

SENATE BILL REPORT

E2SHB 1439

As Reported by Senate Committee On:
Higher Education, March 28, 2017

Title: An act relating to regulating the institutions of higher education, including for-profit institutions and private vocational schools, to protect students from unfair business practices.

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).

Brief History: Passed House: 3/06/17, 56-42.

Committee Activity: Higher Education: 3/21/17, 3/28/17 [DPA-WM].

Brief Summary of Amended Bill

- Authorizes the Washington Student Achievement Council to continue administering its study from 2016 on for-profit degree-granting institutions and private vocational schools, and to include recommendations on the creation of an ombuds office.
- Makes it an unfair business practice for degree-granting institutions and private vocational schools to provide misleading or deceptive testimonials and endorsements.
- Provides that if a degree-granting institution or private vocational school presents certain performance data, the posted data must be consistent with data posted on the state Career Bridge website or data posted by the United States Department of Education.

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Wilson, Chair; Bailey, Vice Chair; Palumbo, Ranking Minority Member; Frockt.

Staff: Clint McCarthy (786-7319)

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.

Background: For-profit post secondary institutions are regulated by federal and state laws. The two agencies in Washington 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.

Degree-granting institutions, which includes for-profit schools, and private vocational schools must be authorized or licensed by the appropriate regulating agency, must meet certain minimum standards regarding academic standards and financial stability, and must not engage in unfair or deceptive practices set forth in the statutes. 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. A person or entity that violates the regulations is subject to a civil penalty of not more than \$100 for each violation. A violation of the regulations constitutes an unfair or deceptive practice in violation of the Consumer Protection Act (CPA).

In the 2016 Supplemental Operating Budget, monies were appropriated for the WSAC, the WTB, and the Department of Licensing to design and oversee a study that objectively 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 of Amended Bill: Subject to the availability of funds, the WSAC is directed to continue administering the two-part study of for-profit degree granting institutions and private vocational schools that was authorized by the 2016 Omnibus Appropriations Act. The study must include recommendations pertaining to the creation of an ombuds, including which state agency should house the position. The report due date is December 31, 2017.

The WSAC is authorized to deny, revoke, or suspend the authorization of any degree-granting institution authorized to operate under RCW 28B.85. A degree-granting institution provides prospective students with any testimonial, endorsement, or other information that a reasonable person would find was likely to mislead or deceive prospective students is defined as a violation of state law. Degree-granting institutions and private vocational schools are prohibited from using any official United States military or Department of Defense logo, seal, or insignia in advertising materials without permission from the United States military or the Department of Defense.

Degree-granting institutions can present data on completion rates, employment rates, loan or indebtedness metrics, or its graduates earnings and the data must be consistent with the WTB's Career Bridge website, the United States Department of Education, or other means to assure consistent and accurate reporting as determined by the council. Private vocational schools can only present data on completion rates, employment rates, loan or indebtedness metrics, or its graduates earnings and the data must be consistent with the WTB's Career Bridge website and the United States Department of Education.

EFFECT OF HIGHER EDUCATION COMMITTEE AMENDMENT(S): The use of any official United States military or Department of Defense logos, seals, or insignias is prohibited from being used without the authorization or permission from the United States military or Department of Defense. The requirement for consistency at degree granting institutions in data is modified to include other means to assure consistent and accurate reporting beyond being consistent with the Workforce Training and Education Coordinating Board's Career Bridge website and the data that is housed at the United States Department of Education.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Second Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: It is imperative that we continue with phase two of the Ruckelshaus study. The second phase includes a mediated group discussion on how we can move forward with a better way of regulating for-profit postsecondary education. Students don't have any clue as to who they would go to if they are having an issue with their school. The amounts for student loans is a low amount and cannot be substantiated. Many for-profit four year colleges can have tuition between \$20,000 and \$40,000. This bill will protect prospective students from being deceived by predatory schools.

OTHER: We are frustrated with the duplicative data requirements and unclear regulations. The second phase of the study would be important to assist in streamlining the regulations to remove duplicative efforts. Section two of the bill needs a modification to include Career Bridge and the United States Department of Education.

Persons Testifying: PRO: Representative Gerry Pollet, Prime Sponsor; Anna Nepomuceno, Associated Students University of WA Tacoma; Christina Henry, Henry, DeGraaff & McCormick, PS.

OTHER: Amy Brackenbury, Northwest Career Colleges Federation.

Persons Signed In To Testify But Not Testifying: No one.