

HOUSE BILL REPORT

HB 2377

As Reported by House Committee On:
Higher Education

Title: An act relating to eliminating certain postsecondary institutions' eligibility for state financial aid programs.

Brief Description: Eliminating certain postsecondary institutions' eligibility for state financial aid programs.

Sponsors: Representatives Hansen, Macri and Ormsby.

Brief History:

Committee Activity:

Higher Education: 1/10/18, 1/30/18 [DPS].

Brief Summary of Substitute Bill

- Prohibits the Washington Student Achievement Council from approving any new applications to participate in the state financial aid programs from any for-profit university, college, school, or institute or any not-for-profit university, college, school, or institute that was previously owned by a for-profit corporation.
- Allows for-profit institutions and not-for-profit institutions that were previously owned by a for-profit corporation, that are participating in the state financial aid programs as of the effective date of the act or that have been approved to participate for the 2018-19 academic year, to continue to be eligible to participate in the state financial aid programs.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Hansen, Chair; Pollet, Vice Chair; Orwall, Sells and Tarleton.

Minority Report: Do not pass. Signed by 4 members: Representatives Holy, Ranking Minority Member; Van Werven, Assistant Ranking Minority Member; Haler and Stambaugh.

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.

Staff: Trudes Tango (786-7384).

Background:

The Washington Student Achievement Council (WSAC) is responsible for administering most of the state's student financial aid programs. The State Need Grant (SNG) is the largest of the state's aid programs and provides a need-based grant award for income-eligible students to attend a post secondary institution.

Institutions seeking to participate in the state financial aid programs must apply each year and meet minimum eligibility standards. As part of the application process, the institution must provide all requested information, such as:

- the name and address of owner(s), or if a corporation, the name and addresses of stockholders holding more than 25 percent of the stock and percentage of stock held;
- the date on which the school officially began instruction if in the last five years;
- type and date of last accreditation;
- enrollment information (unless reported to the State of Washington or in the integrated post secondary education data system);
- evidence of certification and participation in the Federal Pell Grant Program; and
- any other information upon request to determine the institution's eligibility.

The institutions must also submit to the WSAC each year for approval information such as a copy of its refund or repayment policy, student budgets, gift equity packaging policy, and other information as required to assure proper administration of the program and financial stability.

For the 2017-18 academic year, there are eight private for-profit or formerly for-profit post secondary institutions participating in the state's financial aid programs:

- DigiPen Institute of Technology;
- The Art Institute of Seattle (under review by WSAC);
- Divers Institute of Technology;
- Gene Juarez Academy;
- Glen Dow Academy;
- International Air & Hospitality Academy;
- Northwest College of Art and Design; and
- Paul Mitchell School.

Summary of Substitute Bill:

Beginning on the effective date of the act, the WSAC may not approve any new applications for participation in the state financial aid programs from any university, college, school, or institute owned or operated by a for-profit corporation, or any university, college, school, or institute owned, operated, purchased, or acquired by a not-for-profit corporation if it previously operated in the state under the ownership of a for-profit corporation. For-profit institutions and not-for-profit institutions that were previously owned by a for-profit corporation that are participating in the state financial aid programs as of the effective date of

the act or that have been approved to participate for the 2018-19 academic year may continue to be eligible to participate.

Substitute Bill Compared to Original Bill:

The original bill excludes any for-profit and former for-profit institutions from participating in the state financial aid programs, without a provision for institutions currently participating or that have been approved to participate in the 2018-19 academic year.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The Legislature is not doing a good job at identifying which for-profit schools are successful models and which are predatory diploma mills that should not be subsidized with state money. It is a waste of public money when private for-profit schools go bankrupt. Some of the schools were not actually serving students and were giving degrees that do not help students.

(Opposed) This bill would penalize the students by cutting off their access to state funding. Eight institutions would lose access to State Need Grant funds. The Legislature needs to take a different approach. This bill sends a message that the state does not value what private vocational institutions offer. The bill will create a barrier to entry into higher education, especially into many industries such as cosmetology that are primarily female-dominated. Students who go through cosmetology programs are able to enter the workforce with a real career. Many of the students who attend private vocational schools are low income students or are single parents and need to enter the workforce quickly. These students cannot attend a four-year school. Vocational schools have connections with employers and serve a need. The portion of state funds that go to private for-profit schools is minimal. Taking money from eight institutions will not help serve the unfilled gap in the State Need Grant program. This bill punishes everyone due to a few bad actors.

(Other) The WSAC administers the State Need Grant program and currently there are eight for-profit institutions participating in state aid. The total aid to those schools was about \$2 million, which is less than 1 percent of the total state aid to students. Two other for-profit schools have been conditionally approved for the 2018-19 academic year. The State Need Grant has been around for over 40 years and for-profit schools have participated in the state aid program since the 1980s. Institutions must meet eligibility criteria and demonstrate financial strength and other requirements. They also are subject to independent audits. The WSAC reviews applications on an annual basis and does site visits.

Persons Testifying: (In support) Representative Hansen, prime sponsor.

(Opposed) Amy Brackenbury, Northwest Career Colleges Foundation; Mike McNamee and Amy Robbins, Gene Juarez Academy; Caycee Clark, Divers Institute of Technology; and Pamela Craig, Glen Dow Academy.

(Other) Becky Thompsen, Washington Student Achievement Council.

Persons Signed In To Testify But Not Testifying: None.