Workforce Train & Educ Coord Board

2027-29 Regular Budget Session

Policy Level - TR - TRTF-Funded Consumer Protection

Agency Recommendation Summary

The Board is recommending a fund shift to the Tuition Recovery Trust Fund of up to $400,000 for two years (FY28-29) of GF-S agency operations for private vocational school licensing, technical assistance, regulation, and non-reimbursable federal education program oversight and approval for veterans.

Fiscal Summary

Fiscal Summary *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2028	2029	2027-29	2030	2031	2029-31
Operating Expenditures						
Fund 001 - 1	($400)	($400)	**($800)**	$0	$0	**$0**
Fund 503 - 1	$400	$400	**$800**	$0	$0	**$0**
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Decision Package Description

The 25-27 biennial budget imposed a one-time $2,000,000 biennial GF-S reduction to the Workforce Board, with direction to the Board to use Tuition Recovery Trust Fund (TRTF) funds to support the Board's consumer protection program activities up to the amount of the GF-S reduction.

For the 2027-29 biennium, the Workforce Board proposes continuing this temporary authority – at a reduced level. The Board recommends authorizing up to $400,000 per year for two years from the TRTF for private career school licensing, technical assistance, regulatory activities, and non-reimbursed federal veterans education program oversight and approval costs that would otherwise be supported with GF-S.

This proposal recognizes the state's significant budget challenges while also protecting the long-term viability of the TRTF as a safety net for students.

Background

The Consumer Protection Team licenses and regulates nearly 400 private career schools as required under RCW 28C.10. This work relies on a GF-S appropriation from the state budget, supported by licensing fees from private career schools. These are non-degree programs at private businesses and nonprofits, including commercial driving schools, massage schools, dental assisting programs, and more.

The Consumer Protection Team also serves as a State Approving Agency (SAA) via a cooperative agreement with the U.S. Department of Veterans Affairs (VA). Program staff review programs for eligibility for veterans to use their GI Bill benefits at a range of educational institution types, using strict criteria required by the VA. Historically and strategically, the Board has chosen not to charge schools to obtain or maintain veterans program approval to ensure a robust catalog of eligible veterans programs. The federal cooperative agreement for this work does not cover all program administration costs. The Workforce Board supplements this contract with GF-S annually. While VA periodically provides supplemental funding to the states, supplemental funding depends on the availability of unspent VA funds.

The TRTF is a trust fund licensed schools pay into for 10 years to provide an emergency fund for student reimbursements. The TRTF is used when a school closes suddenly (due to bankruptcy or other precipitating events), and students have prepaid, unearned tuition or cannot transfer their credits. Once schools have finished their 10-year obligation, they are no longer responsible for payments into the fund unless the fund drops below a $1M threshold. TRTF payments are treated as a portable asset; when a school changes ownership, it assumes the remaining payments.

A number of schools have already met their obligation to the fund, so while the fund balance is currently at a strong level to support this budget reduction proposal, we don't expect it to grow significantly.

Proposal Description

The Board proposes using the Tuition Recovery Trust Fund (TRTF) to support up to $400,000/year in consumer protection program operations. This would continue the Board's 25-27 biennial authorization to use TRTF funding.

While the previous biennium is set at $1M/year, the Board advises caution in continued drawdowns of the fund and recommends authorization of no more than $400,000/year for two years to allow time for the TRTF to maintain a healthy balance for student protection.

The TRTF is not meant to be a permanent solution; it has a specific purpose and provides for students in the event of a sudden school or corporate closure. Given the extreme budget challenges, the Board is recommending funding some portion of the agency's consumer protection operations with the fund for two more years.

To use the TRTF as proposed, the budget or other funding bill would need to provide continued statutory flexibility under RCW 28C.10.084(1), such as temporarily allowing the TRTF to fund program administration of private career school licensing and non-reimbursed veteran program approval costs for FY28 and FY29.

Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

The Board proposes continuing the fund shift to use the TRTF for agency consumer protection operations for FY28-29.

Tuition Recovery Trust Fund:
As of June 30th of each fiscal year, the TRTF balance was as follows:

FY23 $4,472,613.28
FY24 $4,657,325.02
FY25 $4,977,145.87
FY26 $4,329,160.79
FY27 $3,164,000 (Estimate*)

Detailed Assumptions and Calculations:

*The Board estimates that with continued billing of the TRTF for operating expenses in FY27 as well as payouts for known school closures, the June 30, 2027 fund balance will be approximately $3,164,000.

