

Agency: 354 Workforce Train & Educ Coord Board
Decision Package Code/Title: A1 Reduce Protection/School Licensing
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

For the 15% reduction alternative, the Workforce Board is submitting this proposal for review. The Workforce Board is a small agency, with 21.1 allotted FTEs. Reduction options are limited by requirements for matching, maintenance of effort, and non-supplantation on the federal funds in most agency programs, which could magnify the effect of state fund reductions. Only one substantial program (3.0 FTE) is funded exclusively from General Fund State: consumer protection and licensing for private vocational schools.

A \$450,000 cut would eliminate 85% of private vocational school licensing and monitoring activities. It would result in elimination of licensing for new schools and annual licensing renewals, as well as inspections of school facilities, and active monitoring of enrollment and recruitment practices. It would eliminate proactive enforcement activities to ensure student/consumer protection from substandard schools and unfair business practices for about 27,000 students per year. This would abandon most of the Board's statutory obligations regarding private career schools, and drastically decrease the protection of both students and public funds.

The resulting reduction in license fee revenue to the General Fund would largely offset the reduction in expenditures. Tuition Recovery Trust Fund revenues would also dwindle over the next ten years.

Fiscal Detail

| | | | | |
|-------------------------------|------------------------------------|-----------------------|-----------------------|------------------------------|
| Operating Expenditures | | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
| 001-1 | General Fund - Basic Account-State | (226,272) | (222,986) | (449,258) |
| Total Cost | | (226,272) | (222,986) | (449,258) |
| Staffing | | <u>FY 2016</u> | <u>FY 2017</u> | <u>Annual Average</u> |
| | FTEs | -2.7 | -2.7 | -2.7 |
| Revenue | | | | |
| <u>Fund</u> | <u>Source</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
| 001 General Fund | 0234 Educ Institutn Regis | (280,000) | (280,000) | (560,000) |
| Total Revenue | | (280,000) | (280,000) | (560,000) |

Package Description:

Reducing the Workforce Board's private vocational school licensing and enforcement program by \$449,258 will eliminate almost all proactive consumer protection and regulatory oversight of these schools. Eliminated activities would include all licensing consultation, evaluation of financial viability to operate, on-site inspections, monitoring at-risk institutions, complaint investigation and resolution, and enforcement actions.

The current scope of regulatory activities also includes standards for registered sales agents, recruitment practices, admissions,

curriculum and program approval, faculty qualifications, student debt and refunds, advertising and marketing, and facilities and records. Regulations are designed to curb unfair business practices, and safeguard students' investment. Available enforcement actions include administrative fines, cease and desist orders, probation, summary suspension and revocation and administrative hearings. Without the necessary funds, these protections will end.

By statute, licensing fees are set to approximately recover the cost of the licensing program and regulatory program for private vocational schools. Fee income is not retained by the agency, but deposited to the general fund. If the number of new private vocational schools continues its recent growth, the forgone revenue could reach \$280,000 annually, more than cancelling out all savings from program termination - while ending valuable protections for Washington students.

Private vocational schools would continue to exist, but without regular and continuing licensing and monitoring of schools for quality assurance and protection of students. Some of the protection and quality requirements could remain in RCW and WAC, but enforcement would depend on civil actions by individual students, local prosecutors, and the office of the Attorney General. The funding remaining after the reduction (biennial \$50,742), will be sufficient only to continue a few functions, such as: providing student transcripts of closed schools as the state custodian and repository of records of closed schools; maintaining liaison with private vocational schools for the purpose of obtaining their input on issues of broad workforce system policy, and facilitating their continued participation in the CareerBridge.wa.gov.

Also continued would be: the evaluation of schools for Eligible Training Provider (ETP) status under the Workforce Innovation and Opportunity Act, and their inclusion in periodic workforce system evaluations required under the Workforce Board's statutory evaluation mandate; periodically updating the WAC to define unfair business practices and other aspects of private vocational schools that are not dependent upon the licensure process; and facilitating the transition of the Tuition Recovery Trust Fund to cover schools licensed at the start of the 2015-17 biennium.

