

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 1271, 2588, and 2660**

# **STATE OF NEW JERSEY**

DATED: AUGUST 24, 2020

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill No. 1271, Senate Bill No. 2588, and Senate Bill No. 2660.

Current law requires the New Jersey Presidents' Council to review and comment on proposals for new programs that demand significant added resources or raise significant issues of duplication but do not exceed the programmatic mission of the institution or require a change in the programmatic mission. The committee substitute requires the council to review proposals for new programs that do not exceed the programmatic mission or require a change in the programmatic mission according to standards set forth in regulation by the Secretary of Higher Education for the following:

- (1) sufficient academic quality;
  - (2) sufficient evidence of labor market demand for the program;
  - (3) duplication with comparable programs of study in the State;
- and
- (4) whether the proposed new program will require significant additional State resources.

Under the substitute, if the council determines according to the review standards that a proposed new program may be of insufficient academic quality, may lack sufficient evidence of labor market demand, may be duplicative of comparable programs of study, or may be unduly expensive to the State, the council must refer that proposal to the secretary for review.

Within 60 days of the referral from the council, the secretary, using the same review standards, may deny approval of these programs proposed by public institutions. In the case of independent institutions, the secretary may review and comment on proposed new programs submitted by those institutions. The secretary would continue to have the authority to make final administrative decisions over new academic programs that go beyond the programmatic mission of the institution and final administrative decisions over a change in the programmatic mission of an institution.

Current law provides that when the governing board of a public research university or a State college determines that it is advisable to establish a branch campus out-of-State or out-of-country that will

serve at least 500 students, the board must submit the plan to the secretary for review and recommendations. The substitute requires these institutions to receive approval from the secretary to establish a branch campus or additional location that will serve at least 100 students out-of-State or out-of-country and establishes criteria for such approval. The substitute also provides that a plan for the establishment of an in-State branch campus is subject to the secretary's review and approval.

The substitute directs the secretary to prepare a fee schedule to cover the reasonable administrative costs associated with licensing procedures and submit the initial fee schedule to the Legislature for review. Subsequent fee schedules will be established by the secretary through regulations. Fees collected will be deposited in the State Treasury.

The substitute also provides that an independent institution of higher education and a proprietary institution licensed to offer academic degrees are to immediately notify the secretary of any financial liabilities or risks that are reasonably likely to result in the imminent closure of the institution, or otherwise negatively affect the institution's ability to fulfill its obligations to students. The independent and proprietary institutions are to submit an annual fiscal monitoring report to the secretary in a format, and according to a schedule, developed by the secretary. The secretary will establish a process to annually assess each independent institution and proprietary institution to identify whether an institution is at risk of closure. The substitute specifies actions that such an institution must take in the event that the secretary makes such a determination.

The substitute provides that a proprietary institution licensed to offer academic degrees is to provide the secretary with a teach-out plan that addresses the potential closure of the institution. A teach-out plan is defined as a written plan developed by the institution that provides for the equitable treatment of students if an institution, or certain institutional locations, cease to operate before all students have completed their program.

Under the substitute an institution of higher education and a proprietary institution licensed to offer academic degrees are required to enter into a school-to-school teach-out agreement at least 120 days prior to the cessation of institution operations. A teach-out agreement is a written agreement between institutions that provides for the equitable treatment of students and a reasonable opportunity for students to complete their program of study at a transfer institution. The secretary will approve an institution of higher education or a proprietary institution to act as an eligible transfer institution in accordance with standards established under the substitute.

Under the substitute, before any institution of higher education or proprietary institution licensed to offer academic degrees ceases operations, the institution must file with the eligible transfer institution or a third party approved by the secretary copies of all essential records of current or former students.

The substitute also establishes certain requirements for the closure of private career schools that operate in the State. Under the substitute, the closure of private career schools is overseen by Commissioner of the Department of Labor and Workforce Development. Private career schools will also be required to provide the commissioner with a teach-out plan that addresses potential school closure and a teach-out agreement at least 120 days prior to the closure. The commissioner will approve a private career school as an eligible transfer institution.

Under the substitute, before any private career school ceases operations, the school must file with the commissioner copies of all essential records of current or former students. The commissioner will maintain a permanent file of all records, and may provide a student with a replacement transcript if necessary.

The substitute 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 institution or school, 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 substitute, or for an institution or school to collect on an institutional debt of a student who attended an institution or school in which a disorderly closure occurred.

#### FISCAL IMPACT

The Office of Legislative Services (OLS) determines that the changes made in the committee substitute to current State law regarding the Secretary of Higher Education's role in the approval of certain new initiatives developed by institutions of higher education, may cause an indeterminate increase in State costs to the Office of the Secretary of Higher Education (OSHE) to the extent that the changes would necessitate additional administrative and staffing costs.

The committee substitute will also lead to a State revenue increase due to provisions of the substitute that require the OSHE to collect new fees to cover administrative cost associated with current licensing procedures, and permit the OSHE to collect new fines from certain independent institutions of higher education.

The committee substitute may also increase costs to the OSHE and the Department of Labor and Workforce Development to the extent that additional resources are needed to fulfill the secretary's and commissioner's respective duties related to monitoring the closures of institutions of higher education, proprietary institutions licensed to offer academic degrees, and private career schools.