

**WASHINGTON STATE  
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD  
MEETING NO. 181  
SEPTEMBER 25, 2014**

**2015-2017 BIENNIAL BUDGET PROPOSAL**

**Background**

The Office of Financial Management (OFM) 2015-2017 Operating Budget Instructions require agencies to submit their budget requests for the coming biennium that include proposed two-year budgets with accompanying activity inventories and any monetary decision. This year's budget package was due to OFM on September 19. The 2015-2017 budget is guided by the agency's 2010-2015 Strategic Plan and *High Skills, High Wages*, the state's strategic plan for workforce development.

Due to the current state fiscal situation, additional steps were added to the budget process this year. In keeping with those instructions, the agency's budget was developed in three stages:

1. Technical adjustments to the carry-forward level, which OFM projects based on the current year's budget and expenditures.
2. An option for how the agency would implement a 15% reduction in General Fund-State expenditures, if required.
3. Agency priorities for any increased expenditures, starting from the reduced funding level from step #2.

Required materials for all these budget steps, with appropriate forms and necessary backup information, have been submitted on the required timeline to OFM, as conditional, pending approval from the Board.

The proposed 2015-2017 biennial budget for maintenance and request funding, accompanying Agency Activity Inventory Summary, and ordered table of budget steps are contained in this tab.

**Board Action Required:** Adoption of budget proposals for the GF-S reduction option, and restorations and increases to funding.

## **Agency Budget Process: A Summary**

### Adjustments to carry-forward level

Maintenance level is created by requesting several small adjustments needed to sustain the current level of activities, based on unavoidable increases in cost. This is a normal administrative process, because carry-forward projections often miss significant unavoidable expenses. This year's adjustments in the Workforce Board budget dealt with increased costs, including step increases in some staff salaries, leave buyouts for staff retirements, and higher agency office rent.

### Maintenance Level

After these adjustments, the 2015-2017 maintenance level funding would be a little over \$58.7 million (\$55.6 million in GF-Federal; nearly \$3 million in GF-State and other sources). Of this total, the agency retains about 4 percent for internal program operations. The majority of the federal funds are Carl Perkins program funds passed through to OSPI and SBCTC.

### Required Option to reduce GF-State by 15%

These reduction options were required not because the Governor intends reductions for all agencies, or necessarily intends to include major reductions in his proposed budget. Rather, they are required because the Governor is constitutionally mandated to submit not only a proposed budget, but a "Book One" budget, which balances the state budget with no measures to increase revenue, and no suspension of any state laws or initiatives. The 15% reduction proposals were required to inform the Governor on possibilities for that Book One budget.

The required 15% reduction level equates to reducing Workforce Board GF-State expenditures by about \$480,000 over two years. Given activities required by state statute and federal regulation, and the mix of state and federal funds used in most functions, options for achieving this reduction are limited. Any reduction of this magnitude would have substantial negative consequences on the agency's responsibilities and objectives. The only substantial program area supported predominantly by state funds is Private Vocational School licensing and regulation.

After considering the damage any such reduction would cause to the agency's mission, the alternative selected to go forward was a combination of:

- Substantial reduction in agency expenditures relative to Career and Technical Education.
- Elimination of two major industry sector annual reports: Aerospace and Advanced Manufacturing, and Green Jobs. Permanent elimination of these would require amendment of the related RCW. The Aerospace and Green Jobs reports are two of the relatively rare smaller projects that are entirely funded with GF-State.

Because the agency's CTE-related activities also involve matching funding through the Carl Perkins Act, there are significant risks of additional negative impacts on federal funding. Depending on how matching, maintenance of effort, non-supplantation and one-time waiver issues work out with the Department of Education, possible consequences include risks to \$209,000 per year in Carl Perkins matching funds to the Workforce Board, and in the extreme case, risk of loss of \$20,000,000 in annual Perkins funding to OSPI and SBCTC.

### Restorations and Enhancements

Restoration and enhancement proposals submitted included reversing the 15% GF-State reduction in two separate steps, and two steps to enhance consumer protection for private vocational school students.

The two consumer protection enhancement steps involve:

- An additional staff person to increase site visits and monitoring and to establish a more rigorous monitoring of unauthorized private vocational schools potentially operating illegally.
- Staffing at 0.5 FTE to assess and develop options for providing consumer protection for students at online/Internet schools that enroll Washington students, but have no physical presence in Washington.

