. Direct Bureau expense from staff who process complaints and initiate investigations.

Because these expenses are high relative to the Bureau's total cost, the question of how these costs are allocated is an important one. Our approach to assigning these costs is to allocate them to all fees based on a ratio of direct costs. However, this puts some fees in a place where the price would be so high that they would be prohibitive. Consequently, a pricing model that is feasible means that some fees are less than full costs. The difference must then be made up in other fees. In the case of the Bureau, these costs have been transferred to the annual fee.

Summary of Findings – Specific Observations

As part of our analysis we created two costing models:

1. The first is based on the current fee schedule. (Appendix 1)
2. The second is based on a revised or recommended fee schedule that will better align fees with processing requirements. This revised fee schedule will create greater equity between large institutions, small institutions, and align fees with activities that drive Bureau expenses. (Appendix 2)

Approach to the Annual Fee

The annual fee generates more than 90% of the revenues for the Bureau. This fee is calculated based on revenues reported by educational institutions. It is a tiered fee with a minimum, a maximum, and a percentage of reported revenues. Therefore, this fee is a critical component. There are an infinite number of ways to structure this fee. The minimum can be raised. The maximum can be raised. The percentage of revenues can be raised, or any combination of each might be considered.

To simplify this, we created two models:

1. Keep the current minimum, and maximum but only increase the annual percentage fee.
2. Apply an option of increasing the minimum, the maximum, and the annual percentage.

These options will be presented in detail within the next two sections.

Rebuilding Reserves

As stated earlier, operating reserves are running out and the Bureau needs to maintain a prudent level of operating expenses to be held in reserve. Rebuilding these reserves will require additional revenue over and above those required to meet operating expenses. Therefore, we have added additional revenues as part of the analysis to accommodate a six-month reserve. The calculation follows:

- Divide the total cost of services by 2 = 6 months of reserve.

- Divide the total reserve requirement by 5 = additional annual revenues required to rebuild reserves over 5 years.

REBUILDING RESERVE CALCULATIONS	
Total Operating Costs	$23,547,000
Total Operating Costs / 2 (6 months of reserve)	$11,773,500
Six months of reserve / 5 (5 year build up)	$2,354,700
Total Annual Costs Including Reserve Requirement	$25,902,000

Effectively, this will mean adding approximately 10% incremental increase to the full cost of each fee, (Appendix 2, row RS-0). The following graph will illustrate the total additional revenues required to rebuild reserve balances.

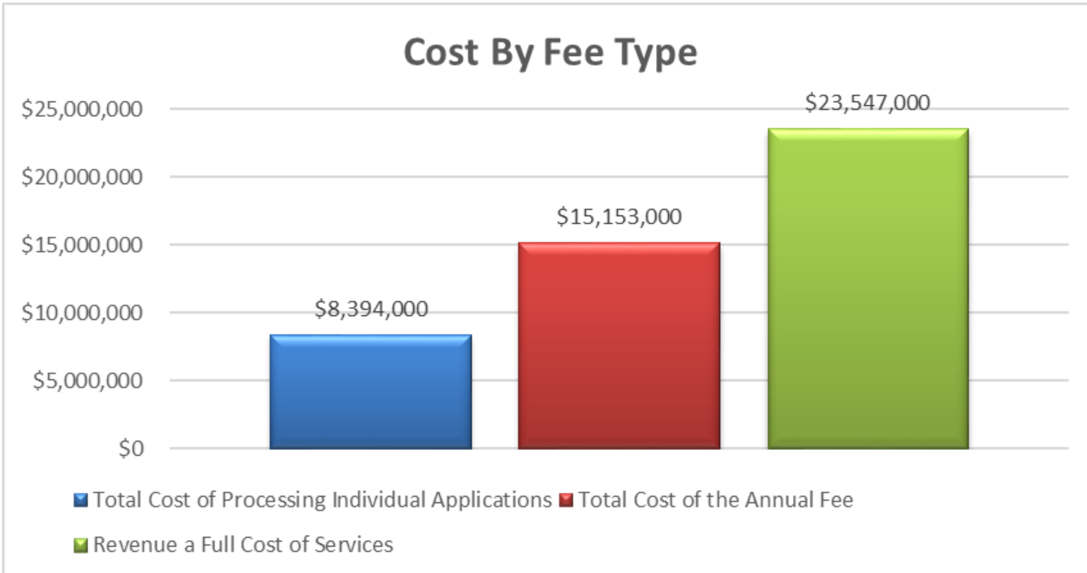
Fee Analysis – Current Fee Structure

A standard part of our analysis involved the review of the current fee structure. This provides the Bureau the opportunity to add new fees or redesign fees based on current processing requirements. This is especially important if the fee structure has not been updated in many years, which is the case with the Bureau. Over time, regulatory requirements change, or new regulations are added to the Bureau's oversight responsibilities. This means that organizations like the Bureau must modify their approach to fees accordingly. We understand that the current fee schedule goes back to at least 2010 and may even be a legacy schedule preceding that.

The Bureau processes two types of fees:

1. Individual application and renewal license fees.
2. The annual institution fee.

The full cost of these two fee types are illustrated in the graph below, (Appendix 1, sum of "Revenue at Full Cost of Services" rows RS 1-28 and 36; RS-29). However, they do not consider modifications for pricing or additional revenues to rebuild reserves. For example, the final pricing of the individual applications and licenses will impact the total revenue that will need to be generated from the Annual Fee.

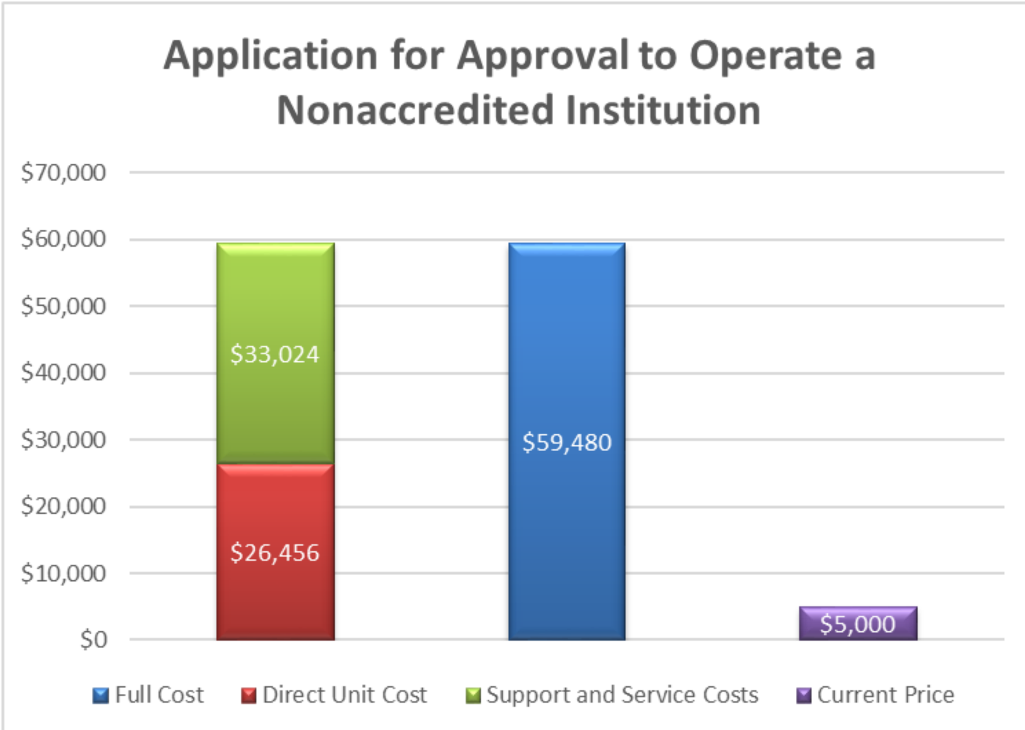


This graph does not suggest that we are recommending that each of the individual fees be brought up to full cost. In our view, doing so may cause significant concern for small institutions. Instead, options to create a reasonable pricing model that is more equitable should be explored as the following discussion suggests.

Developing the Pricing Model

The Bureau is under no legal mandate to charge full cost for each fee. However, if a fee is not priced at full cost, it means other fees must make up the difference. For example, the "*Application for approval to operate a nonaccredited institution*" demonstrates why a fee may not be set at full cost. Our analysis shows that the full cost of this fee is $59,480. This cost compares against the current price of $5,000, (Appendix 1, row CS-1). This cost does not reflect additional revenues to rebuild reserves.

The following graphic illustrates the difference between the full cost of this application against the current price. In addition, it shows the breakdown of the direct cost and support and service cost, which equates to the full cost (shown). These are then compared to the current price. Clearly there is a wide difference.



The reader may question why this fee is so expensive. The reason is that processing the application is the smaller component of cost. The largest component of cost is the Bureau administration, Department and Statewide prorata, and the cost of compliance, investigations, and enforcement.

