

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 1111	Department Consumer Affairs	Priority No. 1
Budget Request Name 1111-001-BCP-BR-2016-A1		Program 1410-BUREAU FOR PRIVATE POSTSECONDARY EDUCATION	Subprogram 1410013 – BPPE 1410014 – STRF

Budget Request Description

Transfer Student Tuition Recovery Fund (STRF) Administrative Costs from the Private Postsecondary Education Administration Fund (Admin Fund) to the STRF.

Budget Request Summary

The Bureau for Private Postsecondary Education (Bureau) requests to transfer expenditure authority of \$183,000 and 2.0 positions (1.0 Staff Services Analyst and 1.0 Associate Program Governmental Analyst) related to the administration of STRF claims from the Bureau's Admin Fund to the STRF.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>[Signature]</i>	Date 3-28-2016	Reviewed By <i>[Signature]</i>	Date 3-28-2016
Department Director <i>Tracy Rhene for</i>	Date 3-28-2016	Agency Secretary <i>Jana Daley for</i>	Date 3-29-16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Original signed by Jeff Carosone	Date submitted to the Legislature 4-1-16
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Analysis of Problem

A. Budget Request Summary

The Bureau for Private Postsecondary Education (Bureau) requests to transfer expenditure authority of \$183,000 and 2.0 positions (1.0 Staff Services Analyst and 1.0 Associate Program Governmental Analyst) related to the administration of Student Tuition Recovery Fund (STRF) claims from the Private Postsecondary Education Administration Fund (Admin Fund) to the STRF.

B. Background/History

The Private Postsecondary Education Act of 2009 (Chapter 310, Statutes of 2009) requires the Bureau to provide oversight and regulation of California's private postsecondary educational institutions. This includes licensing institutions, conducting compliance inspections, and investigating and acting upon complaints received against private postsecondary institutions. Currently, the Bureau regulates approximately 1,100 main locations, 400 branch locations, and 379 satellite locations.

The Bureau is the administrator of two funds: (1) Admin Fund and (2) STRF:

Admin Fund: The Admin Fund provides general operational support for the Bureau to administer the Private Postsecondary Education Act of 2009, including the administration of STRF awards. Revenues are derived primarily from license and other regulatory fees. Revenues are projected to be approximately \$9.7 million in Fiscal Year (FY) 2016-17.

However, the Bureau notes that revenues derived from licensees are generally expended on licensing and enforcement activities to regulate those licensees. Revenues derived from licensees of other boards and bureaus within the Department of Consumer Affairs (DCA) are dedicated to the licensing and enforcement activities to regulate those licensees. Although authorized by statute, the current use of Admin Funds derived from license and other regulatory fees to support the administration of STRF claims is inconsistent with other DCA boards and bureaus.

STRF: The STRF was created as a continuously appropriated fund to reimburse students in the event of a school closure. Current law requires every Californian student enrolled in a private postsecondary institution to pay a STRF assessment fee based upon the student's tuition paid quarterly. The STRF fee is intended to reimburse students who might otherwise experience a financial loss as a result of an untimely school closure.

Upon school closure, a student may file a claim with the Bureau for reimbursement from the STRF. To qualify for a STRF reimbursement, applicants must be a California resident and must have resided in California at the time the enrollment agreement was signed.

Pursuant to Education Code Section 94924, the STRF may be authorized to fund costs to administer STRF awards. The STRF currently has a fund balance reserve of approximately \$28.3 million, which exceeds the \$25 million statutory cap. As a result, the Bureau has temporarily suspended the STRF assessment fee until the fund balance decreases below the statutory cap.

Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	\$8,160	\$7,852	\$8,147	\$9,507	\$11,440
Actual Expenditures	\$3,399	\$5,825	\$7,680	\$8,641	\$11,379
Revenues	\$8,411	\$7,696	\$9,928	\$9,863	\$9,371
Authorized Positions	55.8	57.0	57.0	66.0	76.0
Filled Positions	16.1	47.8	56.7	60.0	74.4
Vacancies	39.7	9.2	0.3	6.0	1.6

Analysis of Problem

Workload History

STRF Claims	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Claims Received	46	491	338	201	454	233
Approved Claims	19	343	156	104	296	162
Denied/Ineligible Claims	27	148	182	97	158	71
Total Claims Amount Paid	\$63,541	\$254,737	\$1,027,178	\$2,248,311	\$434,952	\$683,627

C. State Level Considerations

The STRF was created as a continuously appropriated fund to reimburse students to mitigate financial loss in the event of a school closure. Students are required to pay into the STRF on a quarterly basis. Current law authorizes the Bureau to allocate STRF awards to qualifying students and to use STRF funds for the administration of STRF reimbursements.