Budget instructions require that these budget-increasing steps be ranked in priority order. The priority order as conditionally submitted to OFM is shown on the attached sheet.

**PROPOSED 2015-2017 BIENNIAL BUDGET  
STATE AND FEDERAL FUNDS AND ANNUAL FTEs**

	<b>GF-State</b>	<b>GF-Federal</b>	<b>GF-Other</b>	<b>Totals</b>	<b>FTEs</b>
<b>FY 2014</b>					
Workforce Policy	1,154,000	1,997,000	22,000	3,173,000	18.5
PVSA / TRTF	333,000		293,000	626,000	2.5
SBCTC		13,662,000		13,362,000	
OSPI		11,707,000		11,707,000	
Veterans		186,000		186,000	2.0
<b>Subtotal</b>	<b>1,487,000</b>	<b>27,252,000</b>	<b>315,000</b>	<b>29,354,000</b>	<b>23.0</b>
<b>FY 2015</b>					
Workforce Policy	1,175,000	1,158,000	17,000	2,350,000	18.5
PVSA / TRTF	333,000		293,000	626,000	2.5
SBCTC		14,174,000		14,174,000	
OSPI		12,003,000		12,003,000	
Veterans		186,000		186,000	2.0
<b>Subtotal</b>	<b>1,508,000</b>	<b>27,521,000</b>	<b>310,000</b>	<b>29,339,000</b>	<b>23.0</b>
<b>Maintenance Total</b>	<b>2,995,000</b>	<b>55,272,250</b>	<b>625,000</b>	<b>58,693,000</b>	<b>23.0</b>
(15% GFS) CTE Admin and Industry Sector Reporting	(389,000) (60,000)	(20,718,000)			
Restore CTE Admin	389,000	20,718,000			
Request PVS Monitoring	212,000				1.0
Industry Sector Reporting	60,000				0.1
Internet Schools	125,000				0.5
<b>Grand Total</b>	<b>3,332,000</b>	<b>55,073,000</b>	<b>625,000</b>	<b>59,030,000</b>	<b>24.5</b>

Workforce Training and Education Coordinating Board  
Agency Activity Inventory Summary  
2015-2017 Biennium

Activity Title	RPN	Description	Results	Fund	Dollars	Annual FTEs	Performance Results
<b>The Workforce Training and Education Coordinating Board (Workforce Board) provides leadership, planning, coordination, performance management, policy analysis, and research and development for the state's workforce development system, an annual \$864 million enterprise. The system includes 16 major programs, including career and technical education at the secondary and postsecondary levels. The Workforce Board administers the federal career and technical education funds as part of the state's comprehensive plan. The Workforce Board is the Workforce Investment Board required under the federal Workforce Investment Act. The Workforce Board is the state licensing agency for private career schools and the State Approving Agency required by the U.S. Department of Veterans Affairs. The Workforce Board administers research and development projects to support a world-class workforce.</b>							
Administration of Tuition Recovery Trust Fund	150	Administer a tuition guarantee fund for students enrolled in Washington's private career schools and colleges.		Other	586,000	0.5	Agency Performance Targets for RPN 150
Administrative Activity		Provide administrative overhead to the Workforce Board for all activities and programs.		GF-S GF-F	290,000 290,000	3.0	Agency Performance Targets for All Programs
<i>Adult Workforce Needs</i>	110	Provide leadership, policy, program, research and information, and communication support to Washington's adults so that they have access to lifelong education, training, and employment services.	1,5	GF-S GF-F	440,000 440,000	3.4	Agency Performance Targets for RPN 110
Career Schools and Consumer Protection	140	Provide licensing and consumer protection activities for Washington's private career schools & colleges.	1,5	GF-S	1,003,000	5.0	Agency Performance Targets for RPN 140
Community/Technical Colleges Skills Training	120	Provide federal and state funds to Washington's colleges through SBCTC. Provide required administrative oversight of the program.	1,5	GF-F GF-S GF-F	27,836,000 250,000 250,000	2.0	Improvements in System Performance Measures
Program Approval and Skills Training for Veterans	400	Provide program approval for career and technical education programs and conduct compliance audits of education institutions so that veterans and their beneficiaries receive their VA educational benefits from the U.S. Veterans Administration.	1,5	GF-F	372,000	2.0	Performance Targets for RPN 400
<i>Secondary and Youth Workforce Needs</i>	110	Provide leadership, policy, program, research and information, and communication support to Washington's youth so that they have access to education, training, and support needed for success in secondary and postsecondary education and work.	1,5	GF-S GF-S	627,000 450,000	3.4	Agency Performance Targets for RPN 110
Secondary Schools & Skills Centers Skills Training	130	Provide federal funds to Washington's schools/skills centers through OSPI. Provide required administrative oversight of the program.	1,5	GF-F GF-S GF-F	23,710,000 250,000 250,000	2.0	Improvements in System Performance Measures
<i>Washington Industry Workforce Needs</i>	110	Provide leadership, policy, program, research and information, and communication support to Washington's employers in the preparation of a skilled workforce that can compete in a global marketplace.	1,5	GF-F	1,050,000	1.5	Agency Performance Targets for RPN 110
<i>Workforce Research and Performance Accountability</i>	110	Evaluate the performance and accountability of Washington's major workforce programs.	1,5	GF-S GF-F	472,000 425,000	1.5	Agency Performance Targets for RPN 110
Private-Local	110	Seattle Foundation and Bainbridge Graduate Institute	1,2	GF-Other	39,000	0.2	
Totals				GF-S GF-F Other	3,332,000 55,073,000 625,000	24.5	