In our view, this fee is a good example of what happens when fee schedules are not adjusted and maintained over time. We assume that this fee, in its current structure was perfectly valid when it was originally adopted, over time regulatory oversight has changed as well as the institutions themselves which results in a higher cost to process applications.

Charging a school $59,480, for an approval to operate, would be prohibitive. In fact, even charging the direct costs may be prohibitive. Therefore, if full cost recovery is not possible, the difference must be made up in the annual fee. Therefore, the total revenue target for the annual fee is higher than the actual cost.

Fee Analysis - The Annual Fee

When individual applications and license fees are not set at full cost, the difference in revenue must be made up by the annual fee. For this reason, we have calculated a revenue target for the annual fee that incorporates both the calculated cost plus the additional revenue that is lost when individual applications and licenses fees are not set at full cost. Given that the annual fee represents more than 90% of total revenues, it is a critical component for the Bureau's sustainability.

The current structure has three parts:

- A minimum fee of $2,500.
- An annual percentage of institutional revenues of 0.55%.
- A maximum fee of $60,000.

Our first step in analyzing this fee was to conduct a thorough analysis of the actual revenues generated by it. The Bureau provided two years of actual revenue data from 2018 and 2019. Data include 1,195 institutions (locations), the fees they paid and the revenues they generated which formed the basis of their fees. The average annual fee revenue, over two fiscal years was $12,608,000.

To fully recover the costs associated with the annual fee, as well as 1) lost revenue when individual licenses and applications are set below cost, and 2) revenues to rebuild reserves, this fee will need to be increased. The following table will outline the revenue required to meet these objectives.

Revenue Required From Annual Fee	
Revenue Not Collected from Individual Licenses and applications (they are set lower than full cost) (Appendix 1, Row CS-45, Annual Surplus or (Subsidy)	$8,636,872
Current Projected Revenue from Annual Fee, (Appendix 1, Row CS-29 and 30), (Current Fee/Revenue)	$13,514,000
Total Costs to Recover	**$22,150,872**
Additional Revenue to Rebuild Reserves (Appendix 1, Row RS-29)	$2,354,787
Total Annual Fee Requirement or Target (Appendix 1, Row RS-29)	**$24,505,659**

The following tables will demonstrate two models for generating these revenues, assuming the current pricing for individual licenses and applications remain unchanged.

Model 1.A only raises the annual percentage to a point where it would recover the full cost of the Bureau including revenues to rebuild reserves. For the Bureau to keep the current minimum and maximum fee and only adjust the annual percentage, this rate would need to rise from the current 0.55% to 1.36%. This rate is derived by dividing the total revenue required, less the revenue from institutions paying the minimum or maximum fee, by the total institutional revenues who will pay the percentage rate.

CURRENT FEE SCHEDULE

Annual Fee Analysis (Scenerio 1.A.) (Adjust % Only)				
			Count	**Percentage**
Min fee revenue (2 year avg) ($2,500)	$	1,375,000	550	46%
Max fee revenue (2 year avg) ($60,000)	$	3,180,000	53	4%
% Fee revenue (2 year avg) (.55%)	$	8,053,527	592	50%
Total Fee Revenue (2 year avg)	$	12,608,527	1,195	100%
Total fee revenue required	$	24,505,659		
Additional Revenue to Meet Target	$	11,897,132		

Adjust Annual Percentage (only)		
Total fee requirement to meet short fall	$	19,950,659
Total institution revenue reported (2 year avg)	$	1,464,277,710
% Rate needed to meet revenue requirement		**1.362%**

Revenue requirements includes reserves

Obviously, this represents a significant increase over the current rate of .55%.

Model 1.B raises the minimum fee to $5,000, the maximum fee to $115,000. The annual percentage is then calculated to fully fund the Bureau. However, this rate still needs to be raised to 1.06%.

Annual Fee Analysis (Scenerio 1.B.)				
			Count	**Percentage**
Min fee revenue (2 year avg) ($5,000)	$	3,097,500	620	52%
Max fee revenue (2 year avg) ($115,000)	$	3,852,500	34	3%
% Fee revenue (2 year avg) (.855%)	$	14,174,629	542	45%
Total Fee Revenue (2 year avg)	$	21,124,629	1,195	100%
Total fee revenue required	$	24,505,659		
Additional Revenue to Meet Target	$	3,381,029		

Annual Percentage Requirement		
Total fee requirement to meet short fall	$	17,555,659
Total institution revenue reported (2 year avg)	$	1,657,851,398
% Rate needed to meet revenue requirement		1.059%

Revenue requirements includes reserves

Recommendations

Though our final recommendations will begin on page 31, in our view, both models are unsustainable for the following reasons:

- Keeping all individual licenses and applications at their current levels is too low relative to cost.
- The structure of Individual licenses and application do not represent processing requirements.
- The structure of individual licenses and applications do not assign cost to applicants in ways that are equitable.
- Assigning the entire deficit to the annual fee, is in our view, inequitable.

Please see Appendix 1 for the full report table based on the current fee structure.

Fee Analysis – Revised Fee Structure

As stated earlier, a standard part of our analysis is the review of the current fee schedule and where appropriate, propose to update it to reflect current processing requirements. After completing nearly 90 full cost of service studies for states, counties, and municipal agencies, we find that updating the schedule of fees is an important output. When the fee schedule reflects current operating procedures, those paying fees will pay for what they consume. This keeps costs aligned with revenues and improves the equity between large and small institutions.

The cost of processing a license or application is a function of how much time is required. We do this by first identifying the business processes and then work with staff to assign a unit of time to each process or step in the application. During this process staff will explain in detail their work and what drives the consumption of their time. When staff agree that a license or application will take (hypothetically) three and a half to four hours to process but that a reasonable average is three hours and forty-five minutes, we note it into our model and move to the next license or application. However, when staff explain their work in processing an application or license and explain that it may take anywhere from (hypothetically) three hours to thirty hours we begin to ask what are the cost drivers? We are looking for a driver of cost that can be numerically calculated. For example, in calculating the cost for an initial application we found that the application itself was not the primary driver of cost, it was the number of programs within the application. This suggested redesigning the fee to create tiered structure to accommodate the scale of size and complexity based on the number of programs. The result is a fee for the initial application that includes one program and another fee for each additional program.

Frequently, as we are working with staff and developing the estimates of time to process licenses and applications we will discover that staff are delivering a service or executing a process that is not tied to a fee already in existence. The current practice of processing student transcripts serves as an example. A value-based service is being provided free of charge where there is already an industry standard of charging for transcripts. It is for this reason that we are recommending the Bureau establish a fee for transcripts that is in line with the industry standard of $25.00.

We also see the reverse of this. There are fees listed on the fee schedule, that are no longer used. In these cases, we recommend removing them from the fee schedule since they provide no value.

The following table provides a summary of fees we are recommending being added and/or deleted.

	New Fee	Reason to Establish
Redesign Existing	Application for approval to operate a nonaccredited institution, (degree) *First program*	Redesigning this fee will separate degree and non-degree institutions – for the first program. Each additional program will be an additional cost.
New	Application for approval to operate a nonaccredited institution, *(non-degree)* *First program*	Degree vs non-degree require different processing requirements and time distribution – for the first program. Each additional program will be an additional cost.
New	Application for approval to operate a nonaccredited institution, (degree or non-degree) Each additional program	The number of programs drives the cost of these fees. Currently the applicants are charged the same fee if they have one program or ten programs.
New	Substantive change to an initial application	This fee will allow the Bureau to charge a fee when the applicant changes their

		program offerings after processing the application.
New	Processing for the review of a non-substantive change notification	Non-substantive changes require significantly less work than substantive changes to an application.
New	Renewal fee for the main campus of a nonaccredited institution - non-degree.	Application renewal for a non-degree program is less work than a degree program.
Delete	Renewal fee for a branch of an accredited institution (per branch).	Fee has never been used.
New	Transcript requests	When schools close the Bureau is left with the requirement to process transcript requests. There is currently no fee while the industry average is $25 per transcript.

