



**STATE OF CONNECTICUT**  
**DEPARTMENT OF HIGHER EDUCATION**

**Testimony by the Connecticut Department of Higher Education  
Before the Higher Education and Employment Advancement Committee  
11:00 a.m. – LOB Room 1E  
February 10, 2009**

**SB 766 (Raised) An Act Concerning Letters of Credit Filed by Private Occupational Schools**

The Bill increases the Letter of Credit from \$20,000 to \$40,000 and increases the period of time the Department has access to the funds from eight (8) years to twelve (12) years. It further safeguards students who are enrolled in a newly approved school, in case that school closes without warning and the State must refund tuition. It also provides a very small buffer against refunds from the private occupational school student protection account, when a school does not have a demonstrated history of payment to the student protection account. It helps to reduce exposure to the student protection account.

The Bill also requires a new school to obtain their Letter of Credit from a financial institution located in the State of Connecticut, which ensures and facilitates timely access in securing these funds. Department conferred with Banking Commission and they support this bill.

**SB 767 (Raised) An Act Concerning the Exclusion of Title IV Financial Aid from Eligibility for Refunds from the Student Protection Accounts**

The language in this bill would require the federal government provide the same loan forgiveness to students in Connecticut as it would to students in any state where no student protection account coverage exists. The bill would protect the student protection account from exposure and liability of any Title IV school closure. Students who attend Nationally Accredited Private Occupational Schools in Connecticut are eligible for Federal Loans and Grants through Title IV Federal Financial Aid. When a school closes, the U.S. Department of Education historically has granted loan forgiveness of any Title IV student loans and waived the repayment of any Title IV grants awarded. The U.S. Department of Education modified its Loan Discharge Application, to require that an applicant identify whether a claim for tuition recovery may be filed with any third party. A "third party" is defined as any entity that may provide tuition reimbursement for a refund owed by the school, such as a (state) tuition recovery program. Without this language, the student protection account could be totally depleted with the closure of one medium size Title IV school.

\* **Note:** The Student Protection Account is only one account so the "s" needs to be deleted from the title.

**SB 796 (Raised) An Act Concerning In-State Directors of Private Occupational Schools**

The Bill requires any private occupational school to have the administrative oversight of a campus director at Connecticut school's main campus and each Connecticut branch campus. As schools expand, there is a tendency to limit on-site administrative oversight, or to provide it from out-of-state or off-site, which impacts the student's quality of education.

**\*Note:** Language needs to be added in Section 10a-22b(c ) (10) the school and any branch of the school in this state has a director located at the school or branch who is responsible for daily oversight of the school's or branch's operation.

The added language in this section address's what is required of a school in submitting an application.

**SB 797 (Raised) An Act Concerning a Private Occupational School's Right to Appeal**

The Bill streamlines a school's appeal process making the Commissioner's action final and any appeal is through the Court system. When an occupational school fails to close according to Statute, is fiscally insolvent or acts in a manner that negatively impacts students, we have found that the current process is lengthy and costly, both to the State and the students we protect. In addition, it does not allow for a reasonable time frame to take needed action on serious violations. The school will retain their right to challenge the Commissioner's decision through the Connecticut Superior Court system.

**SB 801 (Raised) An Act Concerning the Financial Status of a School Applying for Authorization to Operate as a Private Occupational School**

The Bill adopts the same methodology to determine fiscal stability as used by the U.S. Department of Education, a standard which is identifiable and easily understood. A passing financial ratio is calculated using the same methodology as stated in 34 CFR 668. As this CFR may be amended from time to time, this bill would follow that methodology as it evolves without the need for Connecticut legislative language changes over time.

**\*Note:** The location (Section 1. Section 10a-22c When a certificate to operate shall not be authorized) of this language is incorrect as no new applicant school can be in compliance with a passing financial ratio based upon a financial forecast.

This language needs to be relocated to under Section 1. Section 10a-22d(c). Authorization: Conditions for renewal, fees, probation, extension (5) a passing financial ratio calculated using the same methodology used by the U. S. Department of Education as stated in 34 CFR 668 determining financial stability.

**SB 809 (Raised) An Act Concerning Financial Statements of Private Occupational Schools**

The Bill gives all accredited schools six months to submit their audited financial statements, with a due date in line with the same six month due date required by national accrediting bodies and the U.S. Department of Education. The current statutes require that financial statements be submitted four (4) months after the end of a school's fiscal year, but allows for an additional 60 day extension if requested by the school. This does not change the reporting requirement for non-accredited schools.

**SB 812 (Raised) An Act Concerning Fees Assessed to Private Occupational Schools**

The Bill provides specific references to the fees assessed private occupational schools. No increase to fees.

\*Note: The Bill language proposed referenced in one place in the statute to provide a definition of fees and outlines the fee schedule in one section of the Statute. Throughout the Statute, there are many references to the various fees private occupational schools pay during the course of authorization to operate the school. There is confusion and misunderstanding regarding fees, schedule, why and how much and who does it apply to such as initial, renewal and annual fees. We request the language and format as submitted below for clarity and understanding.

Under Section 10a-22a Private occupational schools. Definitions. NEW (6) **"FEES" MEANS THE MONIES ASSESSED SCHOOLS. INITIAL APPROVAL FEE IS FOR THE FIRST APPLICATION FOR SCHOOL APPROVAL; RENEWAL FEE IS FOR REAPPROVAL OF THE SCHOOL; CHANGE OF OWNERSHIP FEE IS FOR THE REAPPROVAL OF AN OWNERSHIP CHANGE; ANNUAL FEE IS A YEARLY SUSTAINING FEE ASSESSED FOR EACH SCHOOL. A SCHOOL IS ASSESSED FOR THE MAIN CAMPUS AND EACH BRANCH CAMPUS.**

**THE FOLLOWING FEE SCHEDULE IS:**

<b><u>INITIAL APPLICATION FEE:</u></b>	<b><u>\$2,000.00</u></b>
<b><u>RENEWAL APPLICATION FEE:</u></b>	<b><u>\$ 200.00 (EACH LOCATION)</u></b>
<b><u>ANNUAL SUSTAINING FEE:</u></b>	<b><u>\$ 200.00 (EACH LOCATION)</u></b>

**HB 6291 (Raised) An Act Concerning the Submission of Reports and Audits Concerning the Fiscal Condition of Private Occupational Schools**

The Bill allows the Commissioner to request timely information needed to adequately evaluate a schools compliance with its conditions of authorization. The first indication of a school's fiscal insolvency is their failure to meet the state's financial reporting requirements, which ultimately negatively impacts each student's program completion. The Commissioner's access to accurate and timely information improves the Departments ability to protect students.

**SB 798 (Raised) An Act Allowing the Department of Higher Education to Retain an Administrative Cost Allowance from the Connecticut Independent College Student Grant Program**

The Department of Higher Education has submitted this bill so we may continue our current practice of doing compliance audits for the state independent colleges. While the colleges do submit State Single Audits, those only report on the overall fiscal condition of the institution. Our audits protect the integrity and the proper accounting and selection of the student financial awards. As you know, the public institutions of Higher Education in Connecticut are audited by the Auditor of Public Accounts.

As such, the Department of Higher Education has conducted up to four compliance audits per year for the past several years. Since the recent cuts to our operating budget, we will no longer have the funding to continue these audits. We feel it is prudent for us to continue these audits as we have encountered instances of funding going to students who are for example not Connecticut residents, or students who exceed the need standards. We do not believe this cost will affect any financial aid awards as historically the amount returned to us has been more than the total cost of the audits.