

SENATE HIGHER EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 2588

STATE OF NEW JERSEY

DATED: JUNE 23, 2020

The Senate Higher Education Committee reports favorably Senate Bill No. 2588.

This bill establishes certain requirements for the closure of private career schools and institutions of postsecondary education that operate in this State.

Under the bill, a private career school is a privately owned and privately operated institution of postsecondary education, other than an institution of higher education, that furnishes or offers to furnish programs, whether or not requiring a payment of tuition or fee, for the purpose of training, retraining, or upgrading individuals for gainful employment as workers in recognized or emerging occupations.

The bill requires private career schools and institutions of postsecondary education to provide the Commissioner of Labor and Workforce Development with a close-out plan, which must be updated as required by the commissioner.

The bill requires private career schools and institutions of postsecondary education to furnish a performance bond or irrevocable letter of credit in an amount equal to the school gross tuition and fees for the prior academic year for the school or institution. This requirement is waived for institutions of postsecondary education that are operated by the State.

The bill requires private career schools and institutions of postsecondary education to enter into a school-to-school teach-out agreement if the school or institution ceases educational instruction in at least one program, and a student is unable to complete the program prior to the cessation of educational instruction.

In order to satisfy the requirements of the bill, a school-to-school teach-out agreement must be arranged by the closing private career school or institution of postsecondary education and be agreed to by an eligible transfer institution, the closing school or institution, and the commissioner.

Under a teach-out agreement, a student may not be charged tuition or fees in excess of the lesser of:

(1) the remaining amount that a student affected by the closure would have paid to the closing school or institution to complete the program; or

(2) the transfer institution's applicable tuition and fees.

A teach-out agreement must also specify that, on request by a student affected by the closure, the closing school or institution will provide a complete academic record and an official transcript to the student at no cost to the student.

A student enrolled at a private career school within 120 days of a closure that does not satisfy the teach-out agreement requirements is entitled to reimbursement from the school's bond or letter of credit of all tuition and fees paid to the school.

The bill provides that the commissioner will approve a private career school or an institution of postsecondary education to act as an eligible transfer institution if the school or institution:

(1) is in good standing with its accreditor and, if applicable, its licensing body;

(2) if applicable, has cohort loan default rates, as most recently reported by the U.S. Department of Education, that are less than or equal to the cohort loan default rates of the closing institution;

(3) is not currently under financial aid restrictions by the U.S. Department of Education; and

(4) within the previous five years, has not entered into any settlement agreements related to a consumer protection law with a law enforcement agency, or had any judgments related to a consumer protection law entered against it in favor of a law enforcement agency.

Before any private career school or institution of postsecondary education ceases educational instruction or administrative operation, the school is required to file with the commissioner copies of all essential records of the current or former students of the school. This obligation of a school or institution may not be discharged in bankruptcy.

If a private career school or an institution of postsecondary education does not file all essential records with the commissioner in accordance with the bill, the commissioner may require the school or institution to refund all tuition and fees paid by a student whose records are not filed, and seek an injunction or other judicial remedy against the school or institution.

The bill provides that it is an unlawful practice and a violation of the State consumer fraud act, P.L.1960, c.39 (C.56:8-1 et seq.), for any private career school, institution of postsecondary education, person, or entity to collect on a student's institutional debt if the institutional financial aid agreement does not contain the language required by the bill, or for a private career school or an institution of postsecondary education to collect on an institutional debt of a student who attended a program in which a disorderly closure occurred.