

# STATE BOARD OF PRIVATE CAREER EDUCATION

## Enabling Laws

Act 184 of 2016  
A.C.A. § 6-51-601 et. seq.

## History and Organization

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

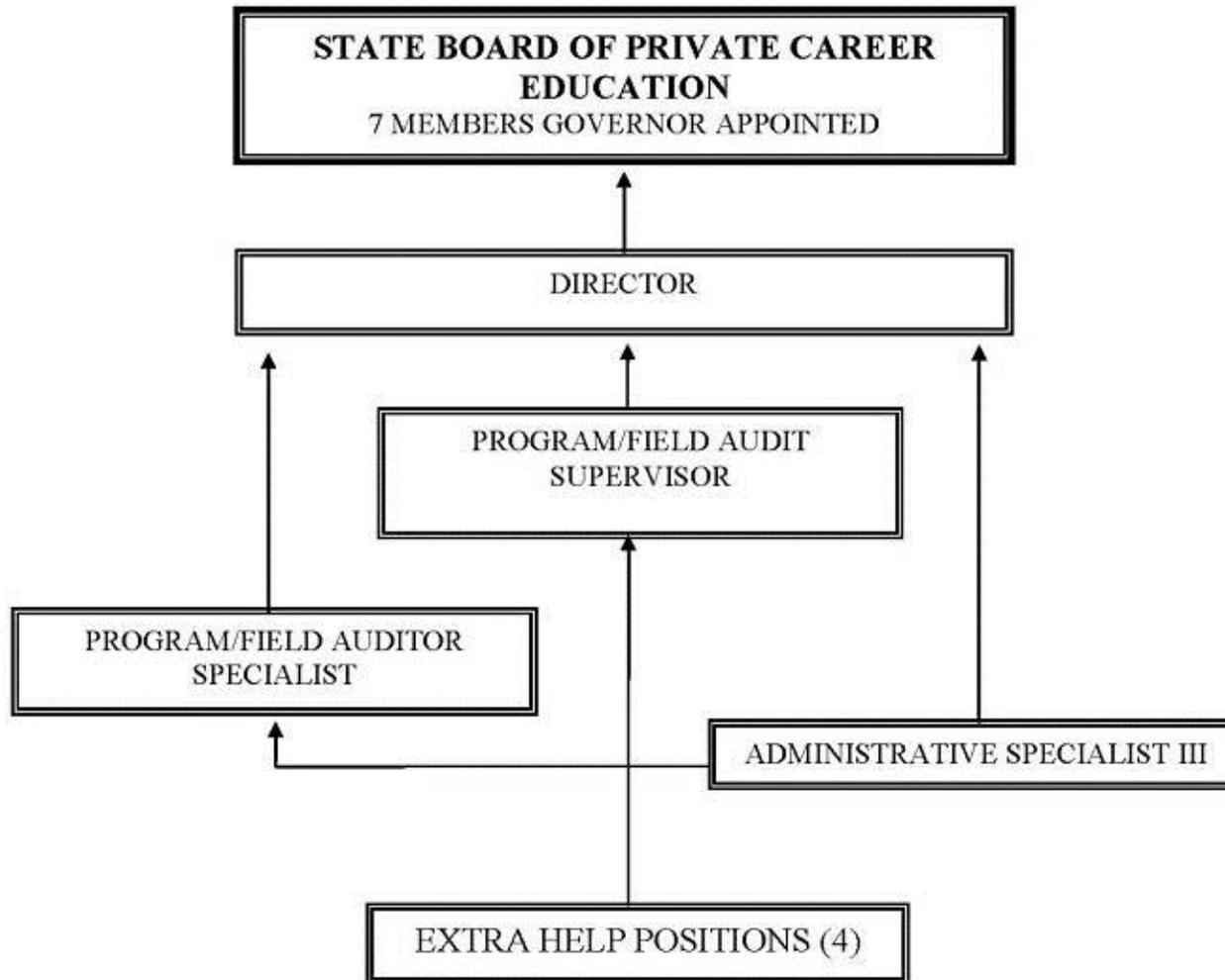
The Board was established in 1989 with responsibilities and authority as set forth in Arkansas Code Annotated 6-51-601 et. seq. The Governor appointed Board consists of seven members; four members from the general public and three members from the Private Career Education Industry, as well as ex officio members representing the Department of Higher Education and the Department of Career Education. The Board's day to day operation is conducted by a Director and office staff of three full-time employees.