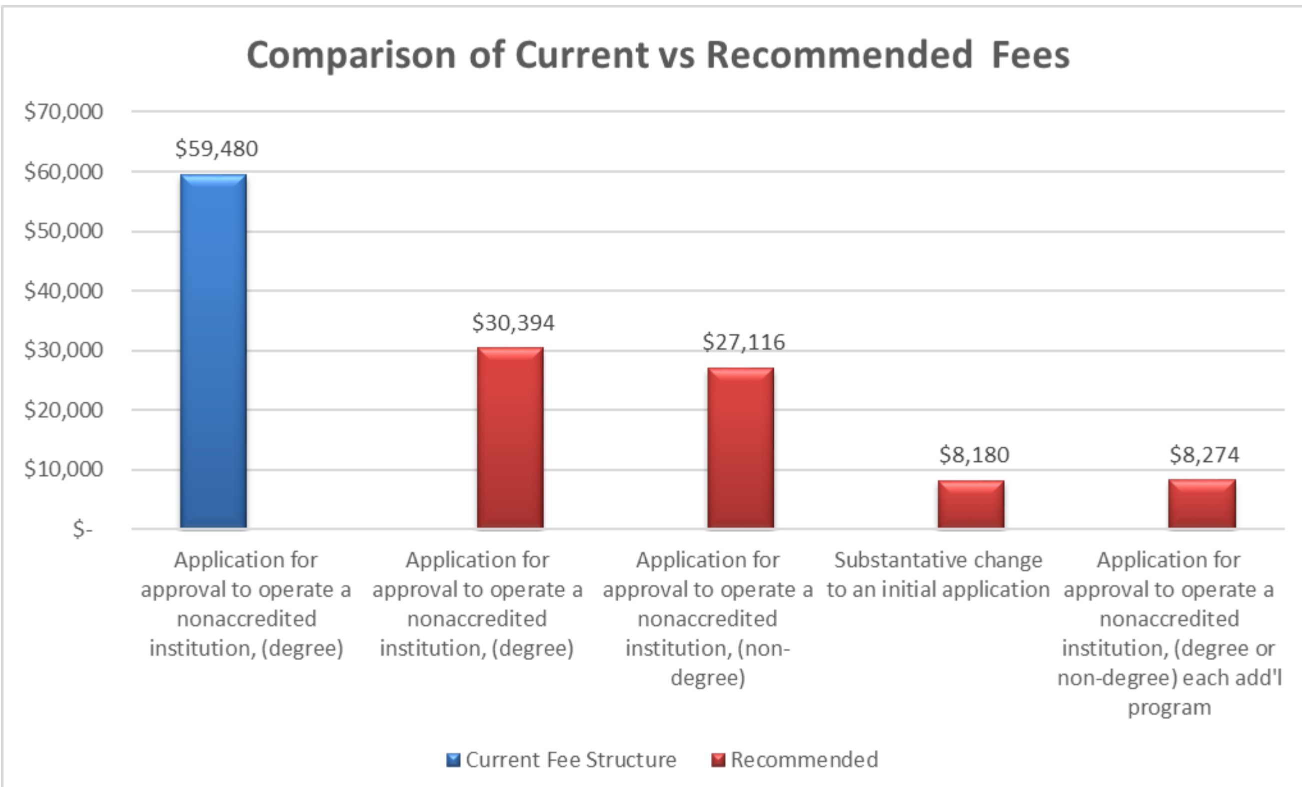
The new fees listed above will create greater alignment between Bureau operations and the drivers of cost. For example, currently institutions making an *Application for approval to operate a nonaccredited institution* pay a single fee; small applications pay the same fee as complex applications with multiple programs, and if an applicant decides to change their program offerings in the middle of the review process, there is no additional fee charged. Splitting this fee will create greater equity for fee payers:

- Degree programs are more complex and require more staff time than non-degree programs. Therefore, separating these applications will lower the price for the non-degree applications.
- The number of programs drive substantial cost, yet the fee is the same if an applicant has one program or fifteen. Creating a tiered structure will allow schools with fewer programs to pay a lower price for their application.
- An applicant can make major changes to their programs and application at the "final hour" which triggers significant additional review by Bureau staff. Charging a fee for these changes will reward those institutions who provide complete applications.

Splitting *Application for approval to operate a nonaccredited institution* into four individual fees has several benefits. These include:

- Aligning the degree and the non-degree institutions according to the cost they drive to the Bureau.
- Setting up the initial fee to assume one program and then another fee for each additional program creates a tiered fee schedule that will scale to the size and complexity of the application. In this way, smaller schools will pay for the costs they drive, and larger schools will pay for the costs they drive.
- The result is greater equity in fees schools will pay. In short, smaller schools will not be subsidizing larger schools.

The following graphic illustrates the change on structure.



Establishing a fee for transcripts

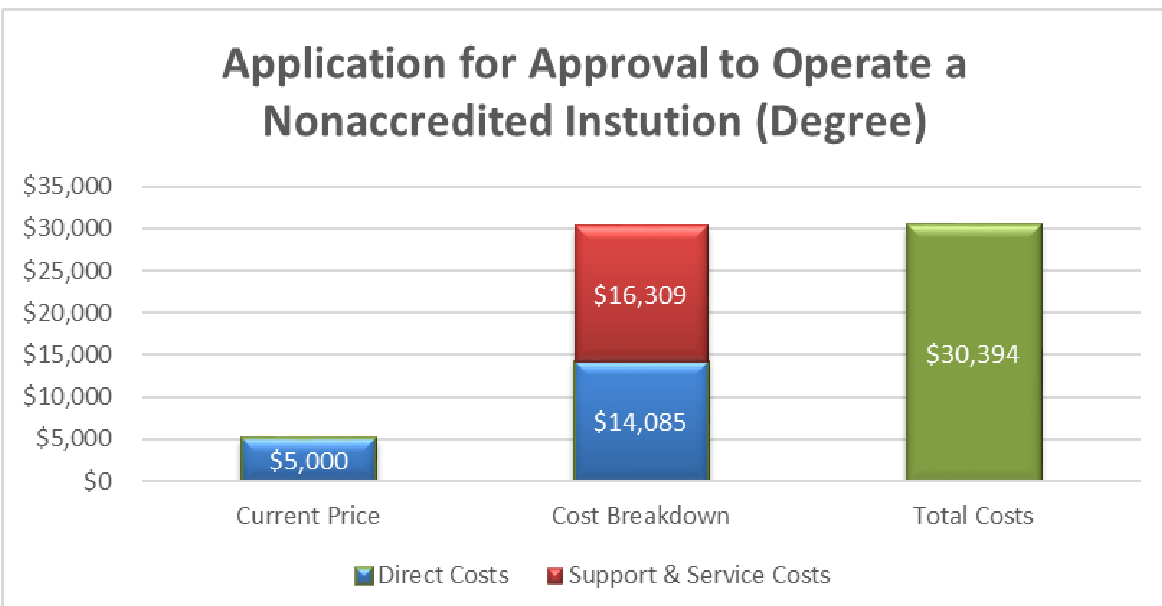
As institutions have closed, the Bureau has assumed the responsibility of providing student transcripts. Currently, the Bureau processes on an average 10,800 requests for transcripts annually, that require 2,160 staff hours to fulfill. Unfortunately, there is no ability to recover the cost of processing these transcripts. We calculated the cost to the Bureau at $343,255. ($31.78/each X 10,800, Appendix 2, Row RS-36)

Our recommendation would be to charge a minimum of $25 per transcript, which is an industry standard. However, the remaining difference of $73,224 ($6.78 X 10,800) will still need to be will still need to be reassigned to the annual fee.

Setting Prices for Fees

From our perspective, as stated earlier, the Bureau is under no requirement to set prices at full cost. The mandate is to fully recover the cost of services, but this does not mean that every fee must be set at full cost. Some fees can be set lower, and some can be set higher. However, if a fee is set at a price lower price than full cost, other fees must be raised to recover the lost revenue.

The challenge with bringing every application type up to the full cost is that some applications become so expensive they may put some organizations out of business or discourage new applicants. For example, an application for "approval to operate a nonaccredited institution (degree) program" at full cost would dramatically raise the price of this application. The following graphic details the cost breakdown for the *Application for Approval to Operate a Nonaccredited Institution (Degree*). This application is the initial application that is required to operate a nonaccredited institution, (Appendix 2, row RS-1).



When setting prices for fees that are not set at full cost, our process is to work with staff to create a specific logic model for these fees. We do not advocate for fees that are set based on personal values, or impulsiveness. For this project, we advised staff to recommend the recovery of direct costs at a minimum. This means that for an initial Application for *Approval to Operate a Nonaccredited Institution (Degree)* the fee will be $14,085.

