

B-Engrossed
House Bill 3516

Ordered by the Senate May 26
Including House Amendments dated April 17 and Senate Amendments
dated May 26

Sponsored by Representative NATHANSON, Senator DEMBROW; Representatives HUFFMAN, JOHNSON,
MCKEOWN, READ, WHISNANT, Senators GIROD, KNOPP, RILEY, ROBLAN

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Requires each school obtaining approval from Higher Education Coordinating Commission to offer academic degree to annually obtain bond or letter of credit demonstrating school is financially sound and capable of fulfilling commitments to students. Establishes requirements for bonds and letters of credit.

Grants students right to bring claim against school, bond or letter of credit if student suffers monetary loss due to school's failure to provide instruction.

Establishes process for commission to place school or program on probation or to revoke approval for school to offer academic degrees.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to oversight of programs offering academic degrees; creating new provisions; amending ORS
3 348.612; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Section 2 of this 2015 Act is added to and made a part of ORS 348.594 to**
6 **348.615.**

7 **SECTION 2. (1) A school approved by the Higher Education Coordinating Commission to**
8 **confer any academic degree under ORS 348.606 shall annually obtain a bond or letter of credit**
9 **demonstrating that the school is financially sound and capable of fulfilling its commitments**
10 **to students. A bond or letter of credit must be purchased and maintained by the school for**
11 **the entire period that the school operates in this state.**

12 **(2)(a) A bond obtained pursuant to this section must be with a corporate surety licensed**
13 **to do business in this state.**

14 **(b) A letter of credit obtained under this section must be an irrevocable letter of credit**
15 **issued by an insured institution as defined in ORS 706.008.**

16 **(3) The corporate surety for a bond obtained pursuant to this section, or the insured in-**
17 **stitution for a letter of credit obtained pursuant to this section, must notify the commission**
18 **if the bond or letter of credit is canceled for any reason. Except as provided in subsection**
19 **(6) of this section, the surety or institution is liable under the bond or letter of credit until**
20 **the latest of the following dates:**

21 **(a) The date specified in the notice to the commission that the bond or letter of credit**
22 **is canceled;**

23 **(b) The 30th business day after the date the surety or institution mails the notice to the**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 commission that the bond or letter of credit is canceled; or

2 (c) The date on which the commission receives the notice from the surety or institution
3 that the bond or letter of credit is canceled.

4 (4) A bond or letter of credit obtained pursuant to this section shall:

5 (a) Be filed with, and stored by, the commission;

6 (b) Be executed to the State of Oregon;

7 (c) Be in an amount, equal to or less than the rolling annual average of prepaid tuition
8 held by the school at any time, calculated by the commission to reimburse students enrolled
9 at the school for tuition paid by the student to the school if the school ceases to provide
10 instruction;

11 (d) Be in a form approved by the Attorney General; and

12 (e) Contain as a condition of the bond or letter of credit that the school that is approved
13 by the commission must provide educational services without fraud or fraudulent represen-
14 tation and in compliance with ORS chapter 348 and any applicable rules adopted by the
15 commission.

16 (5)(a) In addition to any other remedies provided by law, a student enrolled in a school
17 that is subject to this section shall have a personal right of action against the school, against
18 the surety on the school's bond and against the letter of credit if the student suffers mone-
19 tary loss as a result of the school's failure to provide instruction for which the student has
20 paid tuition.

21 (b) A student who brings a claim under this subsection may not recover more than the
22 amount of the student's monetary loss.

23 (6) The sureties on a bond obtained pursuant to this section, and the issuer of a letter
24 of credit obtained pursuant to this section, are not liable for any action that occurs after the
25 date on which the commission revokes the approval of a school under ORS 348.612.

26 **SECTION 3.** ORS 348.612 is amended to read:

27 348.612. [*The Higher Education Coordinating Commission may revoke or suspend any approval*
28 *given to a school under ORS 348.606 for proper cause after a hearing. Such hearing shall be held only*
29 *after the school has been given 20 days' notice in writing of the time and place of such hearing.*
30 *Hearings shall be held in accordance with the rules of the commission adopted under ORS 348.530.]*

31 (1) The Higher Education Coordinating Commission may place a school, or a program within
32 a school, on probation, or suspend or revoke any approval given to a school under ORS
33 348.606, for proper cause after a hearing.

34 (2) The commission shall by rule establish criteria for placing a school or program on
35 probation or for suspending or revoking approval given to a school under ORS 348.606.

36 (3)(a) If the commission places a school or program on probation, the commission shall
37 establish conditions that the school or program must meet to continue to operate in this
38 state. These conditions may include requiring a school to increase or alter the amount of
39 the bond or letter of credit required under section 2 of this 2015 Act.

40 (b) If the commission determines that a school has failed to satisfy the conditions of
41 probation established by the commission under this subsection, the commission may suspend
42 or revoke any approval given to the school under ORS 348.606.

43 (c) If the commission determines that a school has failed to comply with the require-
44 ments of approval given to a school under ORS 348.606 or otherwise failed to maintain a bond
45 or letter of credit as required under section 2 of this 2015 Act, the commission may suspend

1 or revoke any approval given to a school under ORS 348.606.

2 (4) At least 20 days before holding a hearing under this section, the school must have
3 received written notice of the place, time and reason for the hearing. Hearings shall be held
4 in accordance with rules adopted by the commission.

5 **SECTION 4.** The requirements set forth in section 2 of this 2015 Act and the amendments
6 to ORS 348.612 by section 3 of this 2015 Act apply to any approval granted, or disciplinary
7 action taken by, the Higher Education Coordinating Commission after the effective date of
8 this 2015 Act.

9 **SECTION 5.** This 2015 Act being necessary for the immediate preservation of the public
10 peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect
11 on its passage.

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