A BILL FOR AN ACT

CONCERNING PROCEDURES WHEN CERTAIN PRIVATE SCHOOLS CEASE OPERATIONS.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

Under existing law, private occupational schools and certain private degree-granting schools are required to provide a bond or other form of surety that is used to facilitate transfer or to provide tuition and fee reimbursement for students in the event that the school closes. When a private occupational school closes, that school's records must be maintained by the private occupational school board in the division of
private occupational schools. The department of higher education (department) takes possession of the records from private degree-granting schools.

The bill allows the department to make a claim on a surety bond for reimbursement of actual administrative costs associated with a school closure. After the surety bond has been used to facilitate transfer or provide tuition and fee reimbursement for students, the department may retain any remaining amount as reimbursement for administrative costs associated with the school closure. In the instance of a closed private occupational school, the bill clarifies that the school's records may be maintained by the division of private occupational schools at any location.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 23-2-103.8, amend (4) and (7)(a); and add (7)(c.5) as follows:

23-2-103.8. Financial integrity - surety. (4) The surety shall be conditioned to provide indemnification to any student or enrollee, or to any parent or legal guardian of a student or enrollee, that the commission finds to have suffered loss of tuition or any fees as a result of any act or practice that is a violation of this article, and ARTICLE 2; to provide alternate enrollment as provided in subsection (7) of this section for students enrolled in an institution that ceases operation; AND TO REIMBURSE THE DEPARTMENT FOR ANY ACTUAL ADMINISTRATIVE COSTS ASSOCIATED WITH AN INSTITUTION CEASING OPERATION.

(7)(a) If a private college or university ceases operation, the commission may make demand on the surety of the institution upon the demand for a refund by a student or FOR the implementation of alternate enrollment for the students enrolled in the institution, and MAY MAKE DEMAND ON THE SURETY TO REIMBURSE THE DEPARTMENT FOR ACTUAL ADMINISTRATIVE COSTS ASSOCIATED WITH THE INSTITUTION CEASING OPERATION. IN SUCH CASE, the holder of the surety or, if the surety is a
bond, the principal on the bond shall pay the claim due in a timely manner. To the extent practicable, the commission shall use the amount of the surety to provide alternate enrollment for students of the institution that ceases operation through a contract with another authorized private college or university, a community college, an area technical college, or any other arrangement that is acceptable to the department. The alternate enrollment provided to a student replaces the original enrollment agreement, if any, between the student and the private college or university; except that the student shall make the tuition and fee payments as required by the original enrollment agreement, if any.

   (c.5) ANY AMOUNT OF THE SURETY THAT IS GREATER THAN THE AMOUNT NECESSARY TO SATISFY COSTS TO PROVIDE ALTERNATE ENROLLMENT FOR THE STUDENT PURSUANT TO SUBSECTION (7)(a) OF THIS SECTION, AND ANY DEMAND FOR A REFUND BY A STUDENT PURSUANT TO SUBSECTION (7)(b) OF THIS SECTION, MAY BE RETAINED BY THE DEPARTMENT AS REIMBURSEMENT UP TO THE AMOUNT OF ANY ACTUAL ADMINISTRATIVE COSTS INCURRED BY THE DEPARTMENT THAT ARE ASSOCIATED WITH THE SCHOOL CLOSURE.

   SECTION 2. In Colorado Revised Statutes, 23-64-121, amend (2) and (5)(a); and add (5)(c.5) as follows:

   23-64-121. Bonds - definitions. (2) At the time application is made for a certificate of approval, the board shall require an applicant to file with the division a surety bond in a sum as determined pursuant to subsection (3) of this section. The bond shall be executed by the applicant as principal and by a surety company authorized to do business in this state. The bond shall be conditioned to provide indemnification to any student or enrollee or to any parent or guardian of the student or enrollee
determined by the board to have suffered loss of tuition or any fees as a result of any act or practice that is a violation of any minimum standard as set forth in this article 64 or any criterion established pursuant thereto by a school or its agents, and to provide train-out for students enrolled in an approved school ceasing operation as provided in subsection (5) of this section, AND TO REIMBURSE THE DEPARTMENT OF HIGHER EDUCATION FOR ANY ACTUAL ADMINISTRATIVE AND RELATED COSTS ASSOCIATED WITH AN APPROVED SCHOOL CEASING OPERATION. The bond shall be continuous unless the surety is released as set forth in this section.

(5) (a) In the event that a private occupational school ceases operation, the board is authorized to make demand on the surety of the school upon the demand for a refund by a student or FOR the implementation of a train-out for the students of the school, AND IS AUTHORIZED TO MAKE DEMAND ON THE SURETY TO REIMBURSE THE DEPARTMENT OF HIGHER EDUCATION FOR ACTUAL ADMINISTRATIVE COSTS ASSOCIATED WITH THE SCHOOL CEASING OPERATION, and the surety shall pay the claim due in a timely manner. To the extent practicable, the board shall use the amount of the bond to provide train-out for students of the private occupational school ceasing operation through a contract with another approved private occupational school, a community college, an area technical college, or any other training arrangement acceptable to the board. The train-out provided to a student replaces the original enrollment agreement or contract between the student and the private occupational school ceasing operation; except that tuition and fee payments shall be made by the student as required by the original enrollment agreement or contract.

(c.5) ANY AMOUNT OF THE SURETY THAT IS GREATER THAN THE
AMOUNT NECESSARY TO SATISFY COSTS TO PROVIDE A TRAIN-OUT FOR
STUDENTS PURSUANT TO SUBSECTION (5)(a) OF THIS SECTION AND ANY
DEMAND FOR A REFUND BY A STUDENT PURSUANT TO SUBSECTION (5)(b)
OF THIS SECTION MAY BE RETAINED BY THE DEPARTMENT OF HIGHER
EDUCATION AS REIMBURSEMENT UP TO THE AMOUNT OF ANY ACTUAL
ADMINISTRATIVE COSTS INCURRED BY THE DEPARTMENT OF HIGHER
EDUCATION THAT ARE ASSOCIATED WITH THE SCHOOL CLOSURE.

SECTION 3. In Colorado Revised Statutes, 23-64-125, amend
(2) as follows:

23-64-125. Preservation of records. (2) In the event that it
appears to the board that any records of a school located in Colorado that
is ceasing operation are in danger of being destroyed, secreted, mislaid,
or otherwise made unavailable to the board, the board may seize and take
possession of the records upon making application to any court of
competent jurisdiction for an appropriate order. The board shall maintain
or cause to be maintained in the division a permanent file of any such
records.

SECTION 4. Act subject to petition - effective date. This act
takes effect at 12:01 a.m. on the day following the expiration of the
ninety-day period after final adjournment of the general assembly (August
8, 2018, if adjournment sine die is on May 9, 2018); except that, if a
referendum petition is filed pursuant to section 1 (3) of article V of the
state constitution against this act or an item, section, or part of this act
within such period, then the act, item, section, or part will not take effect
unless approved by the people at the general election to be held in
November 2018 and, in such case, will take effect on the date of the
official declaration of the vote thereon by the governor.