Currently 206 schools and 84 admissions representatives are licensed; these schools have 231 individual owners, 1,372 instructors and 291 Programs of Study. As of June 30, 2016 there were 24,887 students enroll in private career education. To be granted a license, schools must meet established criteria and submit detailed operational information that includes review and approval of items such as program content and goals, facilities, equipment, instructor qualifications, etc. and undergo inspection visits by SBPCE staff. Continued monitoring requires review of financial stability, advertising practices, record maintenance, transcripts, placement records, catalogs, processing student complaints, etc. Review of student complaints can include the convening of the SBPCE Arbitration Panel, if requested by either party. School licenses must be renewed on a yearly basis.

When a school ceases to operate and students are enrolled, it is the responsibility of the SBPCE Director to attempt to place each student of the school in another private career school. When a school closes, the Board receives the academic transcripts that are then scanned, maintained and serviced as long as the computer equipment available will allow for retrieval. Financial aid records from closed schools are maintained in one of two ways: (A) Records for schools participating in the Federal Financial Aid Program are received from the previous three (3) years and will be maintained for three (3) years or (B) Records for schools not participating in the Federal Financial Aid programs are received from the previous year and are maintained for one (1) year. We currently have over 60,000 student transcripts available from closed schools.

The Student Protection Trust Fund (SPF) is funded by an annual assessment to each licensed school. On May 30, 2004 for the first time since the

licensure for fifteen (15) years will not be assessed additional fees unless the fund has a balance of less than \$500,000 on May 30 of any year. Schools that were not licensed in 1989 will continue to be assessed the fee until they have paid into the fund for fifteen (15) years.



## **Agency Commentary**

General Operations of the State Board of Private Career Education are funded primarily from special revenue derived from annual license fees, admissions representative fees, and school amendment fees for changes such as program offerings, location, etc. We have committed to internally reducing the 2016-2017 expenditures by \$119,234. We have an employee retiring in August 2016; we will not fill the position. We have been working diligently since 2013 to move agency applications online. The remaining forms should be online by 2017. Online processing has allowed for online payment by schools, decreased the length of time it takes to process applications, receipting takes only minutes as the information received from the Information Network of Arkansas (INA) is imported to our database and the income sent by INA to the Treasurer's Office. The additional online applications will save time with in other application processes. These changes allow us to offer the same level of service to Arkansas residents with one less full time position for a reduction of (\$55,887) each year of the biennium and two extra help positions for a reduction to base level of (\$12,500) each year of the biennium. Personal Services Matching for all three positions provide a reduction to base level of (\$18,697) for FY 18 and (\$19,256) for FY 19. These reductions total up to a request of (\$87,084) for FY 18 and (\$87,643) for FY 19.

For the Student Protection Trust Fund appropriation, funded from special revenues received from annual assessment fees charged applicable schools, continuation of Authorized Level for each year of the biennium is requested. We are requesting continued base level of this appropriation so that if a large school was to close the appropriation would be available to assist the students and pay other items from A.C.A § 6-51-607 as listed below:

Pay claims filed by students when a school becomes insolvent or ceases to operate without offering a complete program of study;

- Pay expenses incurred by a school that are directly related to educating a student placed in the school for teach out purposes;
- Reimburse the Private Career Education Fund for expenses directly associated with the storage and maintenance of student academic and financial aid records; and
- Reimburse the Private Career Education Fund for administrative costs incurred due to school closings.

