TEXAS DEPARTMENT OF LICENSING & REGULATION
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July 2, 2026

Sunset Advisory Commission
Attn: Eric Beverly, Executive Director
1501 N. Congress, 6th Floor REJ Bldg.
Austin, Texas 78701

Director Eric Beverly,

Thank you for the opportunity to provide feedback on the Sunset Advisory Commission's recommendation to transfer the Career Schools and Colleges (CSC) program from the Texas Workforce Commission (TWC) to the Texas Department of Licensing and Regulation (TDLR). Our internal staff has carefully reviewed the proposal, and I would like to outline our preliminary concerns and comments regarding a potential transition.

Sunset Staff Recommendations

2.1 Transfer the regulation of career schools and colleges to TDLR

Regulatory Capacity and Resource Assessment

- TDLR has existing tools and processes in place to regulate the career schools and colleges program but does not currently have staff capacity and will need additional resources in order to implement the transfer.

- It is evident that the current regulatory structure at TWC has struggled to perform basic regulatory functions. Because TWC's current processes do not appear efficient, it is difficult to ascertain whether the complaints they are currently receiving accurately reflect the true workload TDLR would assume when implementing our standard processes for inspection, compliance, and enforcement.

- Previous agency transfers have demonstrated that low complaint numbers often reflect a lack of effectiveness in receiving and investigating complaints, rather than a lack of underlying issues. Consequently, projecting necessary Full-Time Equivalent (FTE) staffing levels is complex. We must assess the FTE requirements based on regulating this program to TDLR's standards rather than current levels. We believe data for career schools could provide guidance, allowing us to correlate the ratio of licensees to complaints filed, which will better inform our projections regarding cases we are likely to open, investigate, and prosecute.

2.2 Remove barriers that limit the agency's ability to ensure students receive refunds when career schools and colleges close.

- We have significant concerns regarding student refunds -both when schools close and in cases of individual student termination or separation.
- Regarding teach-outs, if the Tuition Refund Protection Account proves inadequate, we require more data on the success rates of TWC's current approach before adopting it as an alternative to full refunds.
- We should consider raising or removing the limit for refunds allowed per campus and the possibility of establishing a statute of limitations for filing refund complaints. TDLR statute and rules may adequately address this concern, as there is a generally applicable statute of limitations of two years on the filing of complaints from the time when the incident giving rise to the complaint arose, but this needs to be confirmed or addressed.
- We should consider requiring the schools to keep and provide the agency with student contact data.

2.3 Remove a subjective qualification for licensure from statute

- TDLR has no additional comments at this time.

2.4 Authorize the agency to provide biennial renewal for career school or college certification.

- A 24-month audit period is considered workable, provided there is a mechanism in place for student refunds and enhanced auditing measures implemented to mitigate the additional risk of a 24-month renewal period.

2.5 Require the agency to establish a risk-based approach to inspections.

- We recommend shifting the inspection model to a school audit model to ensure a more thorough review of student records, financials and other issues.
- Inspections by generalist personnel would only provide a shallow snapshot of that school for a day, however an audit from a dedicated accountant can help mitigate the risk of a 24-month renewal period.
- Implementing a risk-based inspection component would generate additional cases for enforcement, though it would not impact investigations without an expectation for follow-up audits.

2.6 Remove restrictive fee authority from statute.

- TDLR has no additional comments at this time.

2.7 The House Appropriations and Senate Finance committees should consider adjusting performance measures for the regulation of career schools and colleges.

- TDLR has no additional comments at this time.

Fiscal Implications

While the Sunset recommendations could potentially result in a positive fiscal impact, the exact amount cannot be determined at this time, but it is clear that additional funding and staff will be needed to effectively regulate this program. Transferring the CSC program to TDLR will entail upfront costs; while these could be offset in the long term by administrative and licensing system efficiencies, **it is currently unknown whether those savings would be sufficient to offset the extra costs of the additional**

resources and the newly added TDLR SCS program staff will require to regulate the program effectively.

Additional Considerations

Criminal History: Additional complaints will likely arise from mandatory criminal history reviews of owners and controlling persons. We recommend that fingerprint background checks be required to ensure out-of-state owners receive proper vetting.

Financial Oversight: CSC has struggled to meet the statutory requirement of evaluating financial statements to ensure schools are financially sound. We recommend that an Accountant IV position be established for this reason. Dedicated CPA staff is necessary to perform financial analysis, mitigate the risks associated with the 24-month renewal period, and address the breadth of knowledge required to review these entities effectively.

Licensure Exemptions: We have identified several concerns regarding the current exemptions process and recommend several actions.

- **Exemption Expiration:** We recommend that exemptions expire after a set period (e.g., 5 or 7 years) to provide a layer of security and oversight.
- **Non-Profit Status:** We recommend removing non-profit exempt status, as a non-profit designation does not remove the potential for financial harm to students.
- **Section 132.002(h):** We recommend removing this exemption entirely. The current criteria - including accreditation or 20 years of operation -do not guarantee the absence of issues, and a change of ownership can frequently lead to failures.
- **Inspections of Exempt Entities:** Section 132.002(e) allows for inspections of exempt schools, but it is unclear if these are occurring. As we currently do not collect fees for exempt entities, performing these inspections would represent an unfunded cost. We recommend either removing the inspection requirement for exempt entities or re-evaluating the exemption framework in its entirety.

Employment Rate and Outcome Reporting: Schools that receive certain federal funds through programs administered by TWC are required to submit employment and outcome data which TWC then reports to U.S. Department of Labor and other federal agencies. TDLR recommends that responsibility for these federally required reporting functions remain with TWC because the agency already has access to wage records and the infrastructure needed to collect and report the required data efficiently.

We look forward to continuing this conversation and working with your staff to ensure a seamless transition that prioritizes student safety and regulatory excellence.

Sincerely,

Courtney Arbour

Courtney Arbour, Executive Director
Texas Department of Licensing and Regulation