The allocation basis for individual activities contained in the Activity Inventory is a combination of the number of FTEs and total dollars budgeted for each activity.

Table of Workforce Board Budget Steps from Maintenance Level

General Fund-State dollars only

**Identified Option to Reduced GF-S by 15% - Per Book 1 Budget Process Instructions**

	2015-16 GFS (thousand)	2016-17 GFS (thousand)	Annual FTE
- Reduce CTE Funding (Federal Perkins fund match loss & supplantation risk)*	-239.6	-239.6	-2.0
- Eliminate Industry Sector Reports: Aerospace and Green Jobs*			-
			-8.2

**Restorations and Enhancements in Priority Order (high to low)**

	2015-16 GFS (thousand)	2016-17 GFS (thousand)	Annual FTE
Restore Reduced CTE Funding	239.6	239.6	2.0-8.2
Increased Monitoring of Private Career Schools*	106.0	106.0	1.0
Restore Industry Sector Reports: Aerospace and Green Jobs	30	30	0
Scoping of Consumer Protection Options for Online-Only Schools*	62.0	62.0	0.5
Total Restorations	269.6	269.6	2.0-8.2
Total Enhancements	168	168	1.5

\*See attached Decision Package

**RECOMMENDED MOTION ON PROPOSED REQUIRED 15 PERCENT REDUCTION**

**Whereas**, the Office of Financial Management, on behalf of the Governor, has required all state agencies to submit 2015-2017 biennium options for reducing General Fund-State expenditures by 15% of current level;

**Whereas**, The Workforce Training and Education Coordinating Board has identified a major reduction of state funding for Career and Technical Education activities as the least harmful option of a range of options that would each substantially reduce the improvement and evaluation of workforce education, training, and policy in Washington;

**Now, Therefore Be It Resolved**, That the Workforce Training and Education Coordinating Board reluctantly approves the General Fund-State reduction option Decision Package submitted provisionally to the Office of Financial Management on September 19, 2014.

**RECOMMENDED MOTION ON RESTORATION AND ENHANCEMENT BUDGET PROPOSALS AND PRIORITIES**

Be it resolved that the Workforce Training and Education Coordinating Board hereby approves the following proposals and priorities for funding, based on the 2015-2017 biennium Decision Packages submitted provisionally to the Office of Financial Management on September 19, 2014 (if necessary, “with the following amendment(s)”).

**Agency:** 354 Workforce Train & Educ Coord Board  
**Decision Package Code/Title:** A0 Reduce CTE Grant Matching Funds  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

As part of the 15% reduction exercise, the Workforce Training and Education Coordinating Board (Workforce Board) is submitting potential cuts for the Governor's review. The Workforce Board is a small state agency with few FTEs and limited resources.