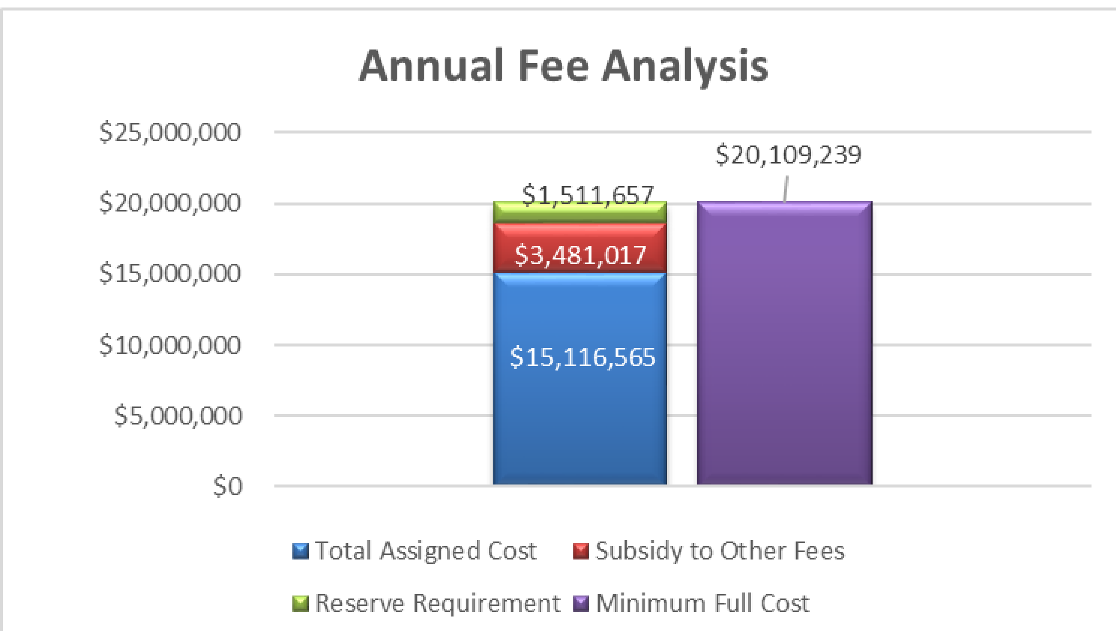
However, this means that $16,309 will not be recovered through the fee and will need to be recovered elsewhere. These are the support and service costs which include Statewide and department prorata, inspections, investigations, compliance, OSAR, and STRF costs.

Recovering Support and Service Costs from the Annual Fee

To the extent that fees are not set at full cost recovery, the difference is being made up through the annual fee.

The following graphic illustrates the actual cost associated with the annual fee plus two additional cost layers:

1. The additional expenses that will subsidize the other permits, and
2. The additional revenue requirements to rebuild reserves.



Calculating the Structure of the Annual Fee

As discussed earlier there are currently three parts to the annual fee:

1. A minimum, (currently at $2,500).
2. A maximum, (currently at $60,000).
3. A percentage based on the annual revenue of the institution, (currently at 0.55%).

As in the discussion regarding the annual fee based on the current fee schedule, we developed two similar models. We note that the revenue target under the current fee schedule is significantly higher ($24,505,659) than in the recommended fee model. This is because the new and revised fee schedule will distribute cost in a more equitable manner. For example, in the current fee schedule, the full cost of an "Application for approval to operate a nonaccredited institution" is $59,480 (Appendix 1, row 1). Simply stated, every institution who wants to apply for an approval to operate a nonaccredited institution, no matter how small or large will trigger this cost. The current fee is $5,00 so this difference ($54,480) must be made up from the Annual Fee.

However, by splitting this one fee into two fees, the first a base fee and the second a fee for each program, the applicant triggers costs that are aligned with the actual processing requirements. This makes it easier for the Bureau to recommend actual fees that are closer to full cost than what is currently being charged.

The following table illustrates the impact of these revisions on this fee.

Application for approval to operate a nonaccredited institution (Appendix 1, row CS-1)	61	$ 59,480	$ 3,628,302	$ 5,000	$ 305,000

Application for approval to operate a nonaccredited institution, *(degree)*(Appendix 2, row RS-1)	12.00	$ 30,394	$ 364,729	$ 14,085	$ 169,022
Application for approval to operate a nonaccredited institution, *(non-degree)*, (Appendix 2, row RS-2)	49.00	$ 27,116	$ 1,328,689	$ 12,566	$ 615,739

Difference that Does Not Have to be Allocated to the Annual Fee

The following table details the annual difference in revenue that does not have to be allocated to the Annual Fee.

Revenue Requirement By Fee Type	
Remaining Deficit to Fund from Individual Licenses (Appendix 2, row RS-45)	$3,481,017
Total Assigned Cost to Annual Fee (Appendix 2, row RS-29)	$15,116,565
Subtotal	$18,597,583
Additional Revenue to Rebuild Reserves (Appendix 2, row RS-29)	$1,511,657
Total Annual Fee Requirement or Target	$20,109,239

As in the previous section, we developed two models for the annual fee. For consistency we use the same parameters.

Model 2.A only raises the annual percentage but to a point where it would recover the full cost of the Bureau. Besides the direct and support costs, it will need to recover:

- Revenues lost by not assigning the full cost to individual licenses and applications.
- Revenues to rebuild reserves.

The minimum fee and the maximum fee remain the same.

Annual Fee Analysis (Scenerio 2.A.) (Adjust % Only)				
			Count	**Percentage**
Min fee revenue (2 year avg) ($2,500)	$	1,375,000	550	46%
Max fee revenue (2 year avg) ($60,000)	$	3,180,000	53	4%
% Fee revenue (2 year avg) (.55%)	$	8,053,527	592	50%
Total Fee Revenue (2 year avg)	$	12,608,527	1,195	100%
Total fee revenue required	$	20,109,239		
Additional Revenue to Meet Target	$	7,500,712		
Adjust Annual Percentage (only)				
Total fee requirement to meet short fall	$	15,554,239		
Total institution revenue reported (2 year avg)	$	1,464,277,710		
% Rate needed to meet revenue requirement		**1.062%**		
Revenue requirements includes reserves				

This model indicates that to keep the minimum fee ($2,500) and the maximum fee at ($60,000), the annual percentage would need to be 1.062%. This is not our recommended model.

Model 2.B raises the minimum fee to $5,000, the maximum fee to $115,000 and then calculated the annual percentage for full cost recovery. Therefore, the annual percentage would need to be .794%. as the following table outlines.

Annual Fee Analysis (Scenerio 2.B.) (Calcalute % Requirement)				
			Count	Percentage
Min fee revenue (2 year avg) ($5,000)	$	3,097,500	620	52%
Max fee revenue (2 year avg) ($115,000)	$	3,852,500	34	3%
% Fee revenue (2 year avg) (.855%)	$	14,174,629	542	45%
Total Fee Revenue (2 year avg)	$	21,124,629	1,195	100%
Total fee revenue required	$	20,109,239		
Additional Revenue to Meet Target	$	(1,015,390)		

Annual Percentage Requirement		
Total fee requirement to meet short fall	$	13,159,239
Total institution revenue reported (2 year avg)	$	1,657,851,398
% Rate needed to meet revenue requirement		**0.794%**

Revenue requirements includes reserves

In our view, this is the most equitable option. We understand that moving from the current fee schedule and establishing new fees must go through the legislative process. Therefore, this is a longer-term opportunity, but one that we strongly recommend.

However, in the interim, we are recommending that the Bureau keep the current flat fees where they are but change the annual fee (scenario 2.B = 0.794%). This annual fee should be raised as soon as possible.

Results of Recommendation	
Current Fee Revenues - Flat Fees (Appendix 1, sum Projected Revenue at Current Fees, less annual fee revenue, rows CS 29-30)	$1,397,000
Projected Annual Fee Revenues (recommended)	$20,109,239
Total Projected Revenue	$21,506,239
Current Revenue (Appendix 1, Projected Revenue at Current Fees, row CS-45)	$14,911,000
Additional Revenue	$6,595,239

Please see Appendix 2 for the full report table base on the long-term proposed fee structure.

Historical Perspective on Bureau's Fees and Revenues

Over the past four years, (since Capital Accounting Partners completed a similar study) expenditure have risen nearly 60%, but revenues have only grown by 29%. We understand the concerns arising from the need to raise revenues from the current state of approximately $15,000,000 to nearly $26,000,000. From our perspective, several factors have contributed to this increase:

1. Increased regulatory and workload requirements

We see two additional requirements added to the Bureau's workload without any ability to recover the cost.

A. The OSAR has added costs as well as the STRF. When overhead and support costs are included, the total cost of these two programs is $ $1,947,377, (based on our recommended fee schedule). There is no revenue associated with this expense so it must be recovered in the annual fee.

B. Student support. The Bureau is responsible for supporting students after an institution closes. Currently, the Bureau is processing approximately 10,800 student transcripts a year without a fee. The "going rate" in the educational industry is a fee of $25.00. However, the Bureau is not authorized to charge any fee. Based on our cost calculations, the cost of this activity is $343,255 . We recommend that the Bureau be allowed to establish a fee of at least $25.00, so they are compensated for this service. Based on our analysis, the full cost of processing a transcript is $31.78.

In total, these additional workload requirements equal $2,290,632. with no corresponding revenue to pay for them. Furthermore, it is our understanding that additional regulatory requirements will be added soon. This will further compound the need for new revenues to pay for them.

2. Increased cost beyond the control of the Bureau

There are significant costs that are assigned to the Bureau for which it has no control. For example, these include:

- Allocation of statewide prorata.

- Allocation of Department overhead.

The following table will detail these charges.

Assigned Costs to the Bureau	
Department Prorata	$ 3,377,000
Statewide Prorata	$ 872,000
Totals	**$4,249,000**
Total Bureau Costs (without reserves build up)	$ 23,547,000
Percentage	**18.0%**

3. Failure to update Fees regularly

In 2016 Capital Accounting Partners provided a fee audit for the Bureau. At that time, the Bureau's revenues were approximately $11.3 million, with expenses of approximately $15.3 million. It is our understanding that the results of this study were never fully implemented. We understand that an interim adjustment was made to the annual fee, which is largely responsible for the increase in revenues since 2016. However, both the annual fee plus the other fees were still insufficient to fully recover the costs of the Bureau. From our understanding, the difference has been made up by careful management of the Bureau’s budget and spending down reserves.