This proposal will transfer the administrative costs of providing STRF awards from the Admin Fund to the STRF. The Bureau indicates the STRF is a more appropriate funding source for STRF administration costs than using the Admin Fund.

D. Justification

Current law authorizes the Bureau to expend STRF funds for the administrative support of STRF claims. The Bureau indicates the use of STRF funds to support the administration of STRF claims is more appropriate than using Admin Fund resources.

The Bureau currently expends funds from the Admin Fund for these purposes, which derives revenues from license and other regulatory fees. The current policy of expending license and other regulatory fees for purposes other than license and enforcement activities of licensees, while authorized by statute, is inconsistent with other boards and bureaus within DCA. This proposal will align the administrative costs related to processing STRF claims with the STRF.

E. Outcomes and Accountability

This proposal will provide the Bureau with permanent expenditure authority within the STRF to process STRF claims.

Projected Outcomes

STRF Claims	CY	BY*	BY+1*	BY+2*	BY+3*	BY+4*
Claims Received	233	343	314	309	331	306
Approved Claims	162	212	186	192	210	192
Denied/Ineligible Claims	71	131	128	117	121	114
Total Claims Amount Paid	\$683,627	\$929,761	\$1,064,766	\$1,072,283	\$837,078	\$917,503

*Projected – Based on five-year historical average.

Analysis of Problem

F. Analysis of All Feasible Alternatives

Alternative 1:

Approve transfer of \$183,000 and 2.0 positions from the Admin Fund to the STRF.

Pro: This will allow the Bureau to fund any STRF administration costs and allow the Admin Fund to support regulatory oversight of licensees, which would be consistent with other boards and bureaus within DCA.

Con: A transfer of funding could potentially provide less funding for STRF awards available to students in the future.

Alternative 2:

Approve transfer of \$183,000 on a two-year limited-term basis in FY 2016-17 and FY 2017-18 and the transfer of 2.0 positions on a permanent basis from the Admin Fund to the STRF.

Pro: This will allow the Bureau to fund any STRF administration costs and allow the Admin Fund to support regulatory oversight of licensees, which would be consistent with other boards and bureaus within DCA.

Con: The limited-term funding to support these positions would expire in FY 2017-18. The Bureau would be required to submit a subsequent Budget Change Proposal (BCP) in FY 2018-19 to request an extension of the limited-term funding or to request ongoing permanent funding to support STRF administration costs.

Alternative 3:

Approve transfer of \$183,000 on a one-time basis in FY 2016-17 and the transfer of 2.0 positions on a permanent basis from the Admin Fund to the STRF.

Pro: This will allow the Bureau to fund any STRF administration costs and allow the Admin Fund to support regulatory oversight of licensees, which would be consistent with other boards and bureaus within DCA in FY 2016-17 only.

Con: The one-time funding would expire in FY 2016-17. The Bureau would be required to submit a subsequent BCP in FY 2017-18 to request an extension of one-time funding in FY 2017-18 or to request ongoing permanent funding to support STRF administration costs.

Alternative 4:

Status Quo.

Pro: The Bureau will continue to process and to fund STRF claims.

Con: License fees and other regulatory revenues will continue to support STRF administration costs, which is inconsistent with the other boards and bureaus within the DCA.

F. Implementation Plan

Beginning July 1, 2016, any STRF administration costs will be supported by the STRF on a permanent basis.

G. Supplemental Information *(Describe special resources and provide details to support costs including appropriate back up.)*

- Fund Condition Statements – Admin Fund and STRF
- Organizational Chart

H. Recommendation

Alternative 1: Approve the permanent transfer of \$183,000 and 2.0 positions from the Admin Fund to the STRF to provide ongoing administrative support of STRF claims.

