



Senate

General Assembly

File No. 26

January Session, 2009

Senate Bill No. 766

Senate, March 3, 2009

The Committee on Higher Education and Employment Advancement reported through SEN. HANDLEY of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING LETTERS OF CREDIT FILED BY PRIVATE OCCUPATIONAL SCHOOLS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 10a-22c of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2009*):

4 (d) No certificate to operate a new private occupational school shall
5 be issued by the commissioner pursuant to section 10a-22d until such
6 private occupational school seeking authorization files with the
7 commissioner an irrevocable letter of credit issued by a bank with its
8 main office or branch located within this state in the penal amount of
9 [twenty] forty thousand dollars guaranteeing the payments required of
10 the school to the private occupational school student protection
11 account in accordance with the provisions of section 10a-22u. The letter
12 of credit shall be payable to the private occupational school student
13 protection account in the event that such school fails to make

14 payments to the account as provided in subsection (a) of section 10a-
15 22u or in the event the state takes action to reimburse the account for a
16 tuition refund paid to a student pursuant to the provisions of section
17 10a-22v, provided the amount of the letter of credit to be paid into the
18 private occupational school student protection account shall not
19 exceed the amounts owed to the account. The letter of credit required
20 by this subsection shall be released [~~eight~~] twelve years after the date
21 of initial approval, provided evidence of fiscal soundness has been
22 verified.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2009</i>	10a-22c(d)

HED *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Higher Ed., Dept.	Private Occupational School Student Protection Acc - Revenue Impact	See Below	See Below

Municipal Impact: None

Explanation

The bill increases the amount of the letter of credit that a new occupational school must file with the Department of Higher Education (DHE) from \$20,000 to \$40,000. To the extent that occupational schools close, the Private Occupational School Student Protection Account would receive increased revenues from the schools, as the letter of credit is higher. However, it is uncertain what, if any, the overall revenue impact would be to the account, as students could receive payments from the account when a school closes.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**SB 766*****AN ACT CONCERNING LETTERS OF CREDIT FILED BY PRIVATE OCCUPATIONAL SCHOOLS.*****SUMMARY:**

By law, a new private occupational school must file with the Department of Higher Education an irrevocable letter of credit guaranteeing its payments to the Private Occupational School Student Protection Account. This bill (1) increases the amount of the letter of credit from \$20,000 to \$40,000; (2) requires that the letter of credit be issued by a bank with a main office or branch in the state; and (3) extends, from eight to 12 years, the period of time for which DHE holds the letter of credit.

EFFECTIVE DATE: July 1, 2009

BACKGROUND***Student Protection Account***

This account is used to make tuition refunds to students unable to complete a course at a private occupational school because the school becomes insolvent or ceases operating. It is funded by (1) quarterly assessments on private occupational schools' tuition revenue received from Connecticut students and (2) other fees related to the schools' operations.

Related Bill

sSB 767, reported by the Higher Education and Employment Advancement Committee, prohibits Student Protection Account funds from being used to refund federal student loans if a private occupational school becomes insolvent or ceases operating.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable

Yea 16 Nay 0 (02/17/2009)