4. Additional challenges

We understand that the Bureau anticipates receiving a loan of $5.5 million to provide temporary funding. While necessary, this just compounds the impact of raising fees as this loan must be paid back within twenty-four months with interest estimated to be an additional $214,000.

Recommendations (Restoring Financial Sustainability)

Maintaining a culture of sustainability

Recommendation #1 – Adopt the Recommended or Revised Fee Schedule

Working in collaboration with staff, we documented core business processes that support processing each fee. A standard output of this process is identifying new fees that need to be added and the revision of existing fees. These changes are based on the processing requirements for each fee. As stated earlier, the current fee schedule was adopted in 2010 and may even be a legacy schedule preceding that. Adopting the revised fee schedule will have several important benefits:

- Creates greater equity between smaller and larger schools.
- Fees will reflect processing requirements.
- It will align fees with the drivers of cost.

However, we do understand that changing the fee schedule is a different process than changing the prices of fees. It is our understanding that changing the fee schedule will require legislative approval while changing the fee prices do not. Therefore, our initial recommendation is to change the model of how the annual fee is calculated and then work legislatively to adopt the revised fee schedule.

Recommendation #2 – Regular Adjustment of Fees

The primary observation that we have in evaluating fees and appropriate fee levels is that there has not been a pattern, practice, or history of regular fee adjustments. This is not unlike many of the Boards and Bureaus that make up the Department of Consumer Affairs.

Therefore, our first and most important recommendation is to adjust fees regularly, annually is best. Consistently, we find government agencies put off adjusting fees, and then it is 10-15 years before they attempt to bring them up to the full cost. Then to avoid "sticker shock," they try to phase in the new fees or attempt interim steps. Consistently, we see these steps fail. The phase-in gets lost due to changes in leadership. Costs increase faster than expected, so the interim steps prove inadequate. The result is poor customer service, and the staff is frustrated because they cannot acquire the resources, they need to provide a quality service and the mission is compromised.

Also, fees and the costs associated with them should receive a formal audit every 3-5 years. There are enough changes in regulations and the overall business environment over this time frame that a formal assessment of cost is warranted. Given the uncertainties listed above, we recommend a formal fee audit in three years or a maximum of four.

Recommendation #3 - Adjusting the annual fee

Monitor the annual fee to determine if it needs revision. Adjusting it annually may not be required. The annual fee is based on a percentage of revenues from the schools that are being regulated. In theory, schools would be adjusting their income based on their costs and this should in turn generate more annual income to the Bureau. However, we would recommend a yearly review of these revenues to ensure they are reasonably aligned with costs.

Recommendation #4 – Updating the Fee Audit

In our view, these fee audits should be updated every 3-5 years. We routinely see regulations change and additional services assigned to agencies. From our understanding the OSAR and STRF programs provide an example of new programs or regulations that are added to an organization's primary mission. Frequently this occurs without an ability to generate the revenue to pay for them. In addition, from our observation, normal changes in the regulatory environment tend to add workload and complexity. A license or application that took ten hours to process four years ago, takes fifteen hours today. Without the regular review of fees, we would expect the Bureau to be in a similar financial situation as it is in right now. In the short-term, these changes may have a minimal impact on a Bureau or Board. However, without addressing them quickly they tend to compound so that an organization comes to a point where its reserves have run out and its ability to meet its regulatory mandate is compromised.

Appendices

Appendix 1:

Results based on the current fee schedule.

- Pages 1-4 show the cost analysis for each fee item and the comparison against the current price.
- Pages 5-8 displays the projected annual revenues, the adjustments to rebuild a six-month operating reserve, and a minimum to maximum fee range.

Appendix 2:

Results based on recommended fee schedule.

- Pages 1-4 show the cost analysis for each fee item, the comparison against the current price, and the annual revenue impact.
- Pages 5-8 displays the projected annual revenues at staff recommended prices, the adjustments to rebuild a six-month operating reserve, and a minimum to maximum fee range to sustain operations.

Appendix 1:

Results based on the current fee schedule.

- Pages 1-4 show the cost analysis for each fee item and the comparison against the current price.
- Pages 5-8 displays the projected annual revenues, the adjustments to rebuild a six-month operating reserve, and a minimum to maximum fee range.

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Direct Unit Cost	Support and Service Costs	Total Cost Assigned	Current Fee / Revenue	Total Cost Assigned Less Current Fee
			Unit Cost Summary				
			Direct +	*Support*	*Total Assigned*		*Total Cost Current Fee*
CS-1	Application for approval to operate a nonaccredited institution	61.00	$26,455.96	$33,024.41	$59,480	$5,000	($54,480.37)
CS-2	Application for approval to operate a nonaccredited institution, *(non-degree)*	0.00	$0	$0	$0		$0
CS-3	Substantative change to an initial application	0.00	$0	$0	$0		$0
CS-4	Application for approval to operate a new branch of a nonaccredited institution.	8.00	$758	$946	$1,703	$3,000	$1,297
CS-5	Application for approval to operate by means of accreditation.	41.00	$758	$946	$1,703	$750	($953)
CS-6	Fee for an application for verification of exempt status	185.00	$1,277	$1,594	$2,871	$250	($2,621)
CS-7	Fee for a substantitive change to an institution's approval to operate (change in objective) / per program	234.00	$3,563	$4,448	$8,011	$500	($7,511)
CS-8	Fee for a substantitive change to an institution's approval to operate (ownership).	46.00	$758	$946	$1,703	$500	($1,203)
CS-9	Fee for a substantitive change to an institution's approval to operate (location).	23.00	$476	$594	$1,071	$500	($571)
CS-10	Fee for a substantitive change to an institution's approval to operate (name).	25.00	$476	$594	$1,071	$500	($571)
CS-11	Application for approval to operate a nonaccredited institution, (degree or non-degree)		$0	$0	$0		$0
CS-12	Fee for a substantitive change to an institution's approval to operate (instructional delivery).	46.00	$2,909	$3,631	$6,539	$500	($6,039)
CS-13			$0	$0	$0		$0

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

BPPE

Bureau for Private Postsecondary Education

			Unit Cost Summary					
Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Direct Unit Cost	Support and Service Costs	Total Cost Assigned	Current Fee / Revenue	Total Cost Assigned Less Current Fee
			Direct +	*Support*	*Total Assigned*		*Total Cost Current Fee*
CS-14	Fee for a substantitive change to an institution approved by means of accreditation, (change in objective).	191.00	$476	$594	$1,071	$250	($821)
CS-15	Fee for a substantitive change to an institution approved by means of accreditation, (change in ownership).		$476	$594	$1,071	$250	($821)
CS-16	Fee for a substantitive change to an institution approved by means of accreditation, (Change in location)		$476	$594	$1,071	$250	($821)
CS-17	Fee for a substantitive change to an institution approved by means of accreditation, (Change in name)		$476	$594	$1,071	$250	($821)
CS-18	Fee for a substantitive change to an institution approved by means of accreditation, (Instructional delivery)		$476	$594	$1,071	$250	($821)
CS-19	Fee for a substantitive change to an institution approved by means of accreditation, (Additional branch)		$476	$594	$1,071	$250	($821)
CS-20	Out of State registration	37.00	$563	$703	$1,265	$1,500	$235
CS-21	Inactive status (renewable annually up to five years)		$0	$0	$0		$0
CS-22			$0	$0	$0		$0
CS-23	Processing for the review of a nonsubstantitive change notification		$0	$0	$0		$0
			$0	$0	$0		$0
	RENEWALS						

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

BPPE
Bureau for Private Postsecondary Education

Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Direct Unit Cost	Support and Service Costs	Total Cost Assigned	Current Fee / Revenue	Total Cost Assigned Less Current Fee
			Direct +	*Support*	*Total Assigned*		*Total Cost Current Fee*
CS-24	Renewal fee for the main campus of a nonaccredited institution - degree.	78.00	$8,717	$10,882	$19,599	$3,500	($16,099)
CS-25	Renewal fee for the main campus of a nonaccredited institution - non-degree.		$0	$0	$0	$3,500	$3,500
CS-26	Renewal fee for a branch of a nonaccredited institution (per branch).	1.00	$433	$540	$973	$3,000	$2,027
CS-27	Renewal fee for an institution approved by means of addreditation.	79.00	$368	$459	$827	$500	($327)
CS-28	Renewal fee for a branch of an accredited institution (per branch).		$0	$0	$0		$0
CS-29	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	1.00	$520,206	$14,633,136	$15,153,342	$9,094,000	($6,059,342)
CS-30	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	1.00	$0	$0	$0	$4,420,000	$4,420,000
			$0	$0	$0		$0
			$0	$0	$0		$0
CS-31	**Fines and Citations**		$0	$0	$0		$0
CS-32	Per violation, upon issuance of a citation.		$0	$0	$0		$0
CS-33	Per violation, upon issuance of a citation.		$0	$0	$0		$0
CS-34	Operating an institution without proper approval.		$0	$0	$0		$0
CS-35			$0	$0	$0		$0
CS-36	Transcript requests (most schools charge $25.)		$0	$0	$0.00		$0
CS-37			$0	$0	$0		$0
CS-38	STRF & Closed School Administration		$0	$0	$0		$0
CS-39	Annual report late (fee) for non or partial submission		$0	$0	$0		$0

