

June 2007

Draft - State Need Grant Rules Change

Eligibility criteria for proprietary schools participating in the program

Higher Education Coordinating Board staff recommend adoption of proposed changes to the State Need Grant (SNG) rules. These changes reflect the strengthening of standards that proprietary institutions must meet to participate in the SNG program.

The rules also allow community and technical colleges to commit SNG awards to students in the Applied Baccalaureate Pilot Projects equal to the award committed to students at the public comprehensive universities.

Overview

At the Board's March meeting, staff proposed amendments to the SNG rules revising the participation standards for schools in the proprietary sector and allowing dual awards within the community and technical college sector to accommodate the Applied Baccalaureate Pilot Project.

Comment at a public hearing May 25, 2007, resulted in two changes to the participation standards. A transcript of the comments is attached (Appendix A); along with a copy of the full, annotated version of the revised rules (Appendix B).

The changes to the participation standards for the proprietary sector are, in part, a response to recent abrupt closures of two proprietary sector schools, which closed owing money to the HECB for misspent student aid. Last year, HECB staff worked with representatives from the proprietary sector to revise the rules to allow for closer scrutiny of participation standards for the State Need Grant program.

Highlights of the proposed State Need Grant rules changes

1. Additional criteria proprietary schools must meet to participate in the State Need Grant program include:
 - a) An assessment of administrative capability such as, staffing levels, technological systems, and compliance with state program regulations and guidelines.
 - b) Performance standards such as student completion and placement rates.

- c) Financial stability considerations such as the U.S. Department of Education's composite financial scores, program review findings, accreditor findings, and enrollment trends.
2. Actions the Board may take in response to concerns:
 - a) Place an institution on probation.
 - b) Require a letter of credit or bond.
 - c) Limit, suspend, or terminate a school's participation in the SNG program.
3. An appeals process also is outlined in the rules.
4. For those community and technical colleges participating in the Applied Baccalaureate Degree Pilot Project a dual system of SNG awards is permitted. Students enrolled in the applied baccalaureate program may receive an award equal to that received by students at the public comprehensive universities.

Changes from the March 2007 proposed rules:

1. Staff may evaluate on a case-by-case basis whether a school that is "provisionally certified" by the U.S. Department of Education for participation in federal student aid programs should be permitted to participate in the SNG program.

"Provisional certification" status is assigned to schools that have marginal administrative deficiencies or other issues that might prevent them from competently administering state student aid.
2. Language clarifying the HECB will not retain copies of confidential financial records of private for-profit institutions if those records cannot be exempted from the public disclosure.

RESOLUTION NO. 07-11

WHEREAS, The Higher Education Coordinating Board is authorized to adopt rules to administer the State Need Grant program; and

WHEREAS, Proprietary, for-profit career colleges participate in the State Need Grant program; and

WHEREAS, While most schools in this sector have demonstrated long-term administrative capability, financial stability, and satisfactory performance, a small number have abruptly closed leaving students with incomplete curriculums, devalued degrees, and in some cases owing a financial debt to the state for improperly disbursed aid; and

WHEREAS, Board staff worked with proprietary sector representatives to develop rules strengthening participation standards of the for-profit colleges in the State Need Grant program to better protect students, and

WHEREAS, The Board reviewed the proposed rules at its March 2007 meeting; and

WHEREAS, As a result of the public comments, staff have incorporated two changes into the proposed rules to 1) respect the confidentiality of financial information disclosed by private businesses, and 2) secure the Board's authority to review individual circumstances for schools provisionally certified for participation in federal student aid programs; and

WHEREAS, The community and technical colleges will begin an Applied Baccalaureate pilot program necessitating a dual State Need Grant award structure for that sector;

NOW THEREFORE BE IT RESOLVED, That the Higher Education Coordinating Board adopt permanent rules amending WAC 250.20 addressing participation standards for proprietary schools and permitting a dual State Need Grant award structure for Community and Technical Colleges participating in the Applied Baccalaureate Pilot Program.

Adopted:

June 28, 2007

Attest:

Bill Grinstein, Chair

Jesus Hernandez, Vice Chair

Appendix A

Transcription of Public Hearing on Proposed Rules for the State Need Grant Program

May 25, 2007 - 9:00 AM

Attendees

- Julie Japhet, Operations Manager for Student Financial Assistance, HECB
- Jeffrey Powell, Program Associate, HECB
- Steve Buckley, Regulatory Affairs Director, PIMA Medical Institute in Renton
- Bob Panerio, Campus Director, PIMA Medical Institute in Renton
- Gena Wikstrom, Executive Director, Northwest Career Colleges Federation
- Terri Odell, Financial Aid Director, ITT

JJ: This public hearing on proposed rules for the State Need Grant Program is now called to order. The time is 9:00 am, Friday May 25, 2007. I am Julie Japhet, Operations Manager for Student Financial Aid with the Higher Education Coordinating Board. I am the hearing officer for this proceeding.

JJ: For the record, the hearing is being held on the third floor conference room of the Higher Education Coordinating Board offices located at 917 Lakeridge Way in Olympia.

JJ: This hearing is held pursuant to the authority granted the board under RCW 28B.80.370 which permits the board to adopt rules as necessary to administer programs under its authority and RCW 28B.92 authorized for the State Need Grant Program, and this hearing is called to order to accept citizen testimony on proposed rules for this program. The proposed rules changes for the State Need Grant program concern accommodating the need for dual awards within a sector for applied baccalaureate degrees, and participation standards for proprietary institutions. Specifically we are considering State Need Grant WAC 250-20-013 Institutional Eligibility and WAC 250-20-041 Award Procedure. Notice of this hearing was filed with the code reviser of subsequently published in the Washington State register. Further notice of these hearings was provided to the Higher Education community, and specifically to student aid administrators of schools participating in proprietary school state student aid programs. Any comments received today in the public hearings, or received in writing through May 31, 2007, will be delivered to the board along with staff comments and recommendations for the board's consideration at their next meeting. The board will be asked to adopt final rules at that meeting. The time is now 9:03. Let the record show that Steve Buckley, Bob Panerio, and Gena Wikstrom are hear to testify. First is Steve, so if you could please state your name, address, and the program on which you wish to provide testimony.

SB: My name is Steve Buckley. I am the Regulatory Affairs Director for Pima Medical Institute located at 555 S Renton Village Place Suite 110 Renton, WA 98057. The purpose of myself being here is to represent the Pima Medical Institute. Although I am not currently an Institution which is eligible to participate in the State Need Grant, we hope to see the changes in that area which would allow us to participate in this program. Consequently, we are here to address the issue of the changes and the additional scrutiny that will take place through this rule change to post-secondary private institutions, and the participation in the program, and their eligibility. We have been a part of the community of educating the Washington State residents for many, many years, over fifteen years. We have certificate programs, degree programs, that we train approximately 400 to 500 students a year. We now currently have two locations in Washington where we're now training close to 700 students a year. Of these 700 students that we have, the current guidelines for participation with the State Need Grant, over 70 percent of our students would qualify for 100 percent of the eligibility requirements. We do not have the exact rates as

far as 75 percent but I do know that close to 70 percent would qualify 100 percent. So we feel that there is a huge population of Washington residents that are being denied access to these tax payer funds and they should be eligible just as any other students who's eligible when attending any university in quote, "made eligible made through their standing in the community." Our corporate office is located in Tuscan, Arizona. We've been a private institution, post secondary institution for 35 years. We've been located here in Washington for over 15, and we find to continue to be part of the Washington education community. We have to graduate our guidelines and our accreditation requires that we graduate 70 percent of our student. It also requires that we place 70 percent of our graduates in the work place, not just in a job, but specifically in a job which they're trained for. So, we feel that not only are we part of the education community, we are actually, we feel, benefiting the community as a whole by supplying students, graduates, in the work place, in the employment field. We feel that currently the eligibility that is being denied us is being withheld arbitrarily. The only individuals that are being harmed—and this is being withheld from us because we are not a corporate residing within the State of Washington although we are recognized by the Secretary of Washington's Treasury to operate in here, in the state we are being withheld the rights provided to all other corporations who began initially to their school here in the state. But the individuals that are actually being harmed are the students that we represent that attend our school, who after research make a decision that PIMA Medical Institution and the education which we provide is best for them. They are the ones that are being denied the right that they have to these monies, just as any other student who attends any other university has a right to have access to. Their inability to gain this money is punitive for no fault of their own. So we wish that first, I know that this particular rule amendment does not address the issue of our eligibility, but we wish that the Higher Education Board would do whatever it takes to make sure that all institutions who have had long standing in the community of Washington, such as ourselves, have access, and become an eligible institution even if there requires changes at the state level.

In addition, the changes which are being asked, being contemplated at this time, we do not mind being held underneath a magnifying scope, a magnifying glass, that doesn't bother us. We were in business, we have to be very careful of how we conduct business, we have to be very meticulous in our manners of keeping records, not only for the accreditation that we are part of, but also just to stay in business. You cannot stay in business for thirty-five years like we have and have shotty business records or business practices. The area of concern that I have is that this applies to everybody, all institutions, not just private post secondary education but State education, universities as well. If we are going to be held to these standards, everyone should be held to these standards. We do not have a problem with that, we can stand in the light, same as everybody else, but everybody needs to step out of the shadows if this spotlight is going to be turned on.

The one issue that I think that will be addressed later, financial records which are given over, we are not a public corporation and we do not have our income statements published to the FCC or to any other corporations. We do have to turn in our financial records to our accrediting body but these records are kept confidential, they are only to be reviewed to make sure we are complying with the accreditation guidelines of being financially stable to assist our students. We do want on the record that PIMA Medical Institute has never closed the program or denied education, because of a failed program, failed location, institution or a branch. We maintain all our branches once they have been opened, to a very high degree of success.

If these rule changes are going to take place, and the board is going to pass them, then we request that all institutions be held to the same standards. Everybody should be treated the same, period. That's all that we have to say, Thank you.

JJ: Thank you Steve, and we will move the testimony on to Bob

BP: This is Bob Panerio, I am the Campus Director for our Renton, Washington location of PIMA Medical Institute located at 555 South Renton Village Place Suite 400 Renton, Washington 98057.

As I just stated, I am a campus director and I work for PIMA Medical Institute, but I hope that my presence here today is far and above beyond representing PIMA Medical Institute and a private vocational school. I hope I am here as a life-long Washington State resident representing a Washington State resident or student that qualifies for the State Need Grant and wants to utilize that grant and go to an institution, a quality institution, such as PIMA, DeVry, or University of Washington or wherever I please as a resident to have that right to be able to utilize those funds to further my education. I am a father of two proud boys, and I would hope that they would have the right to make a choice in a quality institution that is accountable for the quality of education, if they were to qualify for those State Need Grant funds to and be able to utilize those. It is really not about a PIMA or a UW or a DeVry or any institution, I think it is more about what we are all here for and that is our Washington State students, future students, future leaders, and contributing members of our communities to be able to become better educated, and better qualified, and help our state be more productive or whatever state they go to. I think that is the bottom line and I think that should be the focus of an opportunity and a privilege such as State Need Grant, to be equal and to be fair and to be available to that student to go wherever they please, Thanks.

JJ: Thank you Bob. And now we'll turn to Gena.

GW: Thank you for this opportunity. For the record my name is Gena Wickster, I am the Executive Director of the Northwest Career Colleges Federation and I am here today to provide comment on the proposed amendments to institutional eligibility in WAC 250-20-013, specifically relating to amending the regulations as it pertains to eligibility in the State Need Grant program for private career colleges. My first comment is to just ensure that proprietary is a definition meaning "for profit." If there is a non-public technical institution that is organized as not-for-profit, as a non-profit entity, that these regulations, they are exempt, exempts those institutions. And if that assumption is erroneous then I think we need to make some clarifications as to defining proprietary to mean something other than "for-profit," meaning in the eyes of the world of corporate organizations, that non-profit is different than proprietary.

