ASSEMBLY, No. 5753

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED NOVEMBER 16, 2026

Sponsored by:
Assemblywoman ANNETTE QUIJANO
District 20 (Union)

Co-Sponsored by:
Assemblyman Venezia

SYNOPSIS

Establishes Student Tuition Recovery Fund in Office of the Secretary of Higher Education to compensate students impacted by failing or fraudulent proprietary institutions.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 11/16/2026)

AN ACT concerning the closure of certain proprietary institutions and amending and supplementing P.L.2021, c.27.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 8 of P.L.2021, c.27 (C.18A:3B-92) is amended to read as follows:

8. a. This section shall apply to a proprietary institution licensed to offer academic degrees that operates in this State.

b. A proprietary institution licensed to offer academic degrees shall provide the secretary a teach-out plan that addresses a potential closure of the institution. The teach-out plan shall be updated as required by the secretary.

c. A teach-out plan shall include any information required by the secretary and shall state that:

(1) the institution shall make all reasonable efforts to ensure that any closure of the institution complies with the requirements of sections 9 through 12 of P.L.2021, c.27 (C.18A:3B-93 through C.18A:3B-96);

(2) the chief executive officer and the members of the governing body of the institution were not in an executive position or a member of a governing body of an institution in which a disorderly closure occurred; and

(3) any institutional financial aid agreement offered to a student shall contain language stating that, in the event of a disorderly closure, the institutional debt shall be void and shall not be recovered, collected, or enforced.

d. The Office of the Attorney General shall seek an injunction or other judicial remedy against a proprietary institution licensed to offer academic degrees that fails to comply with the requirements of this section, including requiring the institution to refund all tuition and fees paid by any student <u>and initiating a claim, on behalf of a student, for payment from the Student Tuition Recovery Fund established pursuant to section 3 of P.L. , c. (C.) (pending before the Legislature as this bill)</u>.

(cf: P.L.2021, c.27, s.8)

2. (New section) As used in sections 2 through 7 of P.L. , c. