

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on February 11, 2010, in Room 152-S of the Capitol.

All members were present except:

Senator Chris Steineger- excused

Committee staff present:

Theresa Kiernan, Office of the Revisor of Statutes

Martha Dorsey, Kansas Legislative Research Department

Sharon Wenger, Kansas Legislative Research Department

Dorothy Gerhardt, Committee Assistant

Conferees appearing before the Committee:

Reginald L. Robinson, President, Kansas Board of Regents

Dale Dennis, Deputy Commissioner, Kansas Department of Education

Others attending:

See attached list.

Hearing on SB 485 - Private and out-of-state postsecondary educational institution act; state board of regents, powers; reporting requirements; penalties; student complaints

Theresa Kiernan, Office of the Revisor of Statutes, presented a brief review of **SB 485**. This bill would amend several provisions in the Private and Out-of-State Postsecondary Educational Institutions Act. Among provisions included in the bill are prohibiting any institution from awarding any certificate or diploma unless the institution has been approved by the State Board; the institution would be required to notify the State Board upon opening and maintaining a branch institution. This branch would be subject to review by the State Board. The Board must be notified of a change in ownership with an application for a new certificate of approval being submitted within 60 days before the change in ownership. No payments for tuition, fees or enrollment may be collected unless the institution has received a certificate of approval. The bill would establish a new fee schedule which would not be refundable. Institutions would be required to adopt, publish, post and adhere to a procedure for handling student complaints. The bill also directs the State Board to develop and maintain a statewide data collection system to collect and analyze private and out-of-state postsecondary educational information. Following questioning, she defined "State Board" as the Kansas State Board of Regents.

Reginald L. Robinson, President, Kansas Board of Regents (Attachment 1), provided testimony in support of **SB 485**. He reviewed the proposed revisions which would amend Private Postsecondary statutes which included: 1) requiring the review of branch locations in Kansas; 2) changing the application and renewal time frames; 3) clarifying the types of degrees that require certificates of approval; 4) providing for greater penalties for violations of the Private Postsecondary Act; 5) requiring data to be reported by regulated institutions; 6) requiring the schools to post their student complaint process; and 7) revising the fee structure.

Mr. Robinson pointed out that from January 2007 and December 2009 the number of approved institutions in Kansas increased 22.4%, from 107 to 131. In that same period, the number of approved academic programs increased 143%, from 567 to 1,380, with this growth expected to continue for the next several years. Along with this increase has come an increase in the workload of staff. He stated **SB 485** proposes revisions to the fee structure that more accurately reflect the cost of time and resources that must be devoted to reviewing and processing the variety of schools and programs.

Discussion of the proposed changes was held.

There were no other conferees. The hearing on **SB 485** was closed.

SB 354 - School districts; tax levies; property subject to taxation

Theresa Kiernan, Office of the Revisor of Statutes, appeared before the committee and provided a brief

CONTINUATION SHEET

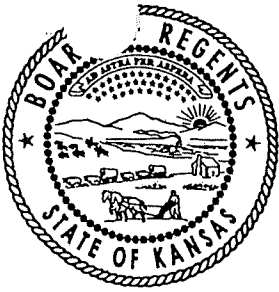
Minutes of the Senate Education Committee at 1:30 p.m. on February 11, 2010, in Room 152-S of the Capitol.

explanation of **SB 354**. The bill was introduced so that the moneys a school district receives from its share of motor vehicle tax revenues is included when the State Board of Education computes the ancillary school facilities weighting, the cost of living weighting and the declining enrollment weighting of a school district. Under the motor vehicle tax law, each tax levy fund of a taxing subdivision is apportioned a share of motor vehicle tax revenues - except those taxes levied under K.S.A. 72-6431.

Senator Vratil moved the committee recommend **SB 354** favorable for passage. The motion was seconded by Senator Owens. The motion carried on a voice vote.

The next meeting is scheduled for February 15, 2010.

The meeting was adjourned at 02:30 p.m.



KANSAS BOARD OF REGENTS

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SENATE EDUCATION COMMITTEE February 11, 2010

Testimony in Support of Senate Bill 485

Reginald L. Robinson, President and CEO

Chairwoman Schodorf, Ranking Member Hensley, and members of the Committee. Thank you for the opportunity to provide testimony in support of Senate Bill 485, legislation that proposes revisions to the statutes that the Board of Regents implement through its Private Postsecondary Division. As part of the process of developing these revisions, the Division undertook a self-study using the assistance of an independent business consultant for the purpose of assessing its future needs. A copy of this report's Executive Summary is attached for your reference, and I am happy of course to make the full 56-page report available to you upon request.