Going on down to section, it would be, B, nope, let's jump on down to section C- Acceptable Performance Levels, Student Completion Rate, Placement Rate and Cohort Default Rates. My comment on that is first of all, let me say that I appreciate the last two years of working with the Financial Aid staff in the manner of the task force to identify issues that would provide the agency and the Board with assurances that public dollars administered through the State Need Grant Program, are being delivered to students attending private career colleges that are going to be around, that have administrative capability to ensure that the funds are administered appropriately. Through that dialogue over the last couple of years, certainly the issue of student accountability is something that is paramount. Private career colleges have agreed that these indicators of completion and placement rate are such that it would help the Board understand whether an institution is at risk of closing, which is the whole premise behind this regulatory change. We support that, however we would like to ensure that caution is used when arbitrary analysis by the agency is forced to be initiated that dialogue, sufficient dialogue, and an understanding of the accountability issues related to private career education are understood. We find sometimes in our workings with other agencies, that our numbers are often so high they do not believe it! We actually are welcoming this because we think that it will provide additional insight and a new trust that private career colleges when they report a 70, 70, that your agencies and other will begin to understand how we calculate that, and why indeed we are very accountable. With that, we urge the HEC Board to take a look at expanding accountability to all sectors of higher education, and we have said this over and over to you guys in the task force, this is not a new comment to staff. We believe accountability to the student when the tax-payer dollars is used is absolutely essential to promoting what this state continually requires, which is more degrees. We believe the career path from career colleges on to other entities of higher education within our own sector, and the public sector, is essential to achieving that goal of more degreed individuals within Washington State.

The other issue that I would like to comment on is Section D, which talks about Financial Stability. Again this was an issue that was talked about extensively in the task for force in the regulatory

development process, which is that we hope that when agency staff is reviewing financial stability standards within our institutions that those individuals that are reviewing and making that determination understand what they are looking at. For example it is common place within business that start-up business or branches of approved institutions within this state, it is programmed that they will operate at a loss, but there is substantial financial support to ensure the solvency of that new start-up. We ask that caution be initiated when rendering a decision on if an institution is financially stable. Along those same lines, we cannot support submission of financial statements to the agency in light of the fact that this is a public agency and therefore all information that is given to this agency is public information. What we are asking is that financial statements be made available on site at the institution to agency staff at any time a review is necessary. We had thought that there would be an opportunity to protect the privacy of individual businesses, financial statements-- I understand that that is not possible in the public agency-- so we want to ask that that be amended to ensure that proprietary information remained proprietary.

Finally, on this information we do ask that if the agency begins taking a look at Cohort default rates, that they look at the full scope, not just one individual year as an indicator of failure to administer student loan programs as an indicator of administrative capabilities. With that, I would like to close comment on the regulations that are proposed for board considerations as amended in WAC 250-20-13 Proprietary Institutions, and comment on a couple of issues that have come to our attention in other areas within the State Need Grant requirements. One is in WAC 250-20-21 Approved Accrediting Agencies. We would like to note that the Council on Education (COE) and the Council on Massage Therapy Accreditation (COMTA) are not listed within those approved accrediting agencies. I'd like to point out that if you go the CHEA (Council on Higher Education Accreditation) website, under recognized agencies, both those are listed as recognized agencies, and they are approved by the United States Department of Education for participation for the Federal Title IV programs. We would ask the HEC Board to examine and take a look at expanding their list of accrediting agencies for that purpose.

JJ: Gena.

GW: Yes.

JJ: What did "A" stand for again, Council of Massage Therapy?

GW: Accreditation

JJ: Accreditation

GW: And that is recognized by the Department of Education.