STRF Processing Staff Services Analyst					
Type of Application	Hours to Perform Task	Workload	Occurrences (%)	Number of Occurrences	Total Hours
STRF CLAIM					
Perform first review	1.50	172	100%	172	257.3
Request and receive additional documentation as necessary	1.00	172	80%	137	137.2
Perform second review	1.25	172	80%	137	171.5
Request and Receive additional documentation as necessary	0.50	137	75%	103	51.4
Perform thlrld rewlav	1.00	137	75%	103	102.8
Subtotal					720.1
Approved Claim					
Prepare summary for management review	0.50	172	62%	106	53.1
Create approved payment request package	0.50	172	62%	106	53.0
Prepare approval letters for accounting and STRF applicant	0.50	172	62%	106	53.0
Prepare and send SCO check request package	0.50	172	62%	106	53.0
Create approval package for DCA Accounting	0.50	172	62%	106	53.0
Receive and process check(s) from SCO	0.50	172	62%	106	53.0
Update SAIL	0.50	172	62%	106	53.0
Mail check to clalmant	0.08	172	62%	106	8.8
Complete file for storage and file	0.50	172	62%	106	53.0
Subtotal					432.9
Denied Claim					
Draft and send denial letter	0.50	172	38%	66	32.8
Complete file for storage and file	0.50	172	38%	66	32.8
Subtotal					65.5
Appeal of Denied Claim					
Receive appeal letter, begin appeal process	0.17	66	85%	56	9.4
Update SAIL	0.50	66	85%	56	28.1
Appeal review	1.50	66	85%	56	84.2
Draft memo to manager for review	0.50	66	85%	56	28.1
Receive appeal decision from manager and process appeal	0.25	66	85%	56	14.0
Appeal Overturns Denied Claim					
Create approved payment request package	0.50	53	10%	5	2.7
Prepare approval letters for accounting and STRF applicant	0.50	53	10%	5	2.7
Prepare SCO check request package for management	0.50	53	10%	5	2.7
Create package for DCA Accounting	0.50	53	10%	5	2.7
Receive and process check(s) from SCO	0.50	53	10%	5	2.7
Update SAIL	0.50	53	10%	5	2.7
Complete file for storage and file	0.08	53	10%	5	0.4
Appeal Denied - Claim Denied					
Draft and send denial letter	0.50	53	90%	48	23.9
Complete file for storage and file	0.50	53	90%	48	23.9
Subtotal					22.7
Total					1,446.2
Position Equivalent					0.8

Notes:

1. Assumes 343 total claims received in 2016-17: 172 SSA claims (50 percent)
2. Assumes five-year average approval (62 percent) and denial (38 percent) rates: 106 approved, 66 denied
3. Assumes 85 percent of denied claims will file an appeal: 53 claims appealed
4. Assumes 90 percent of appeals denied

STRF Processing Associate Governmental Program Analyst					
Type of Application	Hours to Perform Task	Workload	Occurrences (%)	Number of Occurrences	Total Hours
STRF CLAIM INTAKE					
Receive file and initial preparation	0.17	343	100%	343	57.2
Check SAIL for claimant	0.17	343	100%	343	57.2
Data processing - Enter claim into SAIL	0.50	343	90%	309	154.4
Triage claims and provide SSA with claims (50%)	0.17	343	100%	343	57.2
Subtotal					325.9
STRF CLAIM REVIEW					
Perform first review	1.50	172	100%	172	257.3
Request and receive additional documentation as necessary	1.00	172	80%	137	137.2
Perform second review	1.50	172	80%	137	205.8
Request and receive additional documentation as necessary	0.50	137	75%	103	51.4
Perform third review	1.25	137	75%	103	128.4
Subtotal					780.1
Approved Claim					
Prepare summary for management review	0.50	172	62%	106	53.0
Create approved payment request package	0.50	172	62%	106	53.0
Prepare approval letters for accounting and STRF applicant	0.50	172	62%	106	53.0
Prepare and send SCO check request package	0.50	172	62%	106	53.0
Receive and process check(s) from SCO	0.50	172	62%	106	53.0
Update SAIL	0.50	172	62%	106	53.0
Mail check to claimant	0.08	172	62%	106	8.8
Complete file for storage and file	0.50	172	62%	106	53.0
Subtotal					432.8
Denied Claim					
Draft and send denial letter	0.50	172	38%	66	32.8
Complete file for storage and file	0.50	172	38%	66	32.8
Subtotal					65.5
Appeal of Denied Claim					
Receive appeal letter, begin appeal process	0.17	66	85%	56	9.4
Update SAIL	0.50	66	85%	56	28.1
Appeal review	1.50	66	85%	56	84.2
Draft memo to management for review	0.50	66	85%	56	28.1
Receive appeal decision from manager and process appeal	0.25	66	85%	56	14.0
Subtotal					42.1
Appeal Overturns Denied Claim					
Create approved payment request package	0.50	53	10%	5	2.7
Prepare approval letters for accounting and STRF applicant	0.50	53	10%	5	2.7
Prepare SCO check request package for management	0.50	53	10%	5	2.7
Create package for DCA Accounting	0.50	53	10%	5	2.7
Receive and process check(s) from SCO	0.50	53	10%	5	2.7
Update SAIL	0.50	53	10%	5	2.7
Complete file for storage and file	0.08	53	10%	5	0.4
Subtotal					3.1
Appeal Upheld - Claim Denied					
Draft and send denial letter	0.50	53	90%	48	23.9
Complete file for storage and file	0.50	53	90%	48	23.9
Subtotal					272.8
Total					1,922.2
Position Equivalent					1.08

