

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.

10/29/09 Addendum to FAQ

11. Q. How does this hearing and legislative process work? (there is concern that there is a conflict of interest that the people holding the hearing are also the ones responsible for drafting and making changes based on the feedback)

A. Briefly, at the conclusion of the public comment period on 11/20/09, all testimony and written comments will be compiled and posted on the Department’s website. The Commissioner will review the comments and forward those along with any changes it recommends based on the comments, to the Office of Administration and Finance (A&F) for final action. Once A&F adopts the revisions, the new fees will become effective 1/1/10.

12. Q. What types of revenue will be included in the total tuition revenue that will determine the cost of a school’s application for renewal?

A. Only tuition revenue for students attending schools licensed in the Commonwealth to operate as a private occupational school.

13. Q. Is the licensing fee calculated via gross or net tuition?

A. Gross tuition.

14. Q. How will the OSA’s determination of surety differ from the tuition revenue?

A. The OSA reviews past and projected tuition revenue in order to determine the amount of surety schools must hold. To arrive at the amount of surety that must be held, the OSA determines the amount of unused tuition that may be at risk at any one time.

With regard to the fee for license renewal, the total amount of tuition revenue will determine the amount on the sliding scale the school must pay.

The chart below may help to explain the differences.

Tuition Calculation for Fee Determination v. Surety Calculation

Topic	Tuition for Licensure Fee Determination	Unused Tuition Risk for Surety Determination
Will corporate training money be included in the calculation?	No	No
Will tuition paid by federal and state funds be included in the calculation?	TBD	Yes, if the money is paid before the tuition is used. No, if the money is paid at the conclusion of the course
Will tuition revenue from out-of-state schools be included in the calculation?	No	No

15. Q. How was the percent of tuition revenue calculated?

A. The fees start at a base rate and then is multiplied by .0005 for each successive level. The base rate increases at certain levels on the scale, which is then multiplied by .0005.

16. Q. Do other states have sliding scale application fees?

- A. Some states, such as Florida, New Hampshire, Ohio, and Tennessee have sliding scale fees based on gross tuition revenue; Alabama's and Wisconsin's fees are based on gross revenue; and, Michigan's and Florida's fees are based on the number of students enrolled.

17. Q. Why does it take so much money to operate this unit?

- A. The Department employs four full-time staff to regulate the proprietary schools and the State Auditor's Office employs the equivalent of 2 part-time staff to determine schools' financial solvency and to set a surety amount. The combined salaries of these positions cost the state approximately \$416,000. This does not include associated costs such as fringe benefits, postage, copying, supplies, computers, computer support, telephones, equipment, etc.