Any amounts in the fund above the required five hundred thousand dollar \$500,000 may be used with the approval of the board to:

- Fund educational seminars and other forms of educational projects for the use and benefit of licensed school administrators, faculty, staff, or admissions representatives;
- Provide for travel expenses and registration fees to send staff or board members to accrediting meetings, seminars, or meetings relating to the school sector; or
- Provide staff assistance.

For Cash Operations funded through cash fees, grants, and proceeds received from school surety bonds for students, the request is for continuation of Authorized Level for each year of the 2017-2019 Biennium.

**Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
ARKANSAS STATE BOARD OF PRIVATE CAREER EDUCATION  
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

Per the Department of Finance and Administration (DFA) Financial Management Guide R4-19-4-501, sound internal controls over cash receipts dictate daily deposits to Treasury and/or bank accounts. Weekly deposits are allowable if an agency receives only a minimal amount of cash. The Agency, again, allowed for the average time between receipts and deposits to exceed one week. For the fiscal years ending June 30, 2014, and June 30, 2015, the average number of days from receipt to deposit was 14 days and 15 days, respectively. Lack of expediency in depositing funds could allow for misappropriation.

We recommend the Agency make deposits weekly.

**Agency Response:**

We are implementing the following procedure to assure weekly deposits are made. During license renewal and Student Protection Fund (SPF) payment time, we will make deposits more than one time a week based on the amount of money received. All of our license renewal fees are paid online through the Information Network of Arkansas (INA). For currently licensed schools, the SPF fees are also paid online through INA.

The mail is opened by two persons when received in the office. Money received is manually recorded in the money log by the Administrative Secretary. Each day, the money log is printed by the Administrative Secretary and given to the Compliance Specialist. The Administrative Secretary places the money received in the money bag, and it is kept in a locked safe.

We receive the previous week's EFT deposit reports from INA each Monday, as well as a list showing that paid the fee and for what the fee was owed. The Compliance Analyst electronically moves the EFT funds into the receipt log and then prints the log and a copy of the list.

This step will be a reminder that the deposit needs to be made each week. The Director will get the deposit handed to her or an email reminding her to process the deposit. Income received Tuesday through Monday is entered on an internal deposit form and is balanced by the Compliance Specialist. When the internal form is completed and balanced, if the

DIVISION OF LEGISLATIVE AUDIT  
 AUDIT OF :  
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Findings

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Director is in the office, the prepared deposit is immediately given to her to deposit. If the Director is not in the office, the deposit is placed in the safe and an email sent to the Director by the Compliance Specialist. The email lets the Director know the deposit is balanced and in the safe. The Director completes the Revenue Receipt form and emails it to the Service Bureau - Office of Accounting for entry into AASIS. When the deposit form is received back from the Service Bureau, the Director completes the deposit form and places it with the money and/or EFT reports, and it is carried to the State Treasury's Office for deposit.

**State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016**

None

**Employment Summary**

	Male	Female	Total	%
White Employees	0	1	1	33 %
Black Employees	0	2	2	67 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			2	67 %
Total Employees			3	100 %

## Publications

### A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

# Department Appropriation Summary

## Historical Data

## Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
505 Private Career Education-Operations	360,410	4	425,321	4	439,987	4	423,248	4	336,164	3	336,164	3	425,605	4	337,962	3	337,962	3
506 Student Protection Trust	13,519	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
834 Private Career Ed-Cash in Treasury	0	0	44,985	0	50,000	0	44,985	0	44,985	0	44,985	0	44,985	0	44,985	0	44,985	0
<b>Total</b>	<b>373,929</b>	<b>4</b>	<b>970,306</b>	<b>4</b>	<b>989,987</b>	<b>4</b>	<b>968,233</b>	<b>4</b>	<b>881,149</b>	<b>3</b>	<b>881,149</b>	<b>3</b>	<b>970,590</b>	<b>4</b>	<b>882,947</b>	<b>3</b>	<b>882,947</b>	<b>3</b>