Notes:

1. Assumes 348 total claims received in 2016-17: 172 AGPA claims (50 percent)
2. Assumes five-year average approval (62 percent) and denial (38 percent) rates: 106 approved, 66 denied
3. Assumes 80 percent of denied claims will file an appeal: 53 claims appealed
4. Assumes 90 percent of appeals denied
5. Approximately 11.2 hours average AGPA time of intake and triage of one claim and time to complete one claim - 1,922.2 total hours/172 total claims received

0305 - Private Postsecondary Education - Support Analysis of Fund Condition

Prepared 2/4/2016

(Dollars in Thousands)

2016-17 Governor's Budget with Proposed SFL

	Actual 2014-15	Budget Act CY 2015-16	Governor's Budget BY 2016-17	BY+1 2017-18
note: \$3 Million GF Loan Outstanding				
BEGINNING BALANCE	\$ 11,462	\$ 9,476	\$ 3,553	\$ 379
Prior Year Adjustment	\$ 20	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 11,482	\$ 9,476	\$ 3,553	\$ 379
REVENUES AND TRANSFERS				
Revenues:				
125600 Other regulatory fees	\$ 72	\$ 230	\$ 195	\$ 195
125700 Other regulatory licenses and permits	\$ 603	\$ 705	\$ 704	\$ 704
125800 Renewal fees	\$ 8,384	\$ 8,427	\$ 8,596	\$ 8,767
125900 Delinquent fees	\$ 272	\$ 235	\$ 211	\$ 211
150300 Income from surplus money investments	\$ 34	\$ 13	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 11	\$ 1	\$ 1	\$ 1
161400 Miscellaneous revenues	\$ 5	\$ 1	\$ 1	\$ 1
Totals, Revenues	\$ 9,381	\$ 9,612	\$ 9,708	\$ 9,879
Transfers from Other Funds				
General Fund Loan Per Item 1111-011-0305, Budget Act of 2011	\$ -	\$ -	\$ -	\$ -
General Fund Loan Per Item 1111-011-0305, Budget Act of 2011 (Repayme	\$ -	\$ -	\$ 3,000	\$ -
Transfers to Other Funds	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 9,381	\$ 9,612	\$ 12,708	\$ 9,879
Totals, Resources	\$ 20,863	\$ 19,088	\$ 16,261	\$ 10,258
EXPENDITURES				
Disbursements:				
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -
1111 Program Expenditures (State Operations)	\$ 11,379	\$ 15,515	\$ 16,046	\$ 16,367
2016-17 SFL - Shift Administration Costs to STRF	\$ -	\$ -	\$ -183	\$ -183
8855 California State Auditor's Office (State Operations)	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Operations)	\$ 8	\$ 20	\$ 19	\$ -
9670 Equity Claims / Board of Control (State Operations)	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 11,387	\$ 15,535	\$ 15,882	\$ 16,184
FUND BALANCE				
Reserve for economic uncertainties	\$ 9,476	\$ 3,553	\$ 379	\$ -5,926
Months in Reserve	7.3	2.7	0.3	-4.3

0960 - Student Tuition Recovery Fund

Analysis of Fund Condition

Prepared 2/4/16

(Dollars in Thousands)

