

Attachment B

FREQUENTLY ASKED QUESTIONS

The Massachusetts Department of Elementary and Secondary Education (Department) currently licenses over two hundred (200) private, non-degree granting, post-secondary occupational schools, which provide training each year for approximately 40,000 of the Commonwealth's workers, in a wide range of areas, including phlebotomy, medical assisting, nursing assistants, tractor-trailer driving, electrical, plumbing, HVAC, and computers.

1. Q. What types of entities hold private occupational school licenses?

A. The majority of the organizations licensed by the Department are for-profit institutions, many are multi-state corporations, national, or international corporations. A few schools licensed by the Department are publicly traded entities and some are owned by international venture capitalists. Collectively, schools earn an estimated \$500,000,000 per year in tuition revenue from Massachusetts' students, not including profits on charges for books, supplies, and other education-related items, which the Commonwealth does not track. Tuition revenue for individual schools may run from under \$5,000 per year to over \$20,000,000 per year. These profits are obtained after a minimal investment of \$300 to apply for a private occupational school license and a \$200 biennial renewal fee, which are the second lowest application fees in the nation. The Department also licenses individuals who act as sales representatives of a school.

2. Q. How much revenue is generated by the Department from the licensing of proprietary schools and their sales representatives?

A. The fees for issuing these licenses generate approximately \$25,000 in yearly revenue for a unit that costs the Commonwealth more than \$400,000 in operating expenses¹, which is a deficit of \$375,000 per year. The proposed fees will generate approximately \$400,000 in revenue, making the fees commensurate with the cost of licensure, in accordance with state law.

3. Q. How were the fees in the proposed structure determined?

A. A base dollar amount of \$500 per application was set after which the base increases at intervals of tuition revenue of \$100,000, \$1,000,000 and \$10,000,000, plus .0005% of the school's annual gross tuition.

4. Q. Who collects the application fees and where does that money go?

A. Although the Department collects the application fees, they are deposited into the Commonwealth's general fund and thus do not directly support the operation of the proprietary school unit.

5. Q. How do the current and proposed fees compare to those of other states?

A. Attached is a summary of the fees charged by other states for the operation of these businesses. Currently, Maine is the only state that charges less than Massachusetts, and it

¹ This estimate includes salaries and benefits for four staff persons, office support (IT, telephones, facsimile and copy machines, and rent).

is also in the process of seeking to increase its fees to bring them more in line with the fees in the other states. The proposed fee increase would place Massachusetts in the middle.

6. Q. When was the last fee increase?

A. The last fee increase for the licensing of proprietary schools was in October of 1999.

7. Q. Won't schools pass along the cost of the increased fees to the students?

A. Perhaps. However, students recognize that there must be a financial cost/benefit to the training and schools will find that students are only willing, or able, to pay a certain amount for training. Further, students' ability to afford unjustifiably costly training is currently being hindered by the tightening of the student loan industry, which means schools must price their educational products competitively.

8. Q. Why is the Department proposing different fees depending upon whether a school is for-profit or non-profit?

A. Typically non-profit schools are operated by charitable organizations or organizations whose main sources of revenue are grants. Non-profit schools may receive direct state, federal, or private funding to serve a specific population of students. The different pricing structures are also consistent with practices in other states.

9. Q. Will the fee increase prohibit new schools from operating or put existing schools out of business?

A. We do not believe so. What it will do is encourage businesses to develop effective business and management plans and quality educational products to ensure they can compete with other educational businesses and ensure their economic viability. While there's never a good time to raise fees, it is during these difficult economic times that many residents seek training or retraining for employment. Bringing fees in line with those of other states may deter applications from those who may not have the best of intentions or that are not sufficiently prepared to operate an educational business. An added benefit may be a reduction in precipitous school closures and new schools that, statistically, have a higher rate of closure within the first two years of operation.

10. Q. When will the proposed fees go into effect?

A. The Department is recommending the new fees be effective as of January 2, 2010.