

COLORADO DEPARTMENT OF HIGHER EDUCATION 2018 LEGISLATIVE AGENDA PROPOSAL

TITLE OF PROPOSAL:

Increase Student Protection Measures and Department Accountability.

SUMMARY OF PROPOSAL:

The proposed legislation would enable the Department to more effectively deal with closures of private degree-granting and occupational schools. By expanding the permissible uses for surety bonds held by these schools to include administrative and related costs that are currently assumed by the Department in the case of a closure, the change will ensure more timely and efficient collection of student records for safekeeping.

BACKGROUND:

The economy and federal actions have led to increased volatility and closures in the private school environment in the past several years. When carried out properly, a school closure involves (1) ample notification to the Department and to students; (2) collaborative work with the Department and the accrediting agency to enable enrolled students to complete their programs or transfer to another institution; and (3) orderly transfer of all student records to the Department. However, Colorado has recently seen an increase in the number of precipitous closures that have required the Department to hastily obtain records and assist students without the full cooperation of the school.

Private occupational schools and certain private degree-granting schools are required to provide a bond or other form of surety to protect students in the case of closure or fraud. The amounts vary according to the number of students enrolled and other factors. In the case of a closure, the Department has the right to make a claim on the surety in order to provide refunds to students who suffer a loss of tuition and/or fees as a result of the closure. Remaining funds from the surety are returned to the school owner.

With the recent precipitous closures, the Department has had to expend significant administrative funds to hurriedly obtain, transfer, and temporarily house records; actions which under normal operating practices are carried out in a systematic manner to minimize costs. These costs are driving up operating expenses and must currently be recovered from all schools via fees.

KEY CHANGES:

The Department has identified the following changes to help ease the challenges identified above:

- Clarify surety requirements and allow costs associated with closures to be covered by a school's bond or other surety, after students have been reimbursed. With this change, the Department would continue to ensure students are protected, but would be able to more efficiently and effectively secure student records without passing the costs on to other schools.

AFFECTED STATUTES:

- The Degree Authorization Act, Title 23, Article 2
- Private Occupational Schools, Title 23, Article 64

FISCAL AND ECONOMIC (JOBS) IMPACT:

The proposed change would have a positive impact on all private schools by requiring a closing school's surety to cover associated costs rather than spreading that cost to all schools through increased fees.