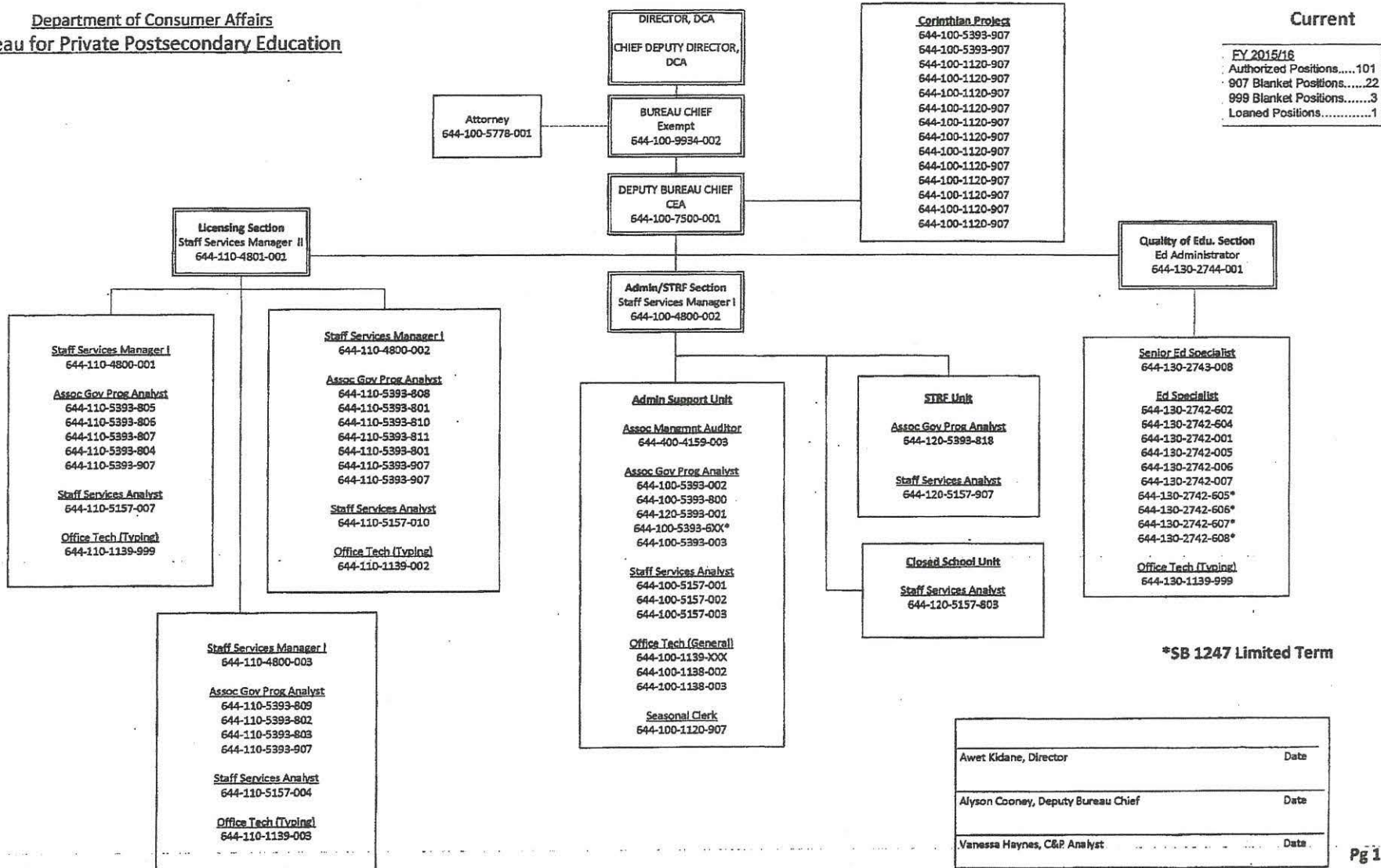
2016-17 Governor's Budget with Proposed SFL

	ACTUAL 2014-15	Budget Act CY 2015-16	Governor's Budget BY 2016-17	BY + 1 2017-18
BEGINNING BALANCE	\$ 28,511	\$ 29,612	\$ 27,612	\$ 25,429
Prior Year Adjustment	\$ 7	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 28,518	\$ 29,612	\$ 27,612	\$ 25,429
REVENUES AND TRANSFERS				
Revenues:				
150300 Income from surplus money investments	\$ -	\$ -	\$ -	\$ -
216900 Fees and licenses	\$ 1,489	\$ -	\$ -	\$ -
217600 Delinquent fees	\$ -	\$ -	\$ -	\$ -
250300 Income from surplus money investments	\$ 73	\$ -	\$ -	\$ -
261900 Escheat of unclaimed checks and warrants	\$ -2	\$ -	\$ -	\$ -
299600 Miscellaneous revenues	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 1,560	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 1,560	\$ -	\$ -	\$ -
Totals, Resources	\$ 30,078	\$ 29,612	\$ 27,612	\$ 25,429
EXPENDITURES				
Disbursements:				
1111 Program Expenditures (State Operations)	\$ -	\$ -	\$ -	\$ -
1111 Program Expenditures (Local Assistance)	\$ 466	\$ 2,000	\$ 2,000	\$ 2,000
2016-17 SFL - Shift Administration Costs to STRF	\$ -	\$ -	\$ 183	\$ 183
0840 SCO (State Operations)	\$ -	\$ -	\$ -	\$ -
9670 Equity Claims / Board of Control (State Operations)	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 466	\$ 2,000	\$ 2,183	\$ 2,183
FUND BALANCE				
Reserve for economic uncertainties	\$ 29,612	\$ 27,612	\$ 25,429	\$ 23,246
Months in Reserve	177.7	151.8	139.8	127.8

