

FINAL BILL REPORT

SHB 1497

C 181 L 93
Synopsis as Enacted

Brief Description: Adopting the accredited foreign branch campus act.

By House Committee on Higher Education (originally sponsored by Representative Dellwo).

House Committee on Higher Education
House Committee on Revenue
Senate Committee on Higher Education

Background:

DEGREE-GRANTING AUTHORITY REQUIRED

Generally, before an institution of higher education may operate in Washington, it must receive authorization from the Higher Education Coordinating Board. In addition, before operating a branch campus in Washington, an institution from another state must receive approval from the board.

The board's powers and duties in regulating degree-granting institutions are described in statute. The board is required to adopt minimum standards that govern the operations of these degree-granting institutions. The areas covered by the board's rules include: degree-granting authority, educational quality, unfair business practices, financial stability, and other measures necessary to protect the citizens of the state from substandard, fraudulent, or deceptive practices.

Certain institutions are exempt from the board's regulations. These include state colleges and universities, institutions that offer only noncredit bearing workshops or seminars lasting up to three days, and institutions belonging to an accrediting association recognized by the board. Religious institutions are also exempt, but only for those programs devoted exclusively to religious or theological objectives. A branch campus of a college or university located in another state must be separately accredited to enjoy an exemption from the board's regulations.

Mukagawa University owns and operates a branch campus in Spokane. The board has granted the university an exemption from the regulations governing degree-granting institutions. This exception was based upon two factors: (1) on the branch campus, the university offers courses exclusively to students from the campus in Japan; and (2) the board's regulatory authority was granted to protect Washington residents from substandard education and unfair business practices.

AUTHORITY TO OPERATE REQUIRED FOR FOREIGN CORPORATIONS

Before a foreign corporation can transact business in the state, it must obtain a certificate of authority from the secretary of state. The law includes a number of exemptions. It also describes the procedures the corporation must follow in order to obtain and maintain the certificate.

UNEMPLOYMENT COMPENSATION AND INDUSTRIAL INSURANCE

Generally, employees of any company operating in the state are covered by state unemployment compensation laws. One exception to this coverage is that nonresident aliens who are temporarily present in the United States as nonimmigrants under federal laws are exempt when they are complying with purposes specified in the applicable subsections of the federal Immigration and Naturalization Act. In addition, with some exceptions, employees of companies operating in the state are also covered by industrial insurance laws, commonly known as "workers comp."

BUSINESS AND OCCUPATION TAXES

Institutions accredited by an association recognized by the United States Department of Education, nonprofit and privately endowed institutions, and state colleges and universities do not pay business and occupation taxes on tuition fees. Tuition fees are defined to include laboratory, library, health service, other special fees, and room and board provided exclusively to students or faculty of the institution.

Summary:

AUTHORITY TO OPERATE

The Foreign Degree-Granting Institution Approved Branch Campus Act is adopted. A foreign degree-granting college or university that wishes to operate a branch campus in the state must provide the Higher Education Coordinating Board with specified information. The information must prove to

the board's satisfaction that the college or university is authorized to operate in its home country. The institution must also indicate to the board that it intends to operate a branch campus in the state. Once this information is accepted by the board, the college or university is approved to operate a branch campus in the state.

An approved branch campus of a foreign degree-granting institution is exempt from the law that requires any degree-granting institution to receive authorization from the Higher Education Coordinating Board to operate. A branch campus of a foreign college or university that has already been exempted from the law may continue to operate. However, within one year the institution must complete the new approval process in order to have its branch campus attain approved status.

DEFINITIONS

A foreign degree-granting institution is defined as an institution that is domiciled in another country, and is authorized to operate and to offer academic or professional degrees in its home country. A branch campus is described by the type of sponsoring institution and the type of enrolled student. Students at a branch campus must meet three criteria: they must have already received credit for a course of study completed at the foreign institution in its country of origin; they must receive credit from the foreign institution for courses taken in Washington; and they must return to the country where the foreign institution is located in order to complete or receive their degrees. Definitions for "degree," "approved branch campus" and "board" are also adopted.

AUTHORITY TO TRANSACT BUSINESS

A foreign degree-granting institution that establishes an approved branch campus is not transacting business solely because it meets three conditions. These are: (1) it controls and owns an incorporated branch campus; (2) it pays tuition, room and board, or capital expenses for the branch campus or its students; and (3) it provides personnel who help students but who do not have the authority to transact business for the corporation.

UNEMPLOYMENT COMPENSATION AND INDUSTRIAL INSURANCE

Conditions are established for determining which employees of a foreign degree-granting institution are subject to laws governing unemployment compensation and industrial insurance. Under some conditions, employees of a foreign degree-granting institution are considered to be "localized"

or "principally localized" in the home country of the institution and, as such, would not receive unemployment compensation or industrial insurance. Employees are considered "localized" or "principally localized" if the employees are considered to be nonimmigrant aliens under federal immigration laws, and their income is exempt from taxation under the provisions of treaties adopted between the United States and the country where the foreign degree-granting institution is located. An institution may establish that the employees' services are principally located in the institution's home country through other means as well.

BUSINESS AND OCCUPATION TAXES

Tuition fees for an approved branch campus of a foreign degree-granting institution will be exempt from business and occupation taxes if the institution or its branch campus is exempt from the payment of income taxes under federal law.

Votes on Final Passage:

House	97	0
Senate	44	0

Effective: July 25, 1993