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	1,490,721	80.5	1,477,302	80.8		857,323	65.4	857,323	65.4	857,323	65.4	411,369	47.5	411,369	47.5	411,369	47.5
Special Revenue	4000030	288,650	15.6	286,327	15.7		387,284	29.6	387,284	29.6	387,284	29.6	387,843	44.8	387,843	44.8	387,843	44.8
Trust Fund	4000050	71,860	3.9	64,000	3.5		65,500	5.0	65,500	5.0	65,500	5.0	66,250	7.7	66,250	7.7	66,250	7.7
<b>Total Funds</b>		<b>1,851,231</b>	<b>100.0</b>	<b>1,827,629</b>	<b>100.0</b>		<b>1,310,107</b>	<b>100.0</b>	<b>1,310,107</b>	<b>100.0</b>	<b>1,310,107</b>	<b>100.0</b>	<b>865,462</b>	<b>100.0</b>	<b>865,462</b>	<b>100.0</b>	<b>865,462</b>	<b>100.0</b>
Excess Appropriation/(Funding)		(1,477,302)		(857,323)			(341,874)		(428,958)		(428,958)		105,128		17,485		17,485	
<b>Grand Total</b>		<b>373,929</b>		<b>970,306</b>			<b>968,233</b>		<b>881,149</b>		<b>881,149</b>		<b>970,590</b>		<b>882,947</b>		<b>882,947</b>	

Variance in fund balance is due to unfunded appropriation in 505 - Private Career Education - Operations and 834 - Private Career Ed - Cash in Treasury. Expenditure of appropriation is contingent upon available funding.

## Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %

## **Analysis of Budget Request**

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

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

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

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Base Level Request is \$423,248 for FY18 and \$425,605 for FY19.

The Board's Change Level request of (\$87,084) in FY18 and (\$87,643) in FY19 reflects the following:

- Regular Salaries and Personal Services Matching decrease of (\$74,542) in FY18 and (\$75,101) in FY19 for the discontinuation of a Program/Field Auditor Supervisor (C118).
- Extra Help and Personal Services Matching decrease of (\$12,542) both years of the biennium for the discontinuation of two extra help positions.

The Executive Recommendation provides for the Agency Request. Expenditures are contingent on available funding.

## Appropriation Summary

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

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

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	246,571	241,047	239,687	241,147	185,260	185,260	241,147	185,260	185,260
<b>#Positions</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>
Extra Help	5010001	0	32,500	32,500	32,500	20,000	20,000	32,500	20,000	20,000
<b>#Extra Help</b>		<b>0</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>
Personal Services Matching	5010003	77,849	78,774	94,800	76,601	57,904	57,904	78,958	59,702	59,702
Operating Expenses	5020002	34,181	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
Conference & Travel Expenses	5050009	1,175	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Professional Fees	5060010	634	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>360,410</b>	<b>425,321</b>	<b>439,987</b>	<b>423,248</b>	<b>336,164</b>	<b>336,164</b>	<b>425,605</b>	<b>337,962</b>	<b>337,962</b>
<b>Funding Sources</b>										
Fund Balance	4000005	216,042	144,077		4,883	4,883	4,883	0	0	0
Special Revenue	4000030	288,445	286,127		387,084	387,084	387,084	387,643	387,643	387,643
<b>Total Funding</b>		<b>504,487</b>	<b>430,204</b>		<b>391,967</b>	<b>391,967</b>	<b>391,967</b>	<b>387,643</b>	<b>387,643</b>	<b>387,643</b>
Excess Appropriation/(Funding)		(144,077)	(4,883)		31,281	(55,803)	(55,803)	37,962	(49,681)	(49,681)
<b>Grand Total</b>		<b>360,410</b>	<b>425,321</b>		<b>423,248</b>	<b>336,164</b>	<b>336,164</b>	<b>425,605</b>	<b>337,962</b>	<b>337,962</b>

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium. Expenditure of appropriation is contingent upon available funding.