NOTES:

- A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED IN BY+1 AND ONGOING.
- B. ASSUMES INTEREST RATE AT .361%.
- C. STATUTORY CAP - \$25 MILLION
- D. REVENUE CURRENTLY SUSPENDED - THE FEE ASSESSMENT HAS BEEN SET AT \$0 UNTIL THE RESERVE BALANCE DROPS BELOW \$25 MILLION.

Department of Consumer Affairs
Bureau for Private Postsecondary Education



Current

<u>FY 2015/16</u>	
Authorized Positions.....	101
907 Blanket Positions.....	22
899 Blanket Positions.....	3
Loaned Positions.....	1

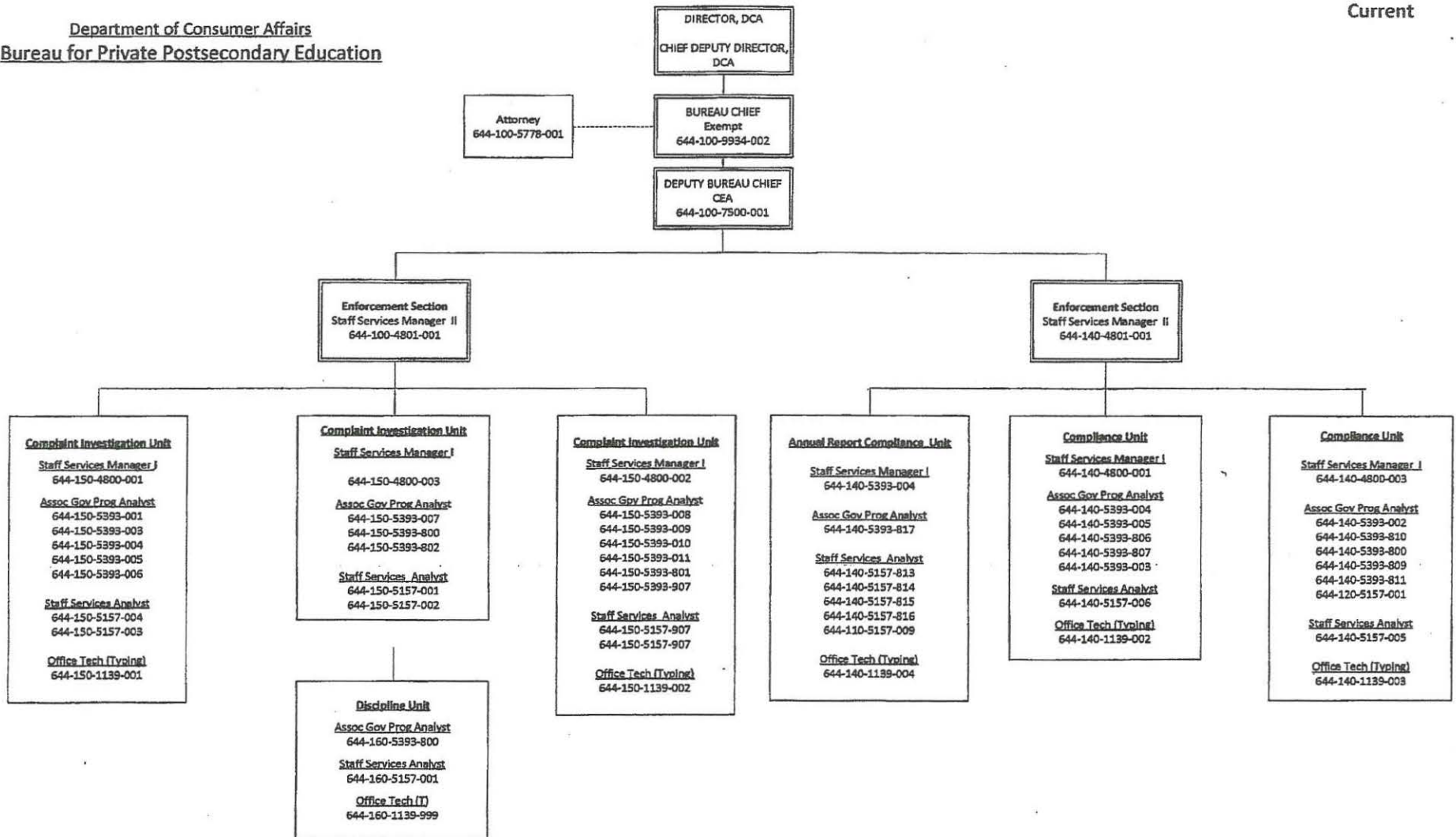
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*SB 1247 Limited Term