Nearly a third of the agency's operating budget comes from federal sources, many of which require a state match. Consequently, reaching the recommended 15% near General Fund State Target Reduction requires a cut of a magnitude that would eliminate the use of equal amounts of federal funding. The agency is reluctantly bringing forward a suggested cut to the state funds for Career and Technical Education (CTE) activities. These state funded expenditures have been used as a required match for administrative funds under the federal Carl D. Perkins grant. The Workforce Board uses these funds to support required accountability activities and policy analysis and direction for career and technical education in Washington.

In addition, two legislatively mandated industry sector reports would be eliminated to save \$60,000 per biennium: Aerospace report - RCW 28C.18.190, and Green Jobs report - RCW 28C.18.170.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1	General Fund - Basic Account-State	(239,629)	(209,629)	(449,258)
001-2	General Fund - Basic Account-Federal	(209,629)	(20,508,385)	(20,718,014)
<b>Total Cost</b>		<b>(449,258)</b>	<b>(20,718,014)</b>	<b>(21,167,272)</b>
<b>Staffing</b>		<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
	<b>FTEs</b>	<b>-6.2</b>	<b>-10.2</b>	<b>-8.2</b>
<b>Revenue</b>				
<b><u>Fund</u></b>	<b><u>Source</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001	General Fund	(209,629)	(20,508,385)	(20,718,014)
	0384 Dept of Education			
<b>Total Revenue</b>		<b>(209,629)</b>	<b>(20,508,385)</b>	<b>(20,718,014)</b>

**Package Description:**

The Workforce Training and Education Coordinating Board (Workforce Board) is allotted 21.1 FTEs. Of the total allotted FTEs, 18.1 are funded with a combination of General Fund Federal dollars and matching General Fund State dollars. A 15% reduction equating to (449,258) of General Fund State dollars program supplemented with General Fund Federal dollars (from Carl D. Perkins Career and Technical Education Act), would necessitate an equal reduction (\$449,258) in federal revenue. The Workforce Board is the designated State Board of Vocational Education (RCW 28C.18.050), responsible for complying with federal directives pertaining to federal Carl D. Perkins Act. This cut would require elimination of the majority of not only the required accountability and reporting, but also of the

Board's contributions to policy review and development, and to career guidance infrastructure services such as the Career Bridge

website and Where Are You Going? career guide. It is important to note that, beyond these immediate effects, this cut, if continued, could potentially cause a loss of the entire federal award of \$20,000,000 per year.

The Office of the Superintendent of Public Instruction and the State Board for Community and Technical Colleges receive 97% of these federal grant funds as pass through. These funds primarily support career and technical instruction at Washington's public high schools and 34 community and technical colleges. Every year, CTE students graduate from high schools and community and technical colleges with the career goals, the leadership and the job skills to successfully pursue further education or enter the workforce in high demand technical occupations.

In addition, these funds support important secondary and postsecondary career and technical education (CTE) activities at OSPI and SBCTC. These include state level administrative requirements under P.L. 109 270 and statewide activities such as professional development and support of student leadership organizations. Perkins funds are the largest federal funding resource going into the state's K 12 system.

The strong caution about potential loss of overall grant funds is based on federal regulations, which state that, "Funds made available under this Act for career and technical education activities shall supplement, and shall not supplant, non-Federal funds expended to carry out career and technical education activities and tech prep program activities." General Fund State dollars are supplemented by federal funding to carry out agency administration, research, workforce system program evaluation, educational policy partnerships, and mandatory oversight, as well as monitoring of career and technical education federal awards passed through to K-12 school districts and the state's community and technical colleges.

Under federal rules, a one-time waiver may be requested for temporary supplantation. However, even if the waiver request is granted, the state would be required to restore the level of matching funds in following years.

In addition to reducing the funding match for federal Perkins funds, the proposal would eliminate the legislatively mandated industry sector reports for Aerospace and Advanced Manufacturing and for Green Jobs.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

The Workforce Training and Education Coordinating Board is a small state agency with limited resources for administrative costs. Nearly all functions of the agency are supplemented with federal funding. Failure to provide state funding for these costs will severely restrict the agency's ability to carry out its mission and mandates.

The potential additional impact on the much larger flow of Carl Perkins program funds could occur as follows:

There are three statutory obligations within Perkins in reference to match and maintenance of effort:

Section 112(b)

Section 311(a) & (b)

Section 323(a)

Should the state not meet its fiscal responsibilities for Administrative Match or Maintenance of Effort, there would be three violations to P.L. 109 270 Carl D. Perkins Career and Technical Education Improvement Act of 2006. Continuing this cut could potentially place the state's entire grant in jeopardy.