And then lastly, it is my understanding that there is dialogue about expanding the individual student eligibility for the State Need Grant so that someone who is less needy than the current definition may be eligible for the State Need Grant. I would ask the agency, and the board to take a look at serving Washington's existing neediest of needy students that are attending private career colleges currently, rather than expand to those people who are less needy more money. Let's take a look at serving the students in Washington that are Washington citizens that are attending private career colleges who may not be eligible for participation in the State Need Grant Program because that institution, while it may be long standing, and serves hundreds of students in Washington State, is not eligible because they are a branch of an out of state institution. We would hope that the Board would engage in dialogue with our sector at identifying some amended regulations that would provide the assurances to the board that this restricted definition is, I believe, intended to create, but yet allow those students that are so needy, that are attending our institution that have a long standing operation history in Washington State and the students are ineligible because they choose to attend that institution. I believe that is something that needs to be looked at and we would like to offer that our association and institutions and perhaps even an extension of the current task force, explore how we can actually expand that definition, provide the assurances to the Board that may be needed, but yet be able to assist those students that are Washington citizens, and should be assisted simply because they are Washington's neediest of needy students.

I believe that summarizes my comments. Sorry.

JJ: Wonderful

GW: Thank you

JJ: Thank you Gena.

And Terri Odell has joined us. We are going to be hearing her testimony

TO: Following Gena, I probably do not have as much to say as I thought I would. One thing I wanted to reiterate that Gena touched on was the maintenance and security of the financial statements that should be provided by proprietary schools. I know some of them, ITT included, are publicly traded companies, and some of our information needs to be secure. Understandably departments who want to audit information and agencies that need to look at information have access to information that the general public doesn't, we just wanted to bring that up. Also, I wanted to just touch on providing for the citizens of the State of Washington that are students at the private career schools or the proprietary schools, I also would like us to maybe reflect back and consider the level at which they are paid their State Need Grant Funds. The State Need Grant Funds are paid to that group equal to the community in technical colleges, which is the least expensive education, so therefore the lowest paid State Need Grant awards. But yet, we are really, I believe more equal to, in some cases to some of our schools, the four-year private colleges. Maybe there may be a different level we come up with, but I would like us, before we start awarding, which I know we will anyway, the 70 percent levels, the part-time students that keep expanding who we are going to award to that we begin to realize that some of these students are taking out a considerable amount of alternative loan debt, because they are not getting the funding that they need to pay for their tuition expenses, which in some cases is really about equal to what an out-of-state student would pay if they went to a public school because of subsidies that exist. I know that this is not even on the table, but I just wanted to throw this out there because it is nice to say it every now and then, is the transferability of credits. I really think we need to begin to look at that too, because a lot of our students are paying more than should for a degree or an education because every time they change schools for which they are going to attend for whatever reason, they are finding that a lot of their credits are not transferring, even within public to public. I just wanted to throw that out there. And I think that is it.

JJ: Great. Well, thank you every one, and Gena, we'd anticipated the security of the financial documents coming up today, and we will continue to work with you on a happy resolution to that because we don't want your private information to be public either. And the one other category that we anticipated might be an issue is the provisional certification issue of a new school trying to come on board. I just wanted make sure, did you all have any comments on that at all?

GW: It was my understanding that that issue was discussed extensively during the task force process in that the insertion of the comment that staff or the executive director can make decision based upon change of ownership, blah, blah, whatever the circumstance. Yeah, I don't know how we can tighten that up any more other than saying what the specific issues would be. The minute we would try to identify what the specific issues are, we would miss three.

TO: I think the statement in here was pretty solid.

GW: I was comfortable with that. There has to be an element of trust. You know, and that's what an element of trust between the regulated community and the staff that there is an understanding of what those issues are. I believe that that understanding and that language is then inserted to address that issue, is the best we could wish for at this point.

JJ: Great, are there any other general comments you want to make on the official record, anybody?

GW: No, the only other issue that I wanted to talk about, the issue of probation is one that our association wholeheartedly supports, and I want to go on record again as saying that, because we believe that what it does is allows the institution, that may have some identified or perceived deficiencies, the opportunity to correct those without harming the students that are affected, and to work with the agency to become more in compliance. I think the probation status is absolutely essential to building the trust and continuing to serve the students, so, kudos on that. That's a great opportunity.

JJ: Great, OK. Anything else?

The time is now 9:30 on May 25, 2007. No more individuals are present wishing to testify in the State Need Grant Rules change. The Board will continue to accept written testimony through the close of business Thursday May 31, 2007.

This public hearing is now closed.

The time is 9:30 AM.

Appendix B