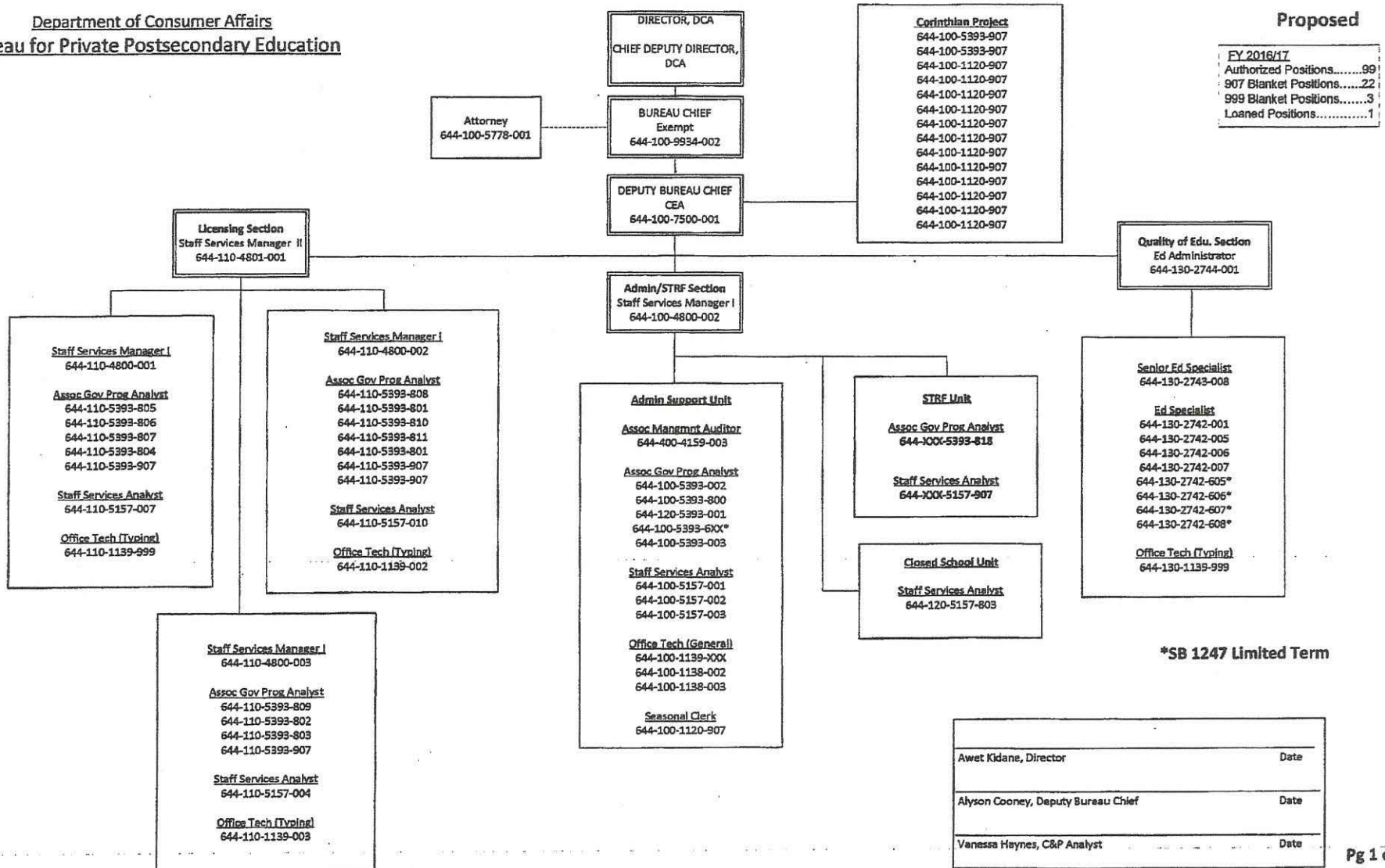
Awet Kidane, Director	Date
Alyson Cooney, Deputy Bureau Chief	Date
Vanessa Haynes, C&P Analyst	Date