If a single audit were conducted and resulted in a finding of unmatched administrative funds and/or of unmet Maintenance of Effort (without an approved waiver), it could result in the federal office seeking a full recovery of federal funds, as such a finding is in harm to federal interest and federal intent of the law.

Section 112(b)

**Matching Requirement** Each eligible agency receiving funds made available under subsection (a)(3) shall match, from non Federal sources and on a dollar for dollar basis, the funds received under subsection (a)(3).

Section 112(a)(3)

In General From the amount allotted to each State under section 111 for a fiscal year, the eligible agency shall make available (3) an amount equal to not more than 5 percent, or \$250,000, whichever is greater, for administration of the State plan, which may be used for the costs of

- (A) developing the State plan;
- (B) reviewing a local plan
- (C) monitoring and evaluating program effectiveness;
- (D) assuring compliance with all applicable Federal laws;
- (E) providing technical assistance; and
- (F) supporting and developing State data systems relevant to the provisions of this Act.

Section 311(a)

(a) Supplement not Supplant Funds made available under this Act for career and technical education activities shall supplement, and shall not supplant, non Federal funds expended to carry out career and technical education activities and tech prep program activities.

(b) Maintenance of Effort

1. Determination

In General Except as provided in subparagraphs (B) and (C), no payments shall be made under this Act for any fiscal year to a State for career and technical education programs or tech prep programs unless the Secretary determines that the fiscal effort per student or the aggregate expenditures of such State for career

A. and technical education programs for the fiscal year preceding the fiscal year for which the determination is made, equaled or exceeded such effort or expenditures for career and technical education programs for the second fiscal year preceding the fiscal year for which the determination is made

B. Computation In computing the fiscal effort or aggregate expenditures pursuant to subparagraph (A), the Secretary shall exclude capital expenditures, special ` time project costs, and the cost of pilot programs.

C. Decrease in Federal Support If the amount made available for career and technical education programs under this Act for a fiscal year is less than the amount made available for career and technical education programs under this Act for the preceding fiscal year, then the fiscal effort per student or the aggregate expenditures of a State required by subparagraphs (A) for the preceding fiscal year shall be decreased by the same percentage as the percentage decrease in the amount so made available.

Section 323(a) State Administrative Costs

(a) General Rule Except as provided in subsection (b), for each fiscal year for which an eligible agency receives assistance under this Act, the eligible agency shall provide, from non Federal sources for the costs the eligible agency incurs for the administration of programs under this Act, an amount that is not less than the amount provided by the eligible agency from non Federal sources for such costs for the preceding fiscal year.

Discontinuing the Aerospace report would end the annual compilation and analysis of data on the supply and demand for skilled labor in the aerospace and advanced manufacturing sectors and on training outcomes for key aerospace occupations in Washington. This would decrease monitoring of the effectiveness of the workforce element of state strategies in this sector, reduce the ability to detect and respond to workforce changes and challenges for this key economic driver of the state economy, and decrease the state support of the Aerospace and Advanced Materials Manufacturing Pipeline Advisory Committee of industry, education and labor representatives.

Discontinuing the Evergreen Jobs report would end an annual review and assessment of developments in the "green" and "clean" occupations and industries, and in the education and training sectors supporting these developments. The Workforce Board and Department of Commerce co lead this annual project, with a team of business, labor, education, and government representatives.

**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?*

No.

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

No.

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

Imposing a 15% target reduction will limit the agency's ability to implement strategies identified in the agency's strategic plan.

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

Another identified alternative to meet the required 15% cut would be to eliminate the state's private vocational school licensing and consumer protection program, which is funded exclusively through general fund state dollars. Private vocational schools serve approximately 28,000 Washington students each year in programs leading to career focused certificates and credentials. These 300+ schools are licensed and regulated by the Workforce Board's Consumer Protection Unit. Eliminating this regulatory function would leave students unprotected and schools unlicensed. This option was deemed unacceptable, especially in light of recent federal scrutiny and legal actions aimed at for profit schools, such as Corinthian Colleges, which operates six schools in Washington.