Unit Cost Summary (heading over columns Direct Unit Cost through Total Cost Assigned Less Current Fee)

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

			Unit Cost Summary				
Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Direct Unit Cost	Support and Service Costs	Total Cost Assigned	Current Fee / Revenue	Total Cost Assigned Less Current Fee
			Direct +	*Support*	*Total Assigned*		*Total Cost Current Fee*
CS-40	Annual report late (fee)		$0	$0	$0		$0
CS-41	Annual report late (fee)		$0	$0	$0		$0
CS-42			$0	$0	$0		$0
CS-43	Late Payment (Fees not paid within 30 days of due date are subject to a 25% late penalty.)	174.00	$0	$0	$0	$385,250	$385,250
CS-44	Late Payment (Fees not paid within 90 days of due date are subject to a 35% late penalty.)	85.00	$0	$0	$0		$0
			$0	$0	$0		$0

CS-45

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)	Annual Cost Recovery	6 Months Reserve, 5 yr build up	Minimum Full Cost (price) / Unit
			Annual Cost Calculations			Report Recommendations	Reserve Requirements	
			Total Cost X Annual Work Units	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*	*Recommended Fee X Annual Work Units*	*$23,547,872 (total expenses X .5/5)*	*Allocated Cost X Annual Work Units*
CS-1	Application for approval to operate a nonaccredited institution	61.00	$3,628,302.40	$305,000.00	($3,323,302.40)	$305,000		$ 305,000
CS-2	Application for approval to operate a nonaccredited institution, *(non-degree)*	0.00	$0	$0	$0	$0		$ -
CS-3	Substantative change to an initial application	0.00	$0	$0	$0	$0		$ -
CS-4	Application for approval to operate a new branch of a nonaccredited institution.	8.00	$13,627	$24,000	$10,373	$24,000		$ 24,000
CS-5	Application for approval to operate by means of accreditation.	41.00	$69,838	$30,750	($39,088)	$30,750		$ 30,750
CS-6	Fee for an application for verification of exempt status	185.00	$531,208	$46,250	($484,958)	$46,250		$ 46,250
CS-7	Fee for a substantitive change to an institution's approval to operate (change in objective) / per program	234.00	$1,874,632	$117,000	($1,757,632)	$117,000		$ 117,000
CS-8	Fee for a substantitive change to an institution's approval to operate (ownership).	46.00	$78,355	$23,000	($55,355)	$23,000		$ 23,000
CS-9	Fee for a substantitive change to an institution's approval to operate (location).	23.00	$24,626	$11,500	($13,126)	$11,500		$ 11,500
CS-10	Fee for a substantitive change to an institution's approval to operate (name).	25.00	$26,767	$12,500	($14,267)	$12,500		$ 12,500
CS-11	Application for approval to operate a nonaccredited institution, (degree or non-degree)		$0	$0	$0	$0		$ -
CS-12	Fee for a substantitive change to an institution's approval to operate (instructional delivery).	46.00	$300,814	$23,000	($277,814)	$23,000		$ 23,000
CS-13			$0	$0	$0	$0		$ -

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Annual Cost Calculations: Revenue at Full Cost of Services	Annual Cost Calculations: Projection of Revenues at Current Fees	Annual Cost Calculations: Annual Surplus (subsidy)	Report Recommendations: Annual Cost Recovery	Reserve Requirements: 6 Months Reserve, 5 yr build up	Reserve Requirements: Minimum Full Cost (price) / Unit
			Total Cost X Annual Work Units	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*	*Recommended Fee X Annual Work Units*	*$23,547,872 (total expenses X .5/5)*	*Allocated Cost X Annual Work Units*
CS-14	Fee for a substantitive change to an institution approved by means of accreditation, (change in objective).	191.00	$204,502	$47,750	($156,752)	$47,750		$ 47,750
CS-15	Fee for a substantitive change to an institution approved by means of accreditation, (change in ownership).		$0	$0	$0	$0		$ -
CS-16	Fee for a substantitive change to an institution approved by means of accreditation, (Change in location)		$0	$0	$0	$0		$ -
CS-17	Fee for a substantitive change to an institution approved by means of accreditation, (Change in name)		$0	$0	$0	$0		$ -
CS-18	Fee for a substantitive change to an institution approved by means of accreditation, (Instructional delivery)		$0	$0	$0	$0		$ -
CS-19	Fee for a substantitive change to an institution approved by means of accreditation, (Additional branch)		$0	$0	$0	$0		$ -
CS-20	Out of State registration	37.00	$46,818	$55,500	$8,682	$55,500		$ 55,500
CS-21	Inactive status (renewable annually up to five years)		$0	$0	$0	$0		$ -
CS-22			$0	$0	$0	$0		$ -
CS-23	Processing for the review of a nonsubstantitive change notification		$0	$0	$0	$0		$ -
			$0	$0	$0	$0		$ -
	RENEWALS							

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

			Annual Cost Calculations			Report Recommendations	Reserve Requirements	
Fee Tupe	**Fee Type**	**Annual Units of Work (Fiscal 19 20)**	**Revenue at Full Cost of Services**	**Projection of Revenues at Current Fees**	**Annual Surplus (subsidy)**	**Annual Cost Recovery**	**6 Months Reserve, 5 yr build up**	**Minimum Full Cost (price) / Unit**
			Total Cost X Annual Work Units	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*	*Recommended Fee X Annual Work Units*	*$23,547,872 (total expenses X .5/5)*	*Allocated Cost X Annual Work Units*
CS-24	Renewal fee for the main campus of a nonaccredited institution - degree.	78.00	$1,528,706	$273,000	($1,255,706)	$273,000		$ 273,000
CS-25	Renewal fee for the main campus of a nonaccredited institution - non-degree.		$0	$0	$0	$0		$ -
CS-26	Renewal fee for a branch of a nonaccredited institution (per branch).	1.00	$973	$3,000	$2,027	$3,000		$ 3,000
CS-27	Renewal fee for an institution approved by means of addreditation.	79.00	$65,361	$39,500	($25,861)	$39,500		$ 39,500
CS-28	Renewal fee for a branch of an accredited institution (per branch).		$0	$0	$0	$0		$ -
CS-29	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	1.00	$15,153,342	$9,094,000	($6,059,342)	$ 22,150,872	$ 2,354,787	$ 24,505,659
CS-30	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	1.00	$0	$4,420,000	$4,420,000		$0	$0
			$0	$0	$0	$ -	$0	$0
			$0	$0	$0	$ -	$0	$0
CS-31	**Fines and Citations**		$0	$0	$0	$ -	$0	$0
CS-32	Per violation, upon issuance of a citation.		$0	$0	$0	$ -	$0	$0
CS-33	Per violation, upon issuance of a citation.		$0	$0	$0	$ -	$0	$0
CS-34	Operating an institution without proper approval.		$0	$0	$0	$ -	$0	$0
CS-35			$0	$0	$0	$ -	$0	$0
CS-36	Transcript requests (most schools charge $25.)		$0	$0	$0	$ -	$0	$0
CS-37			$0	$0	$0	$ -	$0	$0
CS-38	STRF & Closed School Administration		$0	$0	$0	$ -	$0	$0
CS-39	Annual report late (fee) for non or partial submission		$0	$0	$0	$ -		$0

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Current Cost Structure

Fee Tupe	Fee Type	Annual Units of Work (Fiscal 19 20)	Annual Cost Calculations: Revenue at Full Cost of Services	Annual Cost Calculations: Projection of Revenues at Current Fees	Annual Cost Calculations: Annual Surplus (subsidy)	Report Recommendations: Annual Cost Recovery	Reserve Requirements: 6 Months Reserve, 5 yr build up	Reserve Requirements: Minimum Full Cost (price) / Unit
			Total Cost X Annual Work Units	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*	*Recommended Fee X Annual Work Units*	*$23,547,872 (total expenses X .5/5)*	*Allocated Cost X Annual Work Units*
CS-40	Annual report late (fee)		$0	$0	$0	$ -	$0	$0
CS-41	Annual report late (fee)		$0	$0	$0	$ -	$0	$0
CS-42			$0	$0	$0	$ -	$0	$0
CS-43	Late Payment (Fees not paid within 30 days of due date are subject to a 25% late penalty.)	174.00	$0	$385,250	$385,250	$ 385,250	$0	$385,250
CS-44	Late Payment (Fees not paid within 90 days of due date are subject to a 35% late penalty.)	85.00	$0	$0	$0	$ -	$0	$0
			$0	$0	$0	$ -	$0	$0

	Annual Revenue Impacts: Revenue at Full Cost of Services	Annual Revenue Impacts: Projection of Revenues at Current Fees	Annual Revenue Impacts: Annual Surplus (subsidy)	Annual Revenue Impacts: Annual Revenue Staff Recommendations	Annual Revenue Impact	Annual Revenue Impact: Minimum Full Cost (price) / Unit
CS-45	$ 23,547,872	$ 14,911,000	($8,636,872)	$ 23,547,872		$ 25,902,659

Appendix 2:

Results based on recommended fee schedule.

