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## Higher Education Committee

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### HB 1949

**Brief Description:** Regulating the institutions of higher education, including for-profit institutions and private vocational schools, to protect students from unfair business practices.

**Sponsors:** Representatives Pollet, S. Hunt, Gregerson, Ortiz-Self, Moscoso, Ormsby and McBride.

#### Brief Summary of Bill

- Creates regulatory provisions for for-profit degree-granting institutions and private vocational schools regarding: (1) financial conflicts of interest; (2) misleading or deceptive testimony and advertising; (3) job placement services; (4) school closures or sales; (5) notices to students; (6) complaint processes for students; and (7) other matters.

**Hearing Date:** 1/26/16

**Staff:** Trudes Tango (786-7384).

#### Background:

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. Both agencies have authority to investigate student complaints and issue civil penalties. 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

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that constitute unfair or deceptive acts, but do not specify that they are a violation of the CPA. For CPA violations, the Attorney General's Office (AG) may take action.

Regarding financial accountability, for-profit degree granting institutions may be required to have a surety bond or other security in an amount determined by the WSAC. Private vocational schools must pay into a tuition recovery trust fund, and the WTB may disburse moneys from the fund to reimburse students for unearned prepaid tuition.

Federal rules also govern for-profit schools. Under what is called the federal "90/10" rule, a for-profit school may not derive more than 90 percent of its total revenue from federal student aid programs. Ten percent must come from non-federal aid funding. Other federal rules, referred to as "gainful employment" rules, provide that higher education institutions that mainly offer job-training may receive federal money only if the school meets certain standards. One of the standards is a measurement of student debt-to-income ratio.

### **Summary of Bill:**

Various regulatory provisions are created that apply to both for-profit degree granting institutions and private vocational schools.

#### Unfair practices applicable to for-profit degree granting institutions.

The WSAC may deny, revoke, or suspend the authorization of any institution that is found to have engaged in a substantial number of, or in significant, unfair business practices. For-profit degree-granting institutions may not: (1) provide prospective students with testimonial or other information that is misleading or deceptive about employment opportunities, career placement rates, probable earnings, the likelihood of obtaining financial aid or low-interest loans, or the ability to repay loans; (2) fail to continue job placement services promised if the institution is sold, closed or reduces programs; (3) place a student in a short-term job not relevant to the student's training in order to meet reporting requirements; and (4) use any official United States military logo in advertising or promotional materials.

#### Restrictions related to financial interests and stability.

Restrictions on funding student loans are placed on for-profit degree-granting institutions and private vocational schools. An institution may not engage in any practice that benefits any person or entity having an ownership interest in the institution, or in any practice from which the institution benefits financially, on the sale of student loans.

The WSAC may require for-profit degree-granting institutions to post a surety bond or other security that is sufficient to reimburse the total tuition and fees paid by noncompleters receiving State Need Grant support or who took out loans.

#### Notice requirements.

For-profit degree-granting institutions and private vocational schools must provide notice about a student's rights, including the complaint procedures available to students.

#### Job placement services.

Institutions and schools must provide job placement services and must report to the respective regulatory agencies on placement and earnings outcomes.

Procedures in the event of closures.

When an institution or school is sold or closes, the respective regulatory agency must review and approve the sale or closure and ensure that certain requirements are met.

90/10 Rule.

The federal rule is codified in statute, and state financial aid may not be considered part of the revenue calculation for an institution that receives more than 10 percent of its revenue from sources other than federal or state aid.

Attorney General action.

The AG may investigate complaints and take action on behalf of a student claiming loss of tuition or other financial loss if there is evidence that the student lost the ability to complete the program due to action of the institution.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.