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

Adopting this package, as stated above, would directly reduce important activities providing accountability and support for Career and Technical Education, and raise real concerns about the future stability of the Carl D. Perkins career and technical education funding.

Discontinuing the Aerospace and Green Jobs reports would reduce the availability of information on two key sectors of the state's economy.

***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?***

Revisions to RCW 28C.18.170 for the Green Jobs Report and RCW 28C.18.190 for the Aerospace Report will be needed if the Legislature's intention is to permanently eliminate these legislatively mandated industry sector reports. There may need to be a statutory change authorizing a suspension of the reports if this were to be the Legislature's intention.

***Expenditure and revenue calculations and assumptions***

Reducing General Fund State matching requirements to the Carl D. Perkins career and technical education program will definitely reduce federal funds under the Perkins act by 209,629 per year. Non-supplantation requirements could result in a further loss in federal revenue to the state by at least (20,508,385) each year, if the waiver is not granted and/or the match is not restored.

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

Reduction projections are ongoing. Should state funding be reduced, an equal amount of federal funding will no longer be available in year FY 2016 and the entire Career and Technical Education grants could be rescinded in FY 17.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
A Salaries And Wages	(298,000)	(149,000)	(447,000)
B Employee Benefits	(89,400)	(44,700)	(134,100)
C Professional Svc Contracts		(20,508,385)	(20,508,385)
E Goods\Other Services	(61,858)	(15,929)	(77,787)
<b>Total Objects</b>	<b>(449,258)</b>	<b>(20,718,014)</b>	<b>(21,167,272)</b>

**Agency:** 354 Workforce Train & Educ Coord Board  
**Decision Package Code/Title:** N1 PVS Enhanced Compliance Monitoring  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

The Workforce Board is requesting an additional 1.0 FTE for the Consumer Protection Unit that licenses and monitors Washington's 300+ private vocational schools. This position is necessary to strengthen onsite visits and compliance monitoring of private vocational schools operating in Washington and to establish a more rigorous monitoring and enforcement program of unauthorized entities potentially operating illegally. This new FTE also supports the overall mission of continuing to provide effective public/consumer protection in the regulation of all private vocational schools delivering educational services to Washington residents. Private vocational schools serve approximately 28,000 Washington students per year in programs offering certificates and other vocational credentials. Recent national and local news coverage and scrutiny of the private vocational school industry makes this request even more significant in ensuring public confidence in state oversight for this educational sector.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	106,000	106,000	212,000
<b>Total Cost</b>	<b>106,000</b>	<b>106,000</b>	<b>212,000</b>
<b>Staffing</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Annual Average</u></b>
FTEs	1.0	1.0	1.0

**Package Description:**

The Workforce Board is requesting an additional 1.0 FTE to hire a Program Specialist to provide increased monitoring and compliance activities for private vocational schools.

The Private Vocational Schools Act, Chapter 28C.10 RCW, governs private vocational schools operating within Washington. The purpose is to protect the public from substandard schools and business practices which are false, deceptive, misleading or unfair, and to provide standards for and to foster and educate private vocational schools to ensure students receive quality education and training services. The main functions are to:

- o Assess and evaluate school applications for licensure.
- o Monitor schools to ensure compliance with state standards.
- o Provide technical assistance and outreach activities to licensed schools to ensure compliance.
- o Investigate student complaints and take appropriate disciplinary action against substandard and fraudulent business practices.
- o Preservation of essential student records.

The agency currently licenses and monitors 317 private vocational schools with a total student enrollment of approximately 28,000 (FY-13 data).

Fiscal Year	Number of Schools	Student Enrollment
FY-10	250	17,355
FY-11	273	22,413
FY-12	280	26,243
FY-13	302	27,540
FY-14	317	NA

The number of new schools approved each year has steadily increased, with a 27% increase in new schools authorized in the last five years, and 58% increase in the number of students attending private vocational schools for the same period. This measureable increase has resulted in increased workload demands of the current 2.4 FTE who are responsible for ensuring schools are operating in compliance and the public is protected from substandard or fraudulent business practices. Despite the rapid growth of the private vocational schools sector, there has been no corresponding change in the number of staff dedicated to the work unit. As the cost of publicly funded colleges and universities rise, the number of private career schools grows, and more veterans utilize education benefits afforded under the G.I Bill, an increasing number of Washington residents will seek private sector higher education and training opportunities that put them on a direct path to the job market through short-term industry certificates and credentials.

