



STATE OF CONNECTICUT

Office of Higher Education

Testimony

by

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before the

Higher Education and Employment Advancement Committee

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Senator Bartolomeo, Representative Willis, Senator Flexer, Representative Lopes, Senator Witkos, Representative Betts, and distinguished members of the Higher Education and Employment Advancement Committee, thank you for the opportunity to offer testimony regarding H.B. No. 5171 (RAISED) AN ACT CREATING A SLIDING SCALE FOR LETTERS OF CREDIT FILED BY PRIVATE OCCUPATIONAL SCHOOLS. We oppose this bill. Since 1983, Connecticut law has required that anyone seeking to open a private occupational school in our state supply an irrevocable letter of credit, to be held by the Office of Higher Education (OHE) for a specified period of time. This provision protects students of the school by allowing for tuition refunds in the event of abrupt school closure, and by acting as a deterrent to school owners who, as experience has shown, may consider closing suddenly without regard to Connecticut law or students.

Currently, the law requires that schools seeking a Certificate of Authorization supply a letter of credit in the amount of \$40,000, and that the letter be held for a period of twelve years by OHE to ensure that the school is able to fulfill its financial and educational obligations to students.

The bill before you proposes to decrease the letter of credit amount based upon a school's forecasted enrollment, proposed school catalog, and "financial statements detailing the condition of the school." Our concern with this is straightforward: a school's **forecasted information** is

just that: **a forecast**. There is no way to accurately predict how many students a school will enroll, or what financial health it will be in during its first years of operation. Current law protects against this uncertainty by applying a uniform set of standards to all schools that wish to begin enrolling and charging students, but this bill removes that failsafe and creates a system wherein a new school has a clear incentive to underestimate enrollment and overestimate financial capability in order to minimize the amount of the required letter of credit. Such forecasted figures from a school seeking to operate are inherently impossible to verify, as any enforcement mechanism (absent from the bill) would require a difficult standard of proof that estimates were intentionally adjusted by the school. Such a scenario leads to a clear end result: students may be left with a significant loss of tuition dollars if the school closes and the letter of credit based on a forecast is insufficient to cover costs. Further, keeping the Private Occupational School Student Protection Account adequately funded has become increasingly problematic, as it was significantly depleted during the last two (2) legislative sessions and three (3) Connecticut schools have closed abruptly in the past three (3) years.

Thank you.