- Pages 1-4 show the cost analysis for each fee item, the comparison against the current price, and the annual revenue impact.
- Pages 5-8 displays the projected annual revenues at staff recommended prices, the adjustments to rebuild a six-month operating reserve, and a minimum to maximum fee range to sustain operations.

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Unit Cost Summary					Annual Cost Calculations		
Fee Tupe	**Fee Type**		**Annual Units of Work (Fiscal 19 20)**	**Direct Unit Cost**	**Support and Service Costs**	**Total Cost Assigned**	**Current Fee / Revenue**	**Total Cost Assigned Less Current Fee**	**Revenue at Full Cost of Services**	**Projection of Revenues at Current Fees**	**Annual Surplus (subsidy)**
RS-0				*Direct +*	*Support*	*Total Assigned*		*Total Cost Current Fee*	*Total Cost X Annual Work Units*	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*
RS-1	Application for approval to operate a nonaccredited institution, *(degree)*	First program	12.00	$14,085	$16,309	$30,394	$5,000	($25,394.09)	$364,729.13	$60,000.00	($304,729.13)
RS-2	Application for approval to operate a nonaccredited institution, *(non-degree)*	First program	49.00	$12,566	$14,550	$27,116		($27,116)	$1,328,689	$0	($1,328,689)
RS-3	Substantative change to an initial application		7.00	$3,791	$4,389	$8,180		($8,180)	$57,262	$0	($57,262)
RS-4	Application for approval to operate a new branch of a nonaccredited institution.		8.00	$801	$927	$1,728	$3,000	$1,272	$13,826	$24,000	$10,174
RS-5	Application for approval to operate by means of accreditation.		41.00	$801	$927	$1,728	$750	($978)	$70,860	$30,750	($40,110)
RS-6	Fee for an application for verifiction of exempt status		185.00	$1,407	$1,629	$3,036	$250	($2,786)	$561,697	$46,250	($515,447)
RS-7	Fee for a substantitive change to an institution's approval to operate (change in objective) / per program		234.00	$4,083	$4,728	$8,812	$500	($8,312)	$2,061,929	$117,000	($1,944,929)
RS-8	Fee for a substantitive change to an institution's approval to operate (ownership).		46.00	$888	$1,028	$1,915	$500	($1,415)	$88,097	$23,000	($65,097)
RS-9	Fee for a substantitive change to an institution's approval to operate (location).		23.00	$606	$702	$1,308	$500	($808)	$30,082	$11,500	($18,582)
RS-10	Fee for a substantitive change to an institution's approval to operate (name).		25.00	$606	$702	$1,308	$500	($808)	$32,698	$12,500	($20,198)
RS-11	Application for approval to operate a nonaccredited institution, (degree or non-degree)	Each additional program	140.00	$3,834	$4,440	$8,274		($8,274)	$1,158,324	$0	($1,158,324)
RS-12	Fee for a substantitive change to an institution's approval to operate (instructional delivery).		46.00	$3,055	$3,537	$6,592	$500	($6,092)	$303,239	$23,000	($280,239)
RS-13				$0	$0	$0		$0	$0	$0	$0
RS-14	Fee for a substantitive change to an institution approved by means of accreditation, (change in objective).	Per 10 new programs	191.00	$563	$652	$1,214	$250	($964)	$231,966	$47,750	($184,216)
RS-15	Fee for a substantitive change to an institution approved by means of accreditation, (change in ownership).			$520	$602	$1,121	$250	($871)	$0	$0	$0
RS-16	Fee for a substantitive change to an institution approved by means of accreditation, (Change in location)			$520	$602	$1,121	$250	($871)	$0	$0	$0
RS-17	Fee for a substantitive change to an institution approved by means of accreditation, (Change in name)			$520	$602	$1,121	$250	($871)	$0	$0	$0
RS-18	Fee for a substantitive change to an institution approved by means of accreditation, (Instructional delivery)			$520	$602	$1,121	$250	($871)	$0	$0	$0

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Unit Cost Summary					Annual Cost Calculations		
Fee Tupe	Fee Type		Annual Units of Work (Fiscal 19 20)	Direct Unit Cost	Support and Service Costs	Total Cost Assigned	Current Fee / Revenue	Total Cost Assigned Less Current Fee	Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
RS-0				*Direct +*	*Support*	*Total Assigned*		*Total Cost Current Fee*	*Total Cost X Annual Work Units*	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*
RS-19	Fee for a substantitive change to an institution approved by means of accreditation, (Additional branch)			$520	$602	$1,121	$250	($871)	$0	$0	$0
RS-20	Out of State registration		37.00	$606	$702	$1,308	$1,500	$192	$48,392	$55,500	$7,108
RS-21	Inactive status (renewable annually up to five years)			$0	$0	$0		$0	$0	$0	$0
RS-22				$0	$0	$0		$0	$0	$0	$0
RS-23	Processing for the review of a nonsubstantitive change notification		154.00	$618	$716	$1,333		($1,333)	$205,357	$0	($205,357)
				$0	$0	$0		$0	$0	$0	$0
	RENEWALS										
RS-24	Renewal fee for the main campus of a nonaccredited institution - degree.		78.00	$8,717	$10,093	$18,811	$3,500	($15,311)	$1,467,237	$273,000	($1,194,237)
RS-25	Renewal fee for the main campus of a nonaccredited institution - non-degree.			$2,905	$3,363	$6,268	$3,500	($2,768)	$0	$0	$0
RS-26	Renewal fee for a branch of a nonaccredited institution (per branch).		1.00	$433	$501	$934	$3,000	$2,066	$934	$3,000	$2,066
RS-27	Renewal fee for an institution approved by means of addreditation.		79.00	$368	$426	$794	$500	($294)	$62,733	$39,500	($23,233)
RS-28	Renewal fee for a branch of an accredited institution (per branch).			$0	$0	$0		$0	$0	$0	$0
RS-29	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	Per Main	1.00	$520,206	$14,596,359	$15,116,565	$9,094,000	($6,022,565)	$15,116,565	$9,094,000	($6,022,565)
RS-30	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	Per branch	1.00	$0	$0	$0	$4,420,000	$4,420,000	$0	$4,420,000	$4,420,000
				$0	$0	$0		$0	$0	$0	$0
RS-32	Per violation, upon issuance of a citation.			$0	$0	$0		$0	$0	$0	$0
RS-33	Per violation, upon issuance of a citation.			$0	$0	$0		$0	$0	$0	$0
RS-34	Operating an institution without proper approval.			$0	$0	$0		$0	$0	$0	$0
RS-35				$0	$0	$0		$0	$0	$0	$0
RS-36	Transcript requests (most schools charge $25.)		10,800.00	$18	$14	$31.78		($32)	$343,255	$0	($343,255)
RS-37				$0	$0	$0		$0	$0	$0	$0
RS-38	STRF & Closed School Administration			$0	$0	$0		$0	$0	$0	$0
RS-39	Annual report late (fee) for non or partial submission	set at $675	1.00	$0	$0	$0		$0	$0	$0	$0
RS-42				$0	$0	$0		$0	$0	$0	$0
RS-43	Late Payment (Fees not paid within 30 days of due date are subject to a 25% late penalty.)		174.00	$0	$0	$0	$385,250	$385,250	$0	$385,250	$385,250

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Unit Cost Summary					Annual Cost Calculations		
Fee Tupe	**Fee Type**		**Annual Units of Work (Fiscal 19 20)**	**Direct Unit Cost**	**Support and Service Costs**	**Total Cost Assigned**	**Current Fee / Revenue**	**Total Cost Assigned Less Current Fee**	**Revenue at Full Cost of Services**	**Projection of Revenues at Current Fees**	**Annual Surplus (subsidy)**
RS-0				*Direct +*	*Support*	*Total Assigned*		*Total Cost Current Fee*	*Total Cost X Annual Work Units*	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*
RS-44	Late Payment (Fees not paid within 90 days of due date are subject to a 35% late penalty.)		85.00	$0	$0	$0		$0	$0	$0	$0
				$ -	$0	$0		$0			

