

Agency: 354 Workforce Train & Educ Coord Board
Decision Package Code/Title: N6 PVS Protection-Online Schools
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Workforce Board requests consideration to hire a Research Investigator 3 at the .5 FTE level to do an exploratory study of postsecondary online/Internet schools that solely offer distance education programs and confer educational credentials to Washington residents. This position would be charged with conducting an exploratory study of the issues around postsecondary online schools to identify possible improvements in the agency's consumer protection for students taking courses at potentially fraudulent online schools or Internet diploma mills.

The state and nation will likely continue to face a growing number of schools offering exclusively online diplomas, certificates and degrees, which results not only in unprotected students, but potentially, unfair competition and other illegal trade practices which adversely impact licensed private vocational schools operating in compliance with the law. This lack of state oversight on out-of-state proprietary schools solely offering distance education programs leaves the public vulnerable to misrepresentation and fraud, with few or no remedies. Increasing protection for students attending out-of-state online schools is a key recommendation in the National Consumer Law Center's report, Ensuring Educational Integrity: 10 Steps to Improve State Oversight of For-Profit Schools (June, 2014).

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	62,513	62,513	125,026
Total Cost	62,513	62,513	125,026
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	.5	.5	.5

Package Description:

The Workforce Training and Education Coordinating (Workforce Board) is requesting an additional .5 FTE dedicated specifically to exploring the scope of the issues related to online schools.

The Workforce Board administers the Private Vocational Schools Act (PVSA), RCW 28C.10, a consumer protection program that safeguards Washington residents from false, deceptive, unfair, or misleading practices and ensures adequate educational quality at private vocational schools operating in Washington State.

Anecdotally, there has been a tremendous increase in the number of online-only schools that operate across the country. Unfortunately, there is a limited understanding of how many Washington students are attending these online schools, and whether they are satisfied with their educational experience.

The Workforce Board is statutorily charged to regulate all private vocational schools offering vocational education and training regardless of the method of delivery of education. This includes distance education. This requirement does not distinguish schools by modes of educational delivery, including increasingly popular online schools or Internet schools that exclusively offer and deliver online programs to the public. Currently, entities exclusively offering distance education programs that do not meet the criteria of "physical presence" within Washington are not subject to state oversight. Thus, no state authorization is required for many vocational and career for-profit schools that exclusively offer certificate and degree-granting distance educational programs to Washington residents.

No physical presence means the entity/school is not physically located (bricks and mortar) within Washington, does not maintain an administrative office, recruitment center, call-center, or clinical/internship site; does not maintain a mailing address or Internet domain/server within the state; does not engage in student recruitment activities within the state; and does not market or advertise directly to Washington residents in the local media (newspaper, T.V. and radio). In addition, the entity does not conduct any field or practicum component of a training program within the state that requires the employ of a faculty member or site administrator.

The National Consumer Law Center (NCLC) released a 2014 report on improving state oversight of for-profit schools. For the majority of the recommendations, Washington already has the practices in statute or through administrative rule and procedures. The main gap, however, was in the NCLC's second recommendation: Increase Oversight of Schools Exclusively Offering Online/Distance Education Programs. The report noted that "...distance education students are equally deserving of state protection from deceptive for-profit school practices." (<http://www.nclc.org/issues/ensuring-educational-integrity.html>)

The Board has the ability to license and regulate an online school that has a physical presence in Washington State, and protect their students, but resources are much more limited for a student who is enrolled in an online school that does not maintain a physical presence in the state. A student may seek a remedy with the home state where an online school is licensed (provided it is, in fact, licensed). But this process can be complicated, and often a student is limited in their ability to find the proper contact organization or entity to address their concerns.

State regulatory agencies may have difficulties investigating complaints from their own citizens about an out-of-state online school due to unclear or unresolved jurisdictional issues over a business entity residing outside the state. At the same time, a regulatory agency in the state of an online school's physical headquarters (or call-center) is unlikely to investigate out-of-state complaints because of these same jurisdictional issues. In addition, state tuition recovery funds or bond funds typically are available only to state residents, and likely do not provide out-of-state students protection rights in the event a school closes or there is a finding of fraud in an online school located out of state.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The Workforce Board expects to gain a significant understanding of the scope and complexity of the situation related to out-of-state online schools, including an estimate of the number of Washington students attending these schools, and their concerns about their experiences. The Board expects this study to provide an overview of how other states have handled this growing issue, and highlight additional resources and potential solutions to address this issue specifically for Washington students.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

Yes. The agency strategic plan has the goal of building multiple education and training pathways for Washington students, workers

and employers. Private vocational schools are one such pathway. This study would provide a comprehensive overview of the use of the online school sector by Washington students, how other states are handling this issue, and potential legislative/administrative remedies to address concerns and ensure student protection.

Recent actions by the federal government, including a civil lawsuit filed by the Consumer Financial Protection Bureau against Corinthian Colleges (which operates six schools in Washington under the Everest name), have increased scrutiny of the private vocational school sector, and heightened public concern regarding student safeguards. Such concerns undermine the credibility and viability of the entire private vocational school sector. The agency's strategic plan also includes the objective to, "Provide consumer protection regarding individuals' investments in their education and training." This decision package enables the Workforce Board to take the first step to address a growing concern about the protection offered to students attending out-of-state online schools.

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

Yes. Results Washington includes the outcome measure of "Increase the percentage of population enrolled in certificate, credential, apprenticeship and degree programs." Private vocational schools serve approximately 28,000 Washington students per year in programs offering certificates and other vocational credentials. Washington students are choosing out-of-state, online schools to train for careers, but there is uncertainty about the quality of the education, satisfaction with the programs, and the student's ability to seek redress over any issues or concerns. A better understanding of the scope and complexity of the situation will provide the Workforce Board with the tools necessary to address concerns about this sector and highlight the necessary changes to protect Washington students.

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

The Board expects the study would provide recommendations for administrative and/or legislative action in the future. These recommendations could provide the ability to extend consumer protection to students who may not have had adequate protection from out-of-state, online schools in the past.

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

The agency explored two different concepts: Contracting for a study, or adding a temporary FTE for a staff member to conduct a comprehensive report.

The advantage of creating a .5 FTE dedicated to this work is that the Board will be able to build in-house expertise on the issues surrounding out-of-state, online schools and distance education programs. This position will also have access to the knowledge and expertise of the agency's Consumer Protection Unit staff, who license and regulate Washington private career schools. Staff can assist with questions and research as needed.

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

Making no change would continue the lack of clarity on the scope, complexity and potential consequences for Washington students attending out-of-state, online schools, and would limit the ability of the Workforce Board to propose a comprehensive solution to address these issues.

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?

No changes are required.

Expenditure and revenue calculations and assumptions

Expenditures are based on the cost of a part-time temporary research investigator, for the 2015-2017 biennium.

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

The position would be created on a temporary basis for 24 months. The Board may ask for additional funding assistance for staff or additional research needed depending on the results of the study.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	34,878	34,878	69,756
B Employee Benefits	16,135	16,135	32,270
E Goods\Other Services	11,500	11,500	23,000
Total Objects	62,513	62,513	125,026