Fund administration is estimated at $104,000/year and covers student complaint administration; the receipt, organization, storage, and long-term retention of student records and transcripts from private career schools no longer in operation, including the Board's required 50-year retention of transcripts from closed schools; and staff time to research, process, and respond to transcript and student record requests. Fund administration also includes maintaining records necessary to support the Tuition Recovery Trust Fund and responding to former students seeking documentation from closed schools. Under the proposed shift, the impact to the fund will be just over $1 million, leaving approximately two million dollars for student payouts resulting from school closures. This estimate does not include potential impact from precipitous school closures.

Workforce Assumptions:

Not applicable

Historical Funding:

N/A (privately funded through licensed school contributions).

Strategic and Performance Outcomes

Strategic Framework:

This proposal would shift up to $400,000 for FY28 and 29 from GF-S to the TRTF. This one-time proposal meets the state's need for budget reductions while still maintaining a healthy fund balance for student protection in the event of school closures.

Performance Outcomes:

As noted, the TRTF currently has a healthy balance that can support some drawdown of the funds in a difficult budget climate. However, continued reliance on a trust fund as a budget mechanism to support operations may impact relationships with licensed private career schools and student confidence in the fund if overused.

Performance outcomes include:

- Maintenance of a healthy TRTF balance for students in the event of sudden school closures.
- Continued licensing and regulation of nearly 400 private career schools. Thorough staff work with schools can identify concerns early that might cause a payout from the TRTF and can often be mitigated through teach-out options.
- Ongoing approval of programs veterans may attend using their GI Bill funding.

Board staff will focus on efficient use of TRTF funds, maintaining strong relationships with licensed schools, and ensuring student confidence in the fund as a safety net.

These outcomes will help ensure that, despite budget reductions, the Workforce Board continues to protect students, support veteran choice, and maintain high standards for private career schools.

Equity Impacts

Community Outreach and Engagement:

Not applicable

Disproportional Impact Considerations:

The Board carefully reviewed the impacts of continuing to use the TRTF for agency operating costs. Board staff have confidence that the fund balance is sufficient to support the recommended amount of the fund that could be used for operating costs.

In the (hypothetical) case of an unprecedented number of private vocational school closures, the fund balance may drop below the recommended $1M balance. $1M is the minimum amount in statute to provide assurance to students that the fund balance is sufficient to pay student tuition costs related to school closures. If this were to happen, the Workforce Board would need to reassess all licensed private vocational schools for a pro-rata share until the balance reached that $1M level.

Target Communities and Populations:

Not applicable

Community Inputs and Incorporation:

The agency has provided information about this proposal to the Northwest Career Colleges Federation, which represents a large portion of the schools paying into the TRTF.

Other Collateral Connections

HEAL Act Agencies Supplemental Questions

Not applicable

Puget Sound Recovery:

Not applicable

State Workforce Impacts:

Not applicable

Intergovernmental:

Not applicable

Stakeholder Impacts:

The Board licenses nearly 400 licensed private career schools who pay into the TRTF for use in the event of an unscheduled school closure. While there is a strong balance in the fund, it was not meant to be used for agency licensing activities.

The TRTF has the potential to support scholarships for students attending private career schools if the fund balance reaches over $5 million. The fund balance was very close to that amount before the initial fund transfer in FY26.

State Facilities Impacts:

Not applicable

Changes from Current Law:

The 25-27 biennial budget provided authorization for the agency to use TRTF funds for licensing and regulation operating costs. See Section 930 of the 25-27 biennial budget bill (ESSSB 5167) passed by the legislature and signed by Governor Ferguson here:

"During the 2025-2027 fiscal biennium, moneys in the fund may also be used to cover the costs associated with the agency's administration, including private vocational school licensing and the veterans program."

Updated language would need to be included in the 27-29 biennial budget to continue to use the trust fund in that manner, specifically:

"During the 2027-2029 fiscal biennium, moneys in the fund may also be used to cover the costs associated with the agency's administration, including private vocational school licensing and the veterans program."

Legal or Administrative Mandates:

Not applicable

Governor's Salmon Strategy:

Not applicable

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2028	2029	2027-29	2030	2031	2029-31
Obj. A	$0	$0	**$0**	$0	$0	**$0**
Obj. B	$0	$0	**$0**	$0	$0	**$0**
Obj. E	$0	$0	**$0**	$0	$0	**$0**

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