



House Bill 3516A
Senate Workforce Committee
May 18, 2015

Good afternoon Chair Dembrow, Vice-Chair Thatcher, and members of the committee. For the record, my name is Juan Baez-Arevalo. I am the Director of Private Postsecondary Education which is an office within the Oregon Higher Education Coordinating Commission.

Before I go into the details of House Bill 3516A, I would first like to share with you a bit of background and the need for this bill, then I will cover the key details of how HB 3516A addresses the need to protect student tuition.

A key role of the Office of Private Postsecondary Education is to regulate and oversee private and out-of-state institutions serving Oregonians.

In the past year, our Office of Degree Authorization (ODA) has seen several cases of non-exempt, regulated, institutions being at-risk and unable to demonstrate financial strength. As a result, the HECC requested that a particular institution secure a surety bond in the amount equal to the largest amount of prepaid tuition held at any time. Upon reviewing the ODA's statutory authority over at-risk institutions and realizing the possible need to cash a surety bond in order to take proactive steps to protect students, the ODA found that it lacked legal authority to enforce the terms of the surety bonds.

The lack of authority to require a surety bond from these non-exempt, regulated institutions, such as The Art Institute of Portland and Everest College, stands in contrast to the authority the HECC has under ORS Chapter 345 as it applies to private career schools. Under ORS 345, private career schools pay into, and the HECC manages, a tuition protection fund.

Currently, Oregon students at non-exempt, regulated institutions authorized by the ODA do not have any tuition protections should the school close.

Many other states have surety bond or letter of credit requirements that insure tuition reimbursement from private and/or out-of-state regulated institutions. It is worth noting that HB 3516 would not apply to exempt institutions such as Willamette University.

How does HB 3516A address the need to protect student tuition

Section 2 of HB 3516A protects student tuition payments for students who are attending non-exempt, regulated, degree-granting institutions by requiring them to file a surety bond or letter of credit. The schools would be required to annually obtain and maintain a bond or letter of credit demonstrating that the school is financially sound and capable of fulfilling commitments to students. The bond or letter of credit must be maintained by the school for the entire period that the school operates in our state. The purpose of the bond would be to reimburse students for pre-paid tuition if the school ceases to provide educational services.

Section 2(4)(c) allows the HECC to establish and calculate by rule the amount of the surety bond or letter of credit for institutions.

Section 3 of the bill amends ORS 348.612 and clarifies the steps and process by which the Commission may place a school or program on probation or suspend or revoke a school's approval.

Section 3(3)(a) adds an important step to the Commission's regulatory actions by requiring that the Commission establish by rule the criteria for placing a school on probation, which may include requiring a school to increase or alter the amount of the bond or letter of credit.

Finally Section 3(3)(c) makes clear that if a school fails to meet the conditions of probation established by the Commission, that the Commission may suspend or revoke approval to operate in Oregon.

In sum, HB 3516A would establish a requirement for schools regulated under ORS 348.606 to obtain and maintain annually a surety bond or letter of credit. It would also clarify that when a school fails to comply with the requirements of approval, including failing to maintain a bond or letter of credit, the Commission may suspend or revoke the school's approval to operate.

Ultimately this bill is about providing protection to students.

Thank you for your time. I would be happy to answer any questions.