

- SUBJECT:** Transferring excess fees into the TWC's tuition protection fund
- COMMITTEE:** Economic Development — favorable, with amendment
- VOTE:** 8 ayes — Jim Solis, Van de Putte, Deshotel, Homer, Keffer, Luna, McClendon, Seaman
- 0 nays
- 1 absent — Yarbrough
- WITNESSES:** For — Jan Friedheim, Career Colleges, Schools of Texas
- Against — None
- BACKGROUND:** A proprietary school is a post-secondary educational center that offers courses to prepare students for a trade, business, vocation, or personal improvement. The Texas Workforce Commission (TWC) regulates proprietary schools not covered by other boards. Cosmetology schools, for example, are regulated by the State Board of Cosmetology. TWC assesses proprietary schools an annual fee to pay for administration of proprietary schools.
- The TWC maintains a tuition protection fund for proprietary schools. The fund repays tuition to students who cannot complete their programs, most commonly because a proprietary school is bankrupt. Each proprietary school maintains a bond for tuition protection. The TWC uses money from its tuition protection fund to match the school's funds to repay lost tuition. In years when the tuition protection fund drops below \$200,000, the TWC assesses the schools a separate fee, in addition to the administration fee, in an amount sufficient to replenish the fund to \$250,000.
- DIGEST:** HB 3295 would allow the Texas Workforce Commission (TWC) to transfer money into the tuition protection fund if it collected annual administration fees from proprietary schools in excess of what was necessary to administer the proprietary school program. The bill as amended would cap the fund at \$250,000.

The bill would take effect on September 1, 1999.

**SUPPORTERS
SAY:**

The Texas Workforce Commission should have the flexibility to transfer excess administration fees into its tuition protection fund if needed. Current law does not allow TWC to transfer money into the fund, even when the agency has collected a surplus of annual administrative fees from proprietary schools. If a school closes, its tuition refund liability may exceed even the amount of the corporate surety bond that the school is required to have and could drain the tuition protection fund, which could not be replenished until the next assessment was made at the beginning of the year.

HB 3295 would provide an alternative method for assigning funds to the tuition protection fund in an emergency. If the fund needed further replenishing, TWC still would be able to assess additional funds from proprietary schools. Maintaining the \$250,000 cap on the tuition protection fund would prohibit TWC from transferring more funds than were needed to maintain the solvency of the fund.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The committee amendment would cap the tuition protection fund at \$250,000.

The companion bill, SB 1575 by West, was reported favorably, without amendment, by the Senate Education Committee on April 26 and recommended for the Local and Uncontested Calendar.