ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

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

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 12, 2020

The Assembly Appropriations Committee reports favorably Senate Bill No. 1271/2588/2660 SCS, with committee amendments.

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. As amended, this bill 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 bill, 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 require significant additional State resources, 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 all institutions of higher education.

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. This bill 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 bill 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 bill also provides that an 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. Under the bill, the secretary will establish and disseminate guidelines for the implementation of the notification. The independent and proprietary institutions, as well as any institution of higher education that has notified the secretary of known financial liabilities or risks, 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, proprietary institution, or institution that has notified the secretary of known financial liabilities or risks, to identify whether an institution is at risk of closure. The bill specifies actions that such an institution must take in the event that the secretary makes such a determination.

The bill 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 bill 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 bill.

Under the bill, 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 bill also establishes certain requirements for the closure of private career schools that operate in the State. Under the bill, the closure of private career schools is overseen by the 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 bill, 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 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 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 bill, 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.

As amended and reported by the committee, this bill is identical to the Assembly Committee Substitute for Assembly Bill No. 4409, which also was amended and reported by the committee on this same date.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

(1) add that the Secretary of Higher Education may deny approval of programs proposed by all institutions of higher education which do not exceed the programmatic mission of the institution;

(2) clarify that the governing board of a public research university or a State college is required to fix the salary of all faculty performing services at an out-of-State or out-of-country branch campus or additional location;

(3) specify that when the governing board of an independent institution of higher education, after study and investigation, determines that it is advisable for the institution to establish a branch campus or additional location in the State that will serve at least 100 students of the institution, the board must submit the plan to the secretary for review and comment; and

(4) change the bill's effective date from the 120th day next following enactment to September 1, 2021.

FISCAL IMPACT:

The Office of Legislative Services determines that the bill may cause an indeterminate increase in annual State expenditures for administrative and staffing costs associated with changes in the Secretary of Higher Education's role in the approval of new academic programs, branch campuses, and additional locations for institutions of higher education. Some of these costs may be defrayed by the institutions seeking the approval.

The bill may further increase annual costs to the Office of the Secretary of Higher Education and the Department of Labor and Workforce Development to the extent that additional resources are needed to monitor the closures of institutions of higher education, proprietary institutions licensed to offer academic degrees, and private career schools.

The bill will also lead to an indeterminate annual State revenue increase due to provisions that require the OSHE to collect new fees to cover administrative costs associated with current licensing procedures and permit the OSHE to collect new fines from certain institutions of higher education.