



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON HOUSE CONCURRENT RESOLUTION NO. 143,
REQUESTING THE OFFICE OF THE AUDITOR TO CONDUCT A SUNRISE
REVIEW AND FEASIBILITY STUDY OF THE TRANSFER OF THE LICENSING AND
REGULATION PROGRAM FOR PRIVATE TRADE, VOCATIONAL, AND
TECHNICAL SCHOOLS FROM THE DEPARTMENT OF EDUCATION TO THE
UNIVERSITY OF HAWAI'I**

House Committee on Consumer Protection & Commerce

March 28, 2016

Chair McKelvey and Members of the Committee:

Thank you for the opportunity to offer comments on HCR 143. The purpose of the resolution is to request the Office of the Auditor to conduct a sunrise review and feasibility study of the transfer of the licensing and regulation program for private trade, vocational, and technical schools from the Department of Education (DOE) to the University of Hawai'i (UH).

We have issued two reports related to this issue:

1. Report No. 97-17, *Study on the Licensing of Massage Schools* (1997); and
2. Report No. 02-08, *A Study on the Licensing of Private Trade, Vocational, and Technical Schools* (2002).

Our 1997 study was conducted in response to SCR 128, SD 1, of the 1997 Regular Session. We found that DOE had failed to properly manage the massage school licensing program. We also concluded there is no single state agency that is comprehensively appropriate to oversee the licensing and regulation of massage therapy schools, which are private trade, vocational, and technical schools. We considered three agencies: DOE, the Department of Commerce and Consumer Affairs (DCCA), and the then-State Board for Vocational Education, which was the same as the membership of the Board of Regents of the University of Hawai'i. We determined that the then-board was the *most* appropriate alternative of the three to license and regulate

massage schools. However, the primary argument against transferring this responsibility to the then-board was the potential conflict of interest between the board, which would regulate massage schools, and the UH community colleges, which offered courses in massage and other trade vocations.

Finally, we found that legislation was needed to statutorily define the purposes for licensing private trade, vocational, and technical schools. We recommended that the Legislature consider amending the law, which it did via Act 57, Session Laws of Hawai‘i (SLH) 1998, as follows:

To protect consumers against practices by private trade, vocational, and technical schools that are false, deceptive, misleading, or unfair, and to help ensure adequate educational quality at private trade, vocational, or technical schools.

Three years later, SCR 121 of the 2001 Regular Session requested the Auditor to determine, among other things, whether the State should continue to license private trade, vocational, and technical schools. We were also asked to recommend alternative strategies, such as transferring licensure to a more appropriate state agency (than DOE) or making licensure self-sufficient.

Our 2002 report in response to SCR 121 found that licensing and regulating of private trade, vocational, and technical schools in Hawai‘i continued to be necessary. We also found that Act 57 (SLH 1998), which added a new purpose statement, placed emphasis on the protection of consumers, making the regulation of such schools by the DOE not appropriate. We concluded that consideration should be given to transferring the program from DOE to DCCA.

We also noted that although the new purpose of the licensing law would be aligned more appropriately with the consumer protection mission of DCCA, DCCA did not want the responsibility of administering the licensing program; furthermore, under DCCA’s administration, license fees would increase significantly.

Thank you again for the opportunity to offer comments on HCR 143. I am available to answer any questions you may have.

DAVID Y. IGE
GOVERNOR



KATHRYN S. MATAYOSHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
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Date: 03/28/2016

Time: 02:20 PM

Location: 325

Committee: House Consumer Protection and
Commerce

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Resolution: HCR 143 REQUESTING THE OFFICE OF THE AUDITOR TO CONDUCT A SUNRISE REVIEW AND FEASIBILITY STUDY OF THE TRANSFER OF THE LICENSING AND REGULATION PROGRAM FOR PRIVATE TRADE, VOCATIONAL, AND TECHNICAL SCHOOLS FROM THE DEPARTMENT OF EDUCATION TO THE UNIVERSITY OF HAWAII.

**Purpose of
Resolution:**

Department's Position:

The Department of Education (Department) appreciates the support of the legislature in the continued engagement on SB 2976 SD2 HD1.

Respectfully, the Department suggests this resolution is unnecessary and would prefer to maintain focus on the pending legislation.

Thank you for the opportunity to provide testimony on HCR 143.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

WRITTEN ONLY

Testimony Presented Before the
House Committee on Consumer Protection and Commerce
March 28, 2016 at 2:20 p.m.

by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
University of Hawaii

HCR 143 – REQUESTING THE OFFICE OF THE AUDITOR TO CONDUCT A SUNRISE REVIEW AND FEASIBILITY STUDY OF THE TRANSFER OF THE LICENSING AND REGULATION PROGRAM FOR PRIVATE TRADE, VOCATIONAL, AND TECHNICAL SCHOOLS FROM THE DEPARTMENT OF EDUCATION TO THE UNIVERSITY OF HAWAII.

Chair McKelvey, Vice Chair Woodson, and members of the Committee:

Thank you for the opportunity to testify on HCR 143, which requests the Office of the Auditor to conduct a sunrise review and feasibility study of the transfer of the licensing and regulation program for private trade, vocational, and technical schools from the Department of Education to the University of Hawaii.

While the University of Hawaii does not oppose the call for the Legislative Auditor to do a sunrise review or feasibility study on the concept, the University does anticipate expressing its reservations to the concept to the Auditor.

The University of Hawaii would like to note that in order to bring Hawaii into compliance with Title IV of the Higher Education Act of 1965, the legislature in 2013 passed SB 46, which became Act 180, establishing a Post-secondary Education Authorization Program within the Department of Commerce and Consumer Affairs (DCCA). The legislature found that establishing a post-secondary education authorization program under DCCA would result in a system of authorization that is more appropriate to serve the diverse institutions that operate educational programs beyond secondary education in the State. The University concurred and provided in testimony that placing the authorization function outside the University of Hawaii avoids the potential or the appearance of a conflict of interest were the state's sole public university to authorize private providers to operate within the state.

The University has the same concerns of a potential conflict of interest if the licensing and regulation program for private trade, vocational, and technical schools were to be transferred from the Department of Education to the University of Hawaii. Furthermore, moving the licensing and regulation program to the University of Hawaii would require additional resources and positions as the University currently does not have a unit to administer such a program. Thank you for your time and consideration.