## Change Level by Appropriation

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

### Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>423,248</b>	<b>4</b>	<b>423,248</b>	<b>100.0</b>	<b>425,605</b>	<b>4</b>	<b>425,605</b>	<b>100.0</b>
C03	Discontinue Program	(87,084)	(1)	336,164	79.4	(87,643)	(1)	337,962	79.4

### Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>423,248</b>	<b>4</b>	<b>423,248</b>	<b>100.0</b>	<b>425,605</b>	<b>4</b>	<b>425,605</b>	<b>100.0</b>
C03	Discontinue Program	(87,084)	(1)	336,164	79.4	(87,643)	(1)	337,962	79.4

### Justification

C03	The Board of Private Career Education is requesting a decrease in appropriation for Salaries and Personal Services Matching of (\$74,542) for FY 18 and (\$75,101) for FY 19. The board also request a decrease in appropriation for Extra Help and Personal Services Matching of (\$12,542) both years of the biennium. Due to moving applications to an online service, the Board is able to decrease one full time position and two extra help positions and allows the State Board of Private Education to maintain its current level of service.
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## **Analysis of Budget Request**

**Appropriation:** 506 - Student Protection Trust

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

Revenues deposited into this fund consists of annual certification fees paid by participating schools to the Board and are primarily used to cover expenses associated with providing for a student's continuing education in the event a school closes or to pay student claims when this arrangement is not feasible. Schools originally licensed during the 1989-91 biennium and have maintained their licensure for fifteen (15) years will not be assessed additional fees unless the fund balance totals less than \$500,000 on May 30th of any fiscal year. Regardless of the fund balance, schools that have not paid licensure fees for fifteen (15) years will continue being charged until they have paid fees for a minimum of fifteen (15) years.

The State Board of Private Career Education requests the continuation of the \$500,000 Base Level for each year of the 2017-2019 Biennium for the Student Protection Trust Fund Program.

The Executive Recommendation provides for the Agency Request. Expenditures are contingent on available funding.

## Appropriation Summary

**Appropriation:** 506 - Student Protection Trust

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

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses/Claims/Fees	5900046	13,519	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total		13,519	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Funding Sources</b>										
Fund Balance	4000005	1,223,528	1,281,869		845,869	845,869	845,869	411,369	411,369	411,369
Trust Fund	4000050	71,860	64,000		65,500	65,500	65,500	66,250	66,250	66,250
Total Funding		1,295,388	1,345,869		911,369	911,369	911,369	477,619	477,619	477,619
Excess Appropriation/(Funding)		(1,281,869)	(845,869)		(411,369)	(411,369)	(411,369)	22,381	22,381	22,381
Grand Total		13,519	500,000		500,000	500,000	500,000	500,000	500,000	500,000

Expenditure of appropriation is contingent upon available funding.

## **Analysis of Budget Request**

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

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

Funds for the Cash Operations appropriation are received through grants from the Real Estate Foundation and the Winthrop Rockefeller Foundation, investments, and from surety bond receipts paid to the Board to to used for payment of tuition refunds to students or potential students. These funds are used to supplement funding for regular operation costs of the Arkansas Private Career Education Board.

The Base Level Request is \$44,895 for both years of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditures are contingent on available funding.

## Appropriation Summary

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

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

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	28,087	31,102	28,087	28,087	28,087	28,087	28,087	28,087
Conference & Travel Expenses	5050009	0	8,898	8,898	8,898	8,898	8,898	8,898	8,898	8,898
Professional Fees	5060010	0	8,000	10,000	8,000	8,000	8,000	8,000	8,000	8,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>44,985</b>	<b>50,000</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>
<b>Funding Sources</b>										
Fund Balance	4000005	51,151	51,356		6,571	6,571	6,571	0	0	0
Special Revenue	4000030	205	200		200	200	200	200	200	200
<b>Total Funding</b>		<b>51,356</b>	<b>51,556</b>		<b>6,771</b>	<b>6,771</b>	<b>6,771</b>	<b>200</b>	<b>200</b>	<b>200</b>
Excess Appropriation/(Funding)		(51,356)	(6,571)		38,214	38,214	38,214	44,785	44,785	44,785
<b>Grand Total</b>		<b>0</b>	<b>44,985</b>		<b>44,985</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>	<b>44,985</b>