Department of Consumer Affairs
Bureau for Private Postsecondary Education

Current



Department of Consumer Affairs
Bureau for Private Postsecondary Education



Proposed

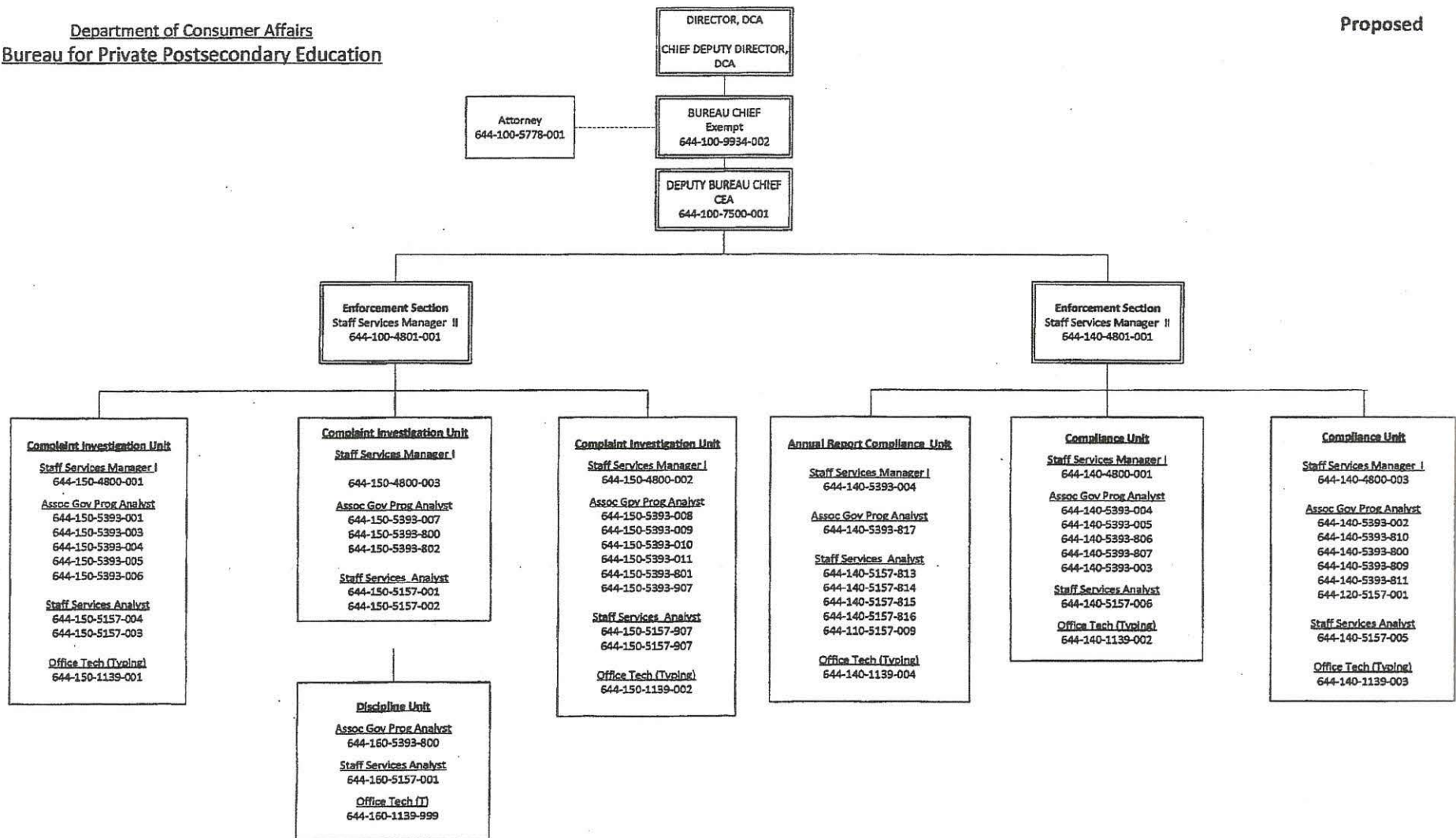
FY 2016/17	
Authorized Positions.....	99
907 Blanket Positions.....	22
999 Blanket Positions.....	3
Loaned Positions.....	1

*SB 1247 Limited Term

Awet Kidane, Director	Date
Alyson Cooney, Deputy Bureau Chief	Date
Vanessa Haynes, C&P Analyst	Date

Department of Consumer Affairs
Bureau for Private Postsecondary Education

Proposed



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