

# SENATE BILL REPORT

## ESHB 1949

---

---

As of February 24, 2016

**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 Higher Education (originally sponsored by Representatives Pollet, S. Hunt, Gregerson, Ortiz-Self, Moscoso, Ormsby and McBride).

**Brief History:** Passed House: 2/15/16, 52-45.

**Committee Activity:** Higher Education: 2/23/16.

---

### SENATE COMMITTEE ON HIGHER EDUCATION

**Staff:** Clint McCarthy (786-7319)

**Background:** For-profit postsecondary and vocational schools 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.

For-profit schools must be authorized or licensed by the appropriate regulatory agency, meet certain minimum standards regarding academic standards and financial stability, and not engage in certain unfair or deceptive practices. It is an unfair business practice to, among other things, provide prospective students with misleading information regarding current practices of the school, conditions for employment opportunities, and probable earnings.

The WSAC and the WTB have authority to investigate student complaints and issue civil penalties. A person or entity that willfully violates the rules is subject to a civil penalty of not more than \$100 for each violation. Each day the violation occurs constitutes a separate violation. The statutes governing degree-granting institutions specify that a violation of the regulations constitutes an unfair or deceptive practice in violation of the Consumer Protection Act (CPA). The statutes governing private vocational schools list conduct that constitute unfair or deceptive acts, but do not specify that they are a violation of the CPA. For CPA violations, the Office of the Attorney General may take action.

---

*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.*

**Summary of Bill:**

- Creates the Office of the Ombuds within the Washington Student Achievement Council to serve students of for-profit degree-granting institutions and private vocational schools and to provide mediation.
- Requires a study to examine, among other things, the data collection and reporting practices of for-profit degree-granting institutions and private vocational schools and to provide recommendations on improving oversight of the for-profit school system.
- Creates regulatory provisions for for-profit schools regarding, among other things: (1) financial conflicts of interest; (2) unfair business practices; (3) misleading or deceptive testimony and advertising; and (4) notices to students.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: WSAC is tasked with oversight of for profit institutions. WSAC would like the outside prospective that is outlined in the bill. Despite the high investment in for-profit education, less than 30 percent graduate. Many students leave with debt and no degree. There are many stories in which students have a great deal of debt with no degree and the earning power that goes along with the degree. More oversight is needed than what is currently provided.

CON: This bill stymies business and is redundant. WSAC and the Workforce Board provide a great deal of oversight under existing statute. Washington has some of the most stringent rules in the country for for-profit institutions. The language in the bill concerning private student loans needs to be clarified. University of Phoenix provides a financial and academic counselor for each student.

OTHER: Most concepts with this bill are generally supported, especially with the creation of the ombudsman position at WSAC. This is a bill from the previous year. The house student loan provisions are not supported. The additional reporting requirements are at odds with federal reporting requirement. There are some redundancies in this legislation. For-profit institutions do not appreciate the characterization of the for-profit schools as predatory. There are close to 200 for-profit schools in Washington right now.

**Persons Testifying:** PRO: Anna Nepomuceno, Associated Students UW Tacoma; Randy Spaulding, Student Achievement Council; Director of academic affairs and policy.

CON: Joe Gregorich, Apollo Education Group, Inc. (University of Phoenix); Amy Anderson, Association of Washington Business.

OTHER: Amy Brackenbury, Northwest Career Colleges Federation.