The Tuition Recovery Trust Fund would continue to cover students at schools currently licensed for as long as the fund remains solvent. Without licensing activities, revenue is expected to decline steadily and reach zero in about 10 years. Trust fund administration costs are covered from that fund. The Career Bridge website, Eligible Training Provider list, and workforce system policy and evaluation activities are funded through a mix of federal and state funds.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Deregulation of the private vocational school sector would result in a potential growth of diploma mills and fraudulent business practices that present significant public harm. Anticipated outcomes include an increased number of unregulated career schools operating in Washington, more frequent school closures, more consumer complaints registered at the Office of the Attorney General and likely an increase in civil lawsuits brought against unscrupulous schools, and fraudulent use of public financial aid funds.

With the termination of the private vocational schools licensure, monitoring and complaint resolution functions, all measures of the level and quality of those activities will cease, from the number and timeliness of licensing actions to complaint resolutions.

Performance Measure Detail

| Activity: | A011Adult Workforce Needs | Incremental Changes | |
|-----------|---|---------------------|----------------|
| | | <u>FY 2016</u> | <u>FY 2017</u> |
| | Output Measures | | |
| 000713 | Number of inspections of licensed non degree granting, private postsecondary vocational institutions. | (40.00) | (40.00) |

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

No.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

A \$450,000 reduction in the Workforce Board's private vocational school program would prevent the Workforce Board from continuing operations under its strategic plan that supports the achievement of Results Washington Goals 1 and 2. It would increase students' risks of unanticipated closures, resulting in loss of time and money invested in educational programs they would be unable to complete. It would also increase the potential for unfair business practices impacting students, and reduce the average quality of training provided by private vocational schools in Washington.

What are the other important connections or impacts related to this proposal?

The 15% target reduction will limit the Workforce Board's ability to implement strategies identified in the agency's strategic plan. It would result in increased claims and decreased revenues for the Tuition Recovery Trust Fund due to loss of monitoring of schools for rising risks of closure and falling revenue, as no new schools would be contributing to the fund. To the extent that complaints and enforcement are shifted to other venues, it is likely to increase workload on the Attorney General and on local courts.

What alternatives were explored by the agency, and why was this alternative chosen?

A major reduction in the state match for career and technical education activities involving secondary and post-secondary level programs was evaluated, but rejected by the Board, because it would impact a far larger number of students who are in programs more dependent upon federal funding. Also there were potential fiscal problems that might endanger other federal funds related to federal requirements for matching, maintenance of effort and non-supplantation. A small reduction of \$30,000 per year was also evaluated through elimination of all non-health industry sector annual reports (Aerospace and Advanced Manufacturing and Green Jobs). Given the renewed state and federal focus on sector-based strategies in workforce and economic development, the small savings from de-funding these activities were outweighed by their high priority.

What are the consequences of adopting or not adopting this package?

Not adopting this package would retain current levels of statutorily mandated licensing and monitoring of private vocational schools, and continue to ensure public trust and confidence in private vocational training. The private vocational school industry has been subject to increased public scrutiny due to federal level enforcement actions and litigation against a national private vocational school corporation with branches operating in Washington.

What is the relationship, if any, to the state's capital budget?

There is no relationship to the state's capital budget

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

If the budget requires elimination, rather than suspension of the program, extensive changes required to RCW 28C.10, with consequent modification to the corresponding parts of WAC 490-105:

- 10.050 Revise (1) and (2) refer to private vocational schools "operating" rather than "licensed"; delete (3) through (5) to remove agency licensing responsibility
- 10.060, 10.070 delete sections - license renewal and fee processes
- 10.084 Tuition Recovery Trust Fund - revise to apply only to schools licensed prior to June 30, 2015
- 10.090 Revise to require schools to be in compliance with 10.050 rather than to be licensed
- 10.110 Delete last sentence to remove agency responsibility for enforcement activities that are eliminated
- 10.120 Delete agency complaint process
- Conforming changes throughout the Chapter, including in 10.040 and 10.130.

Expenditure and revenue calculations and assumptions

Eliminating the private vocational school consumer protection and licensing program will result in the loss of private vocational school revenues estimated at up to \$280,000 each year.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All reductions are on going. Temporarily suspending licensing and enforcement for a biennium would be administratively very complicated, and expensive to restore.

| <u>Object Detail</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
|------------------------|------------------|------------------|------------------|
| A Salaries And Wages | (152,515) | (150,300) | (302,815) |
| B Employee Benefits | (55,457) | (54,652) | (110,109) |
| E Goods\Other Services | (12,000) | (11,800) | (23,800) |
| G Travel | (6,300) | (6,234) | (12,534) |
| Total Objects | (226,272) | (222,986) | (449,258) |