

HOUSE BILL REPORT

HB 1369

As Reported By House Committee On:
Higher Education
Revenue

Title: An act relating to vocational education.

Brief Description: Changing provisions relating to vocational education.

Sponsors: Representatives Jacobsen, Brumsickle, Quall, Pruitt, Wood, Basich, G. Cole, Carlson, Orr, Bray, Rayburn, Finkbeiner, Flemming, Kessler, J. Kohl, Shin, Campbell, Lemmon, Johanson, Jones and L. Johnson.

Brief History:

Reported by House Committee on:
Higher Education, February 10, 1993, DPS;
Revenue, March 5, 1993, DPS(HE-A REV).

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Jacobsen, Chair; Quall, Vice Chair; Brumsickle, Ranking Minority Member; Sheahan, Assistant Ranking Minority Member; Basich; Bray; Carlson; Casada; Finkbeiner; Flemming; Kessler; J. Kohl; Mielke; Ogden; Orr; Rayburn; Shin; and Wood.

Staff: Susan Hosch (786-7120).

Background: Private vocational schools operating in the state are regulated by a law originally enacted in 1979. Subsequently, the law has been substantially revised to ensure that students attending private vocational schools are protected against false, deceptive, misleading, or unfair practices by the schools. The law also attempts to ensure that an adequate level of quality exists at the schools, and that students can receive full or partial tuition refunds if they withdraw from school or if the school closes. The Workforce Training and Education Coordinating Board adopts and monitors the regulations that enforce the law.

Under the law, a tuition recovery fund was established. Money in the fund can be used to refund tuition if a school

closes. The fund may also be used to pay restitution to a student if a school is found by the board to have engaged in an unfair business practice. The maximum amount of money that can be disbursed on behalf of the students at any one school is \$200,000. When money is disbursed from the fund, the board will attempt to recover from the school attended by the students any money disbursed.

The tuition recovery fund was initially capitalized at \$200,000. By May of 1992, the fund was supposed to achieve a balance of \$1,000,000. Money in the fund is collected from each licensed school on a pro rata basis in 10 equal installments over a five year period.

The fund requires a minimum operating balance of \$200,000. Any time the fund balance is below that amount, each school will be assessed a pro rata share of the deficiency.

The agency's cost of administering the fund are paid from license fees collected and deposited in the general fund. The agency is authorized by statute to establish fees at a level necessary to recover the staffing costs incurred in administering the act.

Since the creation of the fund in 1987, several issues have arisen. These include:

1. Should there be a limit on the amount of money that may be disbursed from the fund for the closing of any one school?
2. If a school engages in an unfair business practice, should the affected student be permitted to recover living expenses as well as tuition?
3. Should interest accruing to the fund remain in the fund or be placed in the state general fund?

Summary of Substitute Bill:

TUITION RECOVERY TRUST FUND

By June 30, 1998 rather than May 18, 1992, a minimum operating balance of \$1,000,000 will be achieved in the tuition recovery trust fund, and maintained thereafter. That minimum balance will be achieved through up to 20 payments made by each licensed school.

The \$200,000 cap on liability for any school is removed. The maximum amount of liability is reestablished after each claim. The fund's liability begins on the date of the participating school initial deposit into the fund.

Deposits made into the fund are not transferable. A new owner cannot be credited with funds previously deposited. Students enrolled in a training contract between the school and an agency are not eligible to make a claim.

COMPLAINTS

Complaints may be filed by a student who loses tuition or fees as a result of an unfair business practice. In response to complaints filed, the agency shall first attempt to achieve a negotiated settlement. The agency is authorized to conduct an informal hearing with affected parties. If the agency finds that the complainant has suffered loss, the agency may order the violator to pay restitution. The compensable items include tuition, course materials, and living expenses incurred during the period of time the student was enrolled. The affected institution may file an appeal within 20 days under the administrative procedures act. If the agency prevails in the appeal, the appellant shall pay the costs of the administrative hearing.

INTEREST

Interest earned on the money in the tuition recovery trust fund will accrue to the fund rather than being placed in the state general fund.

TECHNICAL CHANGES

Several technical corrections are also made to the private vocational school act. The first is made in the definition section. The term "successor" is eliminated in the definition of agency. The definition of "Private Vocational School" is clarified. Adjustments to payment schedules will be calculated and applied annually.

Substitute Bill Compared to Original Bill: License fees will not be placed in a separate account in the state general fund. Interest on the fund will accrue to the fund. The fund is renamed the tuition recovery trust fund. Only a person who suffers from an unfair business practice may file a complaint. The definition of private vocational school is clarified. Payments to the fund may be made in up to 20 increments rather than 20 equal increments. In addition, several technical corrections were made.

Fiscal Note: Requested February 11, 1993.

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

Testimony For: Unless the \$200,000 cap on the liability of each school is removed, students attending large schools that close will only recover part of their tuition. Revising statutorily defined payment schedules will help raise an additional \$336,980 for the trust fund. This will permit the fund to reach \$1,000,000 by June of 1998. Private vocational schools are very concerned about losing the interest from their trust fund. Their top priority is the restoration of interest to the fund, beginning this year.

Testimony Against: None.

Witnesses: (in favor) Gena Wikstrom, Washington Federation of Private Vocational Schools; and Charles Johnson, Workforce Training and Education Coordinating Board.

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill by Committee on Higher Education be substituted therefor and the substitute bill as amended by Committee on Revenue do pass. Signed by 16 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Cothorn; Leonard; Morris; Romero; Rust; Silver; Talcott; Thibaudeau; Van Luven; and Wang.

Staff: Robert Longman (786-7139).

New Background Information: The State Treasurer's Office manages over 300 funds and accounts.

Before 1991, the disposition of interest income earned by these funds and accounts varied considerably. The majority of accounts retained 80 percent of their interest earnings and paid 20 percent to the general fund-state. Some of the remaining accounts kept all of their interest earnings, while the rest retained no interest earnings.

The distribution of interest earnings was changed by legislation in 1991 so that interest earnings from the majority of funds and accounts are deposited in the general fund-state. Generally, the only accounts to retain their interest earnings are those accounts the revenues of which are:

- (a) Required by contract to be spent for a specific purpose;
- (b) Derived from trust lands originally granted at statehood;

(c) Collected by the state and are then distributed to local governments;

(d) Derived from state employee contributions to retirement and workers' compensation programs; and

(e) Related to transportation projects.

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Higher Education: The amended bill deletes the section which allows the tuition recovery trust fund to receive interest. Interest on this fund will therefore be deposited in the general fund.

Fiscal Note: Available. New fiscal note requested March 6, 1993.

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

Testimony For: Last year, the tuition recovery trust fund lost \$40,000. The bill, as passed by Committee on Higher Education, would exempt the fund from any future sweeps.

Testimony Against: None.

Witnesses: Gena Wikstrom, Washington Federation of Private Vocational Schools; and Charles Johnson, Workforce Training Coordinating Board (both in favor).