

SENATE BILL REPORT

SB 5828

AS PASSED SENATE, MARCH 16, 1993

Brief Description: Changing provisions relating to vocational education.

SPONSORS: Senators Bauer, Prince, Sheldon and Wojahn

SENATE COMMITTEE ON HIGHER EDUCATION

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

Signed by Senators Bauer, Chairman; Drew, Vice Chairman; Cantu, Jesernig, Prince, Quigley, Sheldon, von Reichbauer, and West.

Staff: Jean Six (786-7423)

Hearing Dates: February 22, 1993; February 26, 1993

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Moyer, Niemi, Pelz, Quigley, L. Smith, Snyder, Sutherland, Talmadge, Williams, and Wojahn.

Staff: Linda Brownell (786-7715)

Hearing Dates: March 5, 1993; March 8, 1993

HOUSE COMMITTEE ON HIGHER EDUCATION

BACKGROUND:

Since 1979, private vocational schools in Washington have been regulated by the Private Vocational School Act. 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 act also attempts to ensure adequate quality 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 (WTECB) adopts and monitors the rules that enforce the act.

Money in the tuition recovery fund, established in 1987, 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 attempts to recover from the school any money so disbursed.

The tuition recovery fund was initially capitalized at \$200,000 with provisions for the fund to increase to a \$1 million operating balance by May of 1992. Each school contributes to the fund on a pro rata basis with the total contribution due in ten equal installments over a five-year period. Any time the fund is below an operating balance of \$200,000, each school is assessed a pro rata share of the deficiency.

The WTECB's cost of administering the fund is paid from license fees collected and deposited in the general fund. Statute authorizes the agency to establish fees at a level necessary to recover the staffing cost for administering the act.

Currently, there are a number of questions about the tuition recovery fund that need to be addressed: (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) Should license fees paid by regulated schools be used exclusively for program costs or should they pay for additional state needs as well? (3) If a school engages in an unfair business practice, should the affected student be permitted to recover living expenses as well as tuition?

SUMMARY:

Tuition Recovery Trust Fund: By June 30, 1998, a minimum operating balance of \$1 million will be achieved in the tuition recovery trust fund and maintained thereafter. Each licensed school will make up to 20 incremental payments.

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's 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 Procedure 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 changes are made to the Private Vocational School Act. 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.

Appropriation: none

Revenue: none

Fiscal Note: requested February 11, 1993

TESTIMONY FOR (Higher Education):

The private vocational schools support the provisions of the tuition recovery trust fund and are willing to make the additional contribution commitment. It is important that the interest earned stay in the fund. Students deserve the protections of the fund.

TESTIMONY AGAINST (Higher Education): None

TESTIFIED (Higher Education): PRO: Charles Johnson, WTECB; Linda Broderick, Federation of Private Vocational Schools

TESTIMONY FOR (Ways & Means):

The bill has two distinct purposes. One is additional protection for students attending private vocational institutions and the second is to expand the tuition recovery fund. The tuition recovery fund is supported solely by contributions from private vocational schools. \$1.5 million was raised and approximately \$600,000 has been spent from the fund. The bill extends contributions for an additional five years. It's important to include section 4 in the bill which keeps the interest earning from the fund deposited into the fund so that students can benefit. This is a private school voluntary donation and it would help students and the schools. The schools are willing to pay now, rather than be assessed later if the interest remains in the tuition trust account.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Linda Broderick, Federation of Private Vocational Schools (pro)

HOUSE AMENDMENT(S):

The amendment strikes the section of the bill which states that 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.