The Division's principal responsibility is to regulate private postsecondary sector institutions. This regulation involves such activities as authorizing private or out-of-state postsecondary institutions to operate in Kansas, review of new programs offered by these schools, annual evaluation of institutions and programs for renewal purposes, and investigating complaints leveled against these schools.

The proposed revisions would amend Private Postsecondary statutes by: 1) requiring the review of branch locations in Kansas; 2) changing the application and renewal time frames; 3) clarifying the types of degrees that require certificates of approval; 4) providing for greater penalties for violations of the Private Postsecondary Act; 5) requiring data to be reported by regulated institutions; 6) requiring the schools to post their student complaint process; and 7) revising the fee structure.

The requested fee changes include adding new categories and increasing the maximum amounts that may be charged in individual categories. The current fee schedule has been in place since 2004 and fails to take into account the increasing variety and complexity of institutions and academic programs requiring review.

We are currently in the midst of remarkable growth in the number and complexity of institutions in the Private Postsecondary sector, both across the United States and in Kansas. For example, from January 2007 to December 2009 the number of approved institutions in Kansas increased 22.4%, from 107 to 131. In that same period, the number of approved academic programs increased 143%, from 567 to 1,380. This growth is expected to continue for the next several years.

*Senate Education
2-11-10
Attachment 1*

It is important to note that the institutions applying to operate and offer programs in Kansas now include multi-billion dollar/Fortune 500 type institutions like the University of Phoenix and Kaplan University, which is owned by the Washington Post Corporation. In addition, degree program requests are moving towards the more complex bachelor's, master's and doctorate degrees and away from less complicated certificate and diploma programs.

The Board's Private Postsecondary Division currently employs two persons. The current workload for that division has necessitated use of temporary labor throughout most of the year. As noted above, new institutions and programs/degrees seeking approval are projected to at least double the Division's workload in the very near future.

As the workload increases, costs to regulate this sector are likewise expected to grow in order to keep up with the increased demand. The current fee schedule does not cover the costs of such growth or take into consideration the varying types of institutions and academic programs that are subject to this oversight and regulation. Senate Bill 485 proposes revisions to the fee structure that more accurately reflect the cost of time and resources that must be devoted to reviewing and processing the variety of schools and programs. I would note that the proposed revisions are structured in such a way as to protect those smaller institutions currently operating in Kansas.

I also want to emphasize that implementation of the proposed fee changes will enable the division to operate on a business model, tracking all costs to operate, and setting fees at a level that will cover those costs and eliminate the current reliance on State General Funds to cover both direct and indirect costs.

The proposed fees follow a nationwide trend to increase fees in response to the growth in the industry, and the rates we seek to put in place are comparable to those charged in states similar to Kansas. Fees for states surrounding Kansas, for example, although varied in their structure, have either been increased, or are proposed to increase, in response to industry trends.

The other changes proposed in this legislation help to insure that Kansas students receive a quality education from this sector, and the Board believes that, because these measures are fundamentally intended to enhance its capacity to protect consumers, they have the support of most of the covered institutions.

Thank you for your consideration of Senate Bill 485. I am happy to answer any questions you may have.

EXECUTIVE SUMMARY
STAFF REPORT TO KANSAS BOARD OF REGENTS
ON THE STATUS OF THE PRIVATE POST SECONDARY DIVISION
JANUARY 22, 2010

- **Purpose of the report**
 - Review the standards and history of the Division
 - Look forward to how the private postsecondary industry is expected to grow in the next several years
 - Review the ability of the Division and the resources needed to respond to the expected growth in the Private Postsecondary industry

- **History of Kansas Private Postsecondary Education**
 - In 1909 Senate Bill 507 was introduced for the purpose of regulating approval of private postsecondary institutions.
 - In 1971 the previously enacted Senate Bill 507 was completely revised by the Kansas Legislature and named the Kansas Proprietary School Act "the Act".
 - Senate Bill 345 enacted in 1999 placed control of "proprietary schools" under the Kansas Board of Regents.
 - A 2003 revision to the Act included more fee categories and increased fees and in 2004 the Kansas Private and out-of-state Postsecondary Educational Institution Act became law, improving minimum standards and created new definitions and increased fees.
 - The Kansas Board of Regents, acting pursuant to the Private and out-of-state Postsecondary Educational Institutional Act regulates "private postsecondary educational institutions that includes certain types of private and post secondary schools, colleges and universities."

