



STATE OF WASHINGTON
WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD

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November 15, 2024

Director Pat Sullivan
Washington State Office of Financial Management
P.O. Box 43113
Olympia, WA 98504-3113

Dear Director Sullivan,

Workforce Board staff have met in response to your request for early action items that could be considered for budget reductions to address the state's budget deficit.

The Workforce Board is a small agency with a big mission to support the vision in our strategic plan, Talent and Prosperity for All. So much of our work is interconnected, administered by a small number of dedicated staff, and much of our budget is either federal or state passthrough funding. We have put forward decision packages supporting our maintenance requests for statutory mandates or other critical work. While we understand this is an unprecedented budget deficit, we hope to continue discussing the value of those requests.

Specific to this assignment, Workforce Board staff have put together a proposal that we believe meets the needs of this exercise.

Proposal: For the FY26-27 biennium, we propose funding some portion of private career school licensing and non-reimbursed federal veterans program approval activities with the Tuition Recovery Trust Fund (TRTF), rather than GF-S. The Workforce Board staff commits to begin the process of increasing private career school licensing fees, along with adding new fees for program applications and institution exemptions, with the ultimate goal of having a fully self-supporting program outside of GF-S appropriation.

Background: The Consumer Protection Team licenses and regulates over 300 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 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 add their programs to maintain a robust catalogue of eligible veterans programs. The federal cooperative agreement for this work does not cover all of the costs of administering the program. 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 Tuition Recovery Trust Fund (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 pre-paid, 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 seen as a portable asset; when a

school changes ownership, they assume the remaining payments. A number of schools have already met their obligation to the fund, so while the fund balance currently is at a strong level to provide this budget reduction proposal, we don't anticipate this fund balance growing, and so should only be considered a one-time solution.

Proposal Description: The fees for the private career school licensing program are meant to be self-supporting. However, the Workforce Board collects the fees for deposit into the General Fund, rather than using them directly for administration. The fees have not increased since their implementation in the mid-80s. With direction from policymakers, the Board could raise and change fees to a level sufficient to meet the actual business needs of this program.

Ultimately, the Board would be interested in bringing all fees in-house to sustain program staff and operations. However, while we get this structure in place, the Board proposes using the Tuition Recovery Trust Fund (TRTF) to support operations. This fund could partially or fully supplement licensing fees while the fee increase goes through rulemaking, including a review of the feasibility of assessing fees for VA program approvals. The two-year timeline would ensure sufficient time to evaluate the solvency of the program outside of GF-S appropriation.

The TRTF is not meant to be a permanent solution; this program has a very specific purpose and provides a safety net for students in the event of a sudden closure. But given the extreme budget challenges, the Board believes funding some portion of the agency's consumer protection operations for two years with the fund, while we implement fee increases, is warranted.

To use the TRTF in the manner we propose, the budget or other funding bill would need to provide statutory flexibility under RCW 28C.10.084(1), such as temporarily allowing the TRTF to be used for program administration of private career school licensing and non-reimbursed VA costs for FY26 and FY27. If this proposal is of interest, we'd be happy to work with you to provide language that can be added to the budget bill.

Finally, as part of our commitment, we will limit all GF-S funded travel across program areas. We will communicate the situation to our staff and limit all travel in/out of state to essential functions. This includes prioritizing virtual visits and meetings wherever possible.

I hope this information is helpful to you as you continue your deliberations. If we can provide additional information, please let me know.

Sincerely,



Eleni Papadakis
Executive Director
Workforce Training and Education Coordinating Board