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Unit Cost Summary					Annual Cost Calculations		
Fee Tupe	Fee Type		Annual Units of Work (Fiscal 19 20)	Direct Unit Cost	Support and Service Costs	Total Cost Assigned	Current Fee / Revenue	Total Cost Assigned Less Current Fee	Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
RS-0				*Direct +*	*Support*	*Total Assigned*		*Total Cost Current Fee*	*Total Cost X Annual Work Units*	*Current Fee X Annual Work Units*	*Current Fee Revenues Revenue at Full Cost*

RS-45

Annual Revenue Impacts		
Revenue at Full Cost of Services	Projection of Revenues at Current Fees	Annual Surplus (subsidy)
$ 23,547,872	$ 14,666,000	($8,881,872)

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Report Recommendations			Reserve Requirements		Forward Projection
Fee Tupe	**Fee Type**		**Annual Units of Work (Fiscal 19 20)**	**Fee Level**	**Annual Deficite to Fund Annual Fee**	**Annual Cost Recovery**	**6 Months Reserve, 5 yr build up**	**Minimum Full Cost (price) / Unit**	**Maximum Full Cost (price)/ Unit**
RS-0					**Recommended Fee Full Cost**	***Recommended Fee X Annual Work Units***	***$2,354,787 Allocated***	***Allocated Cost X Annual Work Units***	***Annual Increased to Sustain Operations***
RS-1	Application for approval to operate a nonaccredited institution, *(degree)*	First program	12.00	$ 14,085	($16,309)	$ 169,022	$3,039	$17,125	$26,594
RS-2	Application for approval to operate a nonaccredited institution, *(non-degree)*	First program	49.00	$ 12,566	($14,550)	$ 615,739	$2,712	$15,278	$23,726
RS-3	Substantative change to an initial application		7.00	$ 3,791	($4,389)	$ 26,536	$818	$4,609	$7,158
RS-4	Application for approval to operate a new branch of a nonaccredited institution.		8.00	$ 3,000	$1,272	$ 24,000	$173	$3,173	$4,927
RS-5	Application for approval to operate by means of accreditation.		41.00	$ 10,564	$8,836	$ 433,120	$173	$10,737	$16,674
RS-6	Fee for an application for verifiction of exempt status		185.00	$ 1,407	($1,629)	$ 260,301	$304	$1,711	$2,657
RS-7	Fee for a substantitive change to an institution's approval to operate (change in objective) / per program		234.00	$ 4,083	($4,728)	$ 955,536	$881	$4,965	$7,710
RS-8	Fee for a substantitive change to an institution's approval to operate (ownership).		46.00	$ 888	($1,028)	$ 40,826	$192	$1,079	$1,676
RS-9	Fee for a substantitive change to an institution's approval to operate (location).		23.00	$ 500	($808)	$ 11,500	$131	$631	$980
RS-10	Fee for a substantitive change to an institution's approval to operate (name).		25.00	$ 500	($808)	$ 12,500	$131	$631	$980
RS-11	Application for approval to operate a nonaccredited institution, (degree or non-degree)	Each additional program	140.00	$ 3,834	($4,440)	$ 536,789	$827	$4,662	$7,239
RS-12	Fee for a substantitive change to an institution's approval to operate (instructional delivery).		46.00	$ 3,055	($3,537)	$ 140,527	$659	$3,714	$5,768
RS-13					$0	$ -	$0	$0	$0
RS-14	Fee for a substantitive change to an institution approved by means of accreditation, (change in objective).	Per 10 new programs	191.00	$ 1,214	$0	$ 231,966	$121	$1,336	$2,075
RS-15	Fee for a substantitive change to an institution approved by means of accreditation, (change in ownership).			$ 1,121	$0	$ -	$112	$1,233	$1,915
RS-16	Fee for a substantitive change to an institution approved by means of accreditation, (Change in location)			$ 1,121	$0	$ -	$112	$1,233	$1,915
RS-17	Fee for a substantitive change to an institution approved by means of accreditation, (Change in name)			$ 1,121	$0	$ -	$112	$1,233	$1,915
RS-18	Fee for a substantitive change to an institution approved by means of accreditation, (Instructional delivery)			$ 1,121	$0	$ -	$112	$1,233	$1,915

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Report Recommendations			Reserve Requirements		Forward Projection
Fee Tupe	**Fee Type**		**Annual Units of Work (Fiscal 19 20)**	**Fee Level**	**Annual Deficite to Fund Annual Fee**	**Annual Cost Recovery**	**6 Months Reserve, 5 yr build up**	**Minimum Full Cost (price) / Unit**	**Maximum Full Cost (price)/ Unit**
RS-0					**Recommended Fee Full Cost**	***Recommended Fee X Annual Work Units***	***$2,354,787 Allocated***	***Allocated Cost X Annual Work Units***	***Annual Increased to Sustain Operations***
RS-19	Fee for a substantitive change to an institution approved by means of accreditation, (Additional branch)			$ 1,121	$0	$ -	$112	$1,233	$1,915
RS-20	Out of State registration		37.00	$ 1,500	$192	$ 55,500	$131	$1,631	$2,533
RS-21	Inactive status (renewable annually up to five years)				$0	$ -	$0	$0	$0
RS-22					$0	$ -	$0	$0	$0
RS-23	Processing for the review of a nonsubstantitive change notification		154.00	$ 250	($1,083)	$ 38,500	$133	$383	$595
					$0	$ -	$0	$0	$0
	RENEWALS								
RS-24	Renewal fee for the main campus of a nonaccredited institution - degree.		78.00	$ 8,717	($10,093)	$ 679,945	$1,881	$10,598	$16,459
RS-25	Renewal fee for the main campus of a nonaccredited institution - non-degree.			$ 3,500	($2,768)	$ -	$627	$4,127	$6,409
RS-26	Renewal fee for a branch of a nonaccredited institution (per branch).		1.00		($934)	$ -	$93	$93	$145
RS-27	Renewal fee for an institution approved by means of addreditation.		79.00	$ 794	$0	$ 62,733	$79	$873	$1,357
RS-28	Renewal fee for a branch of an accredited institution (per branch).				$0	$ -	$0	$0	$0
RS-29	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	Per Main	1.00	$ 15,116,565	$0	$ 18,597,583	$1,511,657	$20,109,239	$31,229,033
RS-30	Nonaccredited and accredited institution's annual fee =.55% of the institution's annual revenue, but not exceeding a total of $60,000 annually, with a min of $2,500.	Per branch	1.00		$0	$ -	$0	$0	$0
					$0	$ -	$0	$0	$0
RS-32	Per violation, upon issuance of a citation.				$0	$ -	$0	$0	$0
RS-33	Per violation, upon issuance of a citation.				$0	$ -	$0	$0	$0
RS-34	Operating an institution without proper approval.				$0	$ -	$0	$0	$0
RS-35					$0	$ -	$0	$0	$0
RS-36	Transcript requests (most schools charge $25.)		10,800.00	$ 25	($7)	$ 270,000	$3	$28	$44
RS-37					$0	$ -	$0	$0	$0
RS-38	STRF & Closed School Administration				$0	$ -	$0	$0	$0
RS-39	Annual report late (fee) for non or partial submission	set at $675	1.00		$0	$ -		$0	$0
RS-42					$0	$ -	$0	$0	$0
RS-43	Late Payment (Fees not paid within 30 days of due date are subject to a 25% late penalty.)		174.00	$ 385,250		$ 385,250	$0	$385,250	$385,250

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Report Recommendations			Reserve Requirements		Forward Projection
Fee Tupe	Fee Type		Annual Units of Work (Fiscal 19 20)	Fee Level	Annual Deficite to Fund Annual Fee	Annual Cost Recovery	6 Months Reserve, 5 yr build up	Minimum Full Cost (price) / Unit	Maximum Full Cost (price)/ Unit
RS-0					Recommended Fee Full Cost	*Recommended Fee X Annual Work Units*	*$2,354,787 Allocated*	*Allocated Cost X Annual Work Units*	*Annual Increased to Sustain Operations*
RS-44	Late Payment (Fees not paid within 90 days of due date are subject to a 35% late penalty.)		85.00			$ -	$0	$0	$0
						$ -	$0	$0	$0

Bureau of Private Post Secondary Education

Licensing & Misc Fees / Recommended Fee Structure

				Report Recommendations			Reserve Requirements		Forward Projection
Fee Tupe	Fee Type		Annual Units of Work (Fiscal 19 20)	Fee Level	Annual Deficite to Fund Annual Fee	Annual Cost Recovery	6 Months Reserve, 5 yr build up	Minimum Full Cost (price) / Unit	Maximum Full Cost (price)/ Unit
RS-0					Recommended Fee Full Cost	*Recommended Fee X Annual Work Units*	*$2,354,787 Allocated*	*Allocated Cost X Annual Work Units*	*Annual Increased to Sustain Operations*

			Annual Revenue Impact		al Revenues (Proje
	Annual Deficite to Fund Annual Fee	Annual Revenue Staff Recommendations		Minimum Full Cost (price) / Unit	Maximum Full Cost (price)/ Unit
RS-45	($3,481,017)	$ 23,547,872		$25,902,659	$ 40,013,006