An additional FTE for the consumer protection unit would bolster comprehensive compliance and monitoring work to allow more frequent on-site visits to private career schools, increased accountability for the sector, and ensure consumer protection for Washington students.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

An additional staff member in the consumer protection unit would allow for more frequent and regular on-site visits of schools applying for a license or renewal, and the ability to be more proactive in investigating claims of unauthorized schools operating in the state.

To ensure schools are properly and regularly monitored, sufficient staff and resources are necessary to implement systematic monitoring activities. Staff already complete a file review of each school, but it is essential they are able to follow-up and verify all self-reported information and data by conducting onsite visits and physical inspections of the school facilities, personnel, administrative records and student files. These activities have been limited because of the increased workload without a corresponding increase in staff. On-going site visits are key to ensuring continued compliance with applicable standards and regulations related to educational programs being offered to the public. In the event of a student complaint about a potential unfair business practice, staff may need to visit the school to examine records, interview personnel and staff, perform other investigative activities, or mediate a dispute.

## **Performance Measure Detail**

### **Activity: A011      Adult Workforce Needs**

		Incremental Changes	
		<u>FY 2016</u>	<u>FY 2017</u>
<b>Output Measures</b>			
000713	Number of inspections of licensed non degree granting, private postsecondary vocational institutions.	20.00	20.00

### ***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, with an estimated 28,000 Washington students per year in programs offering certificates and other vocational credentials. This decision package helps ensure a viable private vocational school sector. Recent actions by the federal government toward the private career schools industry (specifically Corinthian Colleges) have increased scrutiny of this sector, as well as public concern regarding the safeguards in place for private vocational school students.

### ***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 students per year in programs offering diploma and certificates. Without a vibrant and trusted private vocational school sector, the percentage of residents seeking private vocational programs and training is likely to decline and not serve as a viable pathway for those students seeking short-term training and re-training opportunities.

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

The key function of any regulatory program is the compliance monitoring and enforcement of its standards and regulations. The purpose of the Private Vocational School Act is to protect students, employers, and the general public, and to educate and foster private vocational schools in complying with financial and consumer protection standards. The private career school industry has experienced rapid growth. There has also been a continuing rise in popularity of career-focused training programs, particularly online programs. Current federal scrutiny of the sector and recent media attention on private vocational schools make it even more critical for the state to have the necessary staff available to protect the public from dubious schools and training programs.

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

The Board has done extensive work in the last two years to examine and improve the actions and procedures involved in licensing and regulating private vocational schools. Legislation passed in 2014 (HB 2228) extended the Board's consumer protection work to students who are funded by an agency or business (previously they did not have access to the complaint process). The review process for this legislation in 2013 also identified changes to agency practices that resulted in increased protection for students attending private vocational schools. In this work, the Board implemented additional review measures to address a backlog of applications and streamline review procedures that historically have slowed program approval and delivery. However, without additional staffing assistance, the unit cannot provide the level of physical on-site school review, technical assistance, and continued field monitoring necessary to ensure a strong private vocational school sector and consumer protection for students.

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

Not funding this package will require the agency to provide services that are limited by staffing resources. The number of licensed private vocational schools is expected to continue to increase, as will the number of students attending these schools who expect and deserve protection against deceptive and fraudulent practices. The agency strongly believes in the value of increased compliance monitoring and providing more regular technical assistance to schools to ensure an understanding and application of program standards. Increased efforts and attention focused on conducting regular school visits, compliance reviews, and outreach activities will help protect additional students and prevent situations that could have been avoided with additional resources.

***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 salary and benefits for 1.0 FTE at the position level of Program Specialist 3(107J), Range 52, \$42,588 - \$57,240.

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

All costs are ongoing.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
A Salaries And Wages	55,836	55,836	111,672
B Employee Benefits	19,222	19,222	38,444

E	Goods\Other Services	22,000	22,000	44,000
G	Travel	8,942	8,942	17,884
<b>Total Objects</b>		<b>106,000</b>	<b>106,000</b>	<b>212,000</b>

**Agency:** 354 Workforce Train & Educ Coord Board  
**Decision Package Code/Title:** N3 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**

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