

SUBJECT: Exempting certain courses from regulation as proprietary schools

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 9 ayes — Jim Solis, Van de Putte, Deshotel, Homer, Keffer, Luna, McClendon, Seaman, Yarbrough
0 nays

WITNESSES: For — Hussain Malik; Susan B. Rakes; Judy Walker
Against — None

BACKGROUND: Chapter 132 of the Education Code defines a “proprietary school” as a business offering courses or training for a business, trade, technical, or industrial occupation, or for avocational or personal improvement. Proprietary schools are regulated by the Texas Workforce Commission (TWC). Chapter 132 of the Education Code specifies a consumer protection policy for students of proprietary schools, including refund policies. Programs exempt from proprietary school regulations include courses taught to prepare students for certified public accountancy tests, public accountancy tests, law school aptitude tests, bar, or medical college admissions tests.

DIGEST: CSHB 3142 would add exemptions to proprietary school regulations, including:

- ! schools offering to review a student’s education or training in order to prepare the student for an exam, other than a high school equivalency exam. This exemption would apply to exams a student took only after partially or totally completing a degree program, or exams that were prerequisites for degree programs.
- ! computer hardware or software instructional courses offered to a purchaser or purchaser’s employee by a company manufacturing and selling it. This would not include a company primarily in the business of providing courses.
- ! any course offered on a one-to-one basis.

The bill would take effect on September 1, 1999, and apply only to courses beginning on or after the effective date.

**SUPPORTERS
SAY:**

CSHB 3142 would clear up several problems in current law on proprietary school licensing requirements and regulation as they apply to tutoring, manufacturer instructional courses, and test preparation courses.

The process of applying for a proprietary school license is costly and time consuming. Every course must be detailed, and the background of every instructor must be described. Every course location and instructor is subject to a licensing fee. This is a major burden on private companies offering instructional courses for GRE and SAT students.

State regulation should be uniform and consistent. But under current law, educational and test preparation courses aimed at accomplishing the same fundamental purposes are regulated differently. Courses for the Law School Aptitude Test (LSAT) and Medical College Admissions Test (MCAT) are exempt from regulation under proprietary school statutes. Courses that prepare students for the Scholastic Aptitude Test (SAT) and the Graduate Record Examination (GRE) are not exempt. The omission from regulation of GRE and SAT courses was an oversight.

Exempting such preparatory courses would lower costs not only for businesses, but also for students seeking help to prepare for entrance exams. The regulatory system in Texas currently hurts small businesses providing test preparation courses because they cannot compete with larger, nationwide corporations. The situation also makes it difficult for these private businesses to compete with community colleges or universities offering these classes because they are not regulated as proprietary schools.

Proprietary school regulations are intended to protect consumers from deception, fraud, or substandard education. The possibility that the type of instruction this bill would exempt would be subject to fraud is remote. Businesses offering instruction or test preparation have never posed problems to consumers, and most of them have money-back offers for dissatisfied customers. Students preparing for the GRE and SAT tests do not need greater consumer protection than LSAT or MCAT students.

Manufacturers and sellers of computer hardware and software have every incentive to provide reputable training in use of products they are trying to sell. Such companies are not primarily in the business of offering courses in computer technology and should not be subject to proprietary school regulations. In addition, these courses are offered to product purchasers, not the general public.

One-on-one tutoring should not be regulated under rules for large proprietary schools. Many tutoring services are small businesses — sometimes one-person businesses — and they have nothing in common with these companies. CSHB 3142 would provide a needed exemption to clarify that such tutoring should not be regulated.

OPPONENTS
SAY:

Rather than exempting all test preparation courses, proprietary school statutes should be expanded to cover them all. Students spend hundreds of dollars, sometimes even more than \$1,000, on these courses. A financial investment like that should not be exempt from consumer protection regulations, even if the industry does not have a history of bilking consumers.

It is not reasonable to assume that GRE or SAT students are savvy consumers and do not need consumer protections. SAT students have not yet graduated from high school, while a college students sometimes take the GRE a year or two before graduating.

OTHER
OPPONENTS
SAY:

CSHB 3142 should define “one-to-one” tutoring services. Businesses offering instructional courses could claim that, although there are several students in a room, the teacher gives them all individual attention and addresses them independently. This loophole could allow certain businesses to bypass regulation.

NOTES:

The committee substitute would specify that courses to prepare students for high school equivalency exams would not be exempt from regulations on proprietary schools. It added exemptions for courses of instruction on hardware and software and courses offered exclusively on a one-to-one basis.