

FINAL BILL REPORT

E2SHB 1439

C 203 L 18
Synopsis as Enacted

Brief Description: Regulating the institutions of higher education, including for-profit institutions and private vocational schools, to protect students from unfair business practices.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Pollet, Haler, Tarleton, Fey, Sells, Orwall, Ryu, Stanford and Dolan).

House Committee on Higher Education
House Committee on Appropriations
Senate Committee on Higher Education
Senate Committee on Ways & Means
Senate Committee on Higher Education & Workforce Development

Background:

Regulation of Degree Granting Institutions and Private Vocational Schools.

For-profit post secondary institutions are regulated by federal and state laws. The two state agencies that regulate most for-profit schools are: (1) the Washington Student Achievement Council (WSAC), which regulates degree-granting institutions; and (2) the Workforce Training and Education Coordinating Board (WTB), which regulates private vocational schools. The Department of Licensing (DOL) regulates and licenses other school, such as cosmetologists and barber schools.

Degree-granting institutions, which include for-profit schools, and private vocational schools must, among other things, be authorized or licensed by the appropriate regulatory agency, meet certain minimum standards regarding academic standards and financial stability, and not engage in unfair or deceptive practices. Certain degree-granting institutions, such as the public universities and private institutions that meet specific criteria from the WSAC, are exempt from the regulatory statutes.

The WSAC and the WTB may investigate student complaints and issue civil penalties. Generally, a violation of the regulations constitutes an unfair or deceptive practice in violation of the Consumer Protection Act (CPA).

Tuition Recovery Trust Fund Under the Workforce Training and Education Coordinating Board.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The WTB administers a tuition recovery trust fund for the purposes of settling student complaints and claims related to school or program closures. In order for a private vocational school to be licensed, the owner of the school must make cash deposits on behalf of the school into the tuition recovery trust fund. The WTB sets the fee schedule in rule. If the annual tuition recovery trust fund fee is a hardship for the school, the WTB may grant an alternate payment schedule. The amount of liability that can be satisfied by the fund on behalf of each individual school is the amount of unearned prepaid tuition in the possession of the school owner.

Study.

In 2016 the Legislature appropriated state funds for the WSAC, the WTB, and the Department of Licensing to design and oversee a study that analyzes and makes recommendations about systemic overlaps and gaps in jurisdiction over for-profit degree-granting institutions and private vocational schools. The WSAC contracted with the William D. Ruckelshaus Center (Center) to conduct the study, and the Center issued a report in December 2016.

Summary:

Requirements for Degree Granting Institutions and Private Vocational Schools.

New requirements and prohibitions are established for nonexempt degree granting institutions and private vocational schools (institutions). It is a violation for institutions to: (1) provide prospective students with testimonials or information that a reasonable person would find was likely to mislead or deceive regarding, among other things, postgraduation employment and probable earnings; and (2) use any official United States military logo in advertising or promotional materials. In addition, certain institutions are prohibited from engaging in any practice regarding the sale of consumer student loan products that financially benefit any person with ownership interest in the institution, unless the student has exhausted all federal aid options and has been denied noninstitutional private commercial loan products. This prohibition applies to institutions that have 150 or more students enrolled in the state in any given year or that have been operating in the state for less than two consecutive years.

If an institution is under investigation by an oversight body, such as an accreditation organization, the institution must disclose that to its respective regulatory state agency. In addition, data about completion rates, employment rates, and other data posted by the institution must be consistent with data presented by the WTB or the United States Department of Education.

The WSAC may not delegate its authority to oversee degree granting institutions to any other state, regardless of whether the institution has its home in another state.

Student Complaint Portal.

Within existing resources, the WSAC, the WTB, and the DOL must collaborate to create a single portal for student complaints. The staff of the portal must refer complaints to the appropriate regulatory agency, work as a liaison to assist in resolving complaints, and report to the Legislature annually the number of complaints received.

Tuition Recovery Trust Fund.

No later than January 2019, the DOL and the WSAC must each establish and administer tuition recovery trust funds. The agencies must determine an amount that would be sufficient in the trust fund to provide relief to students in the event of a school closure. The agencies must adopt a schedule for collecting fees to reach the amount determined within five years from the effective date of the act. Money from the tuition recover trust funds may be used for: (1) providing refunds to students affected by closures; (2) securing and administering student records; and (3) any other response the agency determines is necessary to mitigate impacts of a potential or actual closure.

Study.

Subject to the availability of amounts appropriated for this specific purpose, the WSAC must continue administering the study that was authorized in 2016. The study must contain findings and recommendations regarding the creation of an ombuds to serve students of degree-granting institutions and private vocational schools, including a recommendation on which state agency should house an Office of the Ombuds.

Votes on Final Passage:

House	56	42	
House	63	35	
Senate	31	18	(Senate amended)
House	50	48	(House concurred)

Effective: June 7, 2018