- **Historical data**
 - From January 2007 to December 2009 the approved institutions in Kansas increased from 107 in January 2007 to 131 in December 2009, a 22.4% increase. Additionally, in that same time period, the certificate/diploma and degree programs approved increased from 567 in January 2007 to 1,380 in December 2009, a 143% increase.
 - It is important to note that the institutions applying are moving towards multibillion dollar/Fortune 500 type institutions and away from the smaller cottage schools. As a result, degree program requests are moving towards the more complex bachelor's, master's and doctorate degrees and away from the certificate/diploma programs.

- **Projections for the Industry**
 - High unemployment rates have driven adults and nontraditional students back to school. The impact of that is reflected in the historical data above.
 - This growth trend is expected to continue for the next several years. Based on that assumption, it is anticipated that by 2014, there will be 300 approved private postsecondary institutions in Kansas with a projection of over 3,500 certificate/diploma and degree programs. These numbers reflect a 129% increase in approved institutions and a 150% increase in approved programs and degrees.

- **What we know**
 - Currently, the Kansas private Postsecondary division employs two persons. The current workload of the two positions has required hours equivalent to 2.25 FTEs. In addition, the current workload has necessitated use of temporary labor throughout most of the year. Even at this level, the demands on the two positions continue to grow.
 - The projections of new approved institutions and programs/degrees will even more dramatically increase the workload in the Division, in fact, it is anticipated that they will at least double.
 - Currently, the indirect expenses of the Division are funded by the State general fund.
 - The Division needs to operate on a business model, tracking all costs to operate, and setting fees at a level that will cover those costs.

- o As part of operating on a business model, an operating reserve is required for unanticipated expenses or reduction in the collection of fees.
- o Expenditures are expected to grow in order to keep up with the increased demands as follows (with comparison to actual for 2009):

	Actual	Estimated	Projected			
	FY 2009*	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Direct Expenditures	\$ 161,385	\$ 184,250	\$ 320,000	\$ 439,100	\$ 505,600	\$ 560,000
Total Indirect Expenditures	22,250	25,200	44,800	61,500	70,800	78,400
Operating Reserve	-	-	36,000	39,000	40,000	45,000
Total Expenditures	<u>\$ 183,635</u>	<u>\$ 209,450</u>	<u>\$ 400,800</u>	<u>\$ 539,600</u>	<u>\$ 616,400</u>	<u>\$ 683,400</u>

* - In FY 2009, indirect costs were funded by the State General Fund, along with certain direct costs

- **Proposed Fees**

- o The current fee schedule has been in existence since 2004 and does not take into consideration the varying types of institutions or degrees and programs.
- o The fees being proposed to the 2010 Kansas Legislature provide for a new fee structure that acknowledges that categories are needed to reflect the cost of time spent reviewing and processing different applications and to reflect the diversity in the types and size of institutions requesting approval.
- o These proposed fees are designed to supplant the resources previously funded from the State General Fund to allow the division to be self-funded.
- o The proposed fees follow a nationwide trend to increase fees in response to the growth in the industry. Fees for States surrounding Kansas, although varied in their structure, have also increased or are proposed to increase in response to industry trends.
- o Assuming the new fee structure is enacted with the 2010 Legislative session, effective for July 1, 2010, fee collections are anticipated to be as follows (with comparison to actual for 2009):

	Actual	Estimated	Projected			
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Fees	<u>\$ 145,312</u>	<u>\$ 182,000</u>	<u>\$ 390,100</u>	<u>\$ 543,600</u>	<u>\$ 658,300</u>	<u>\$ 672,000</u>

- A summary comparison of the estimated fees and expenditures for 2010 and the projected fees and expenditures for FY 2011 through 2014 is as follows (with comparison to actual for 2009):

	Actual	Estimated	Projected			
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenue	\$ 145,312	\$ 182,000	\$ 390,100	\$ 543,600	\$ 658,300	\$ 672,000
Prior Year Carryforward	47,852	34,234	6,784	(3,916)	84	41,984
	193,164	216,234	396,884	539,684	658,384	713,984
Expenditures	<u>(158,930)</u>	<u>(209,450)</u>	<u>(400,800)</u>	<u>(539,600)</u>	<u>(616,400)</u>	<u>(683,400)</u>
Ending Cash Balance	<u>\$ 34,234</u>	<u>\$ 6,784</u>	<u>\$ (3,916)</u>	<u>\$ 84</u>	<u>\$ 41,984</u>	<u>\$ 30,584</u>

Summary

The approval of the proposed fees as presented to the 2010 Legislature is critical to continue to enable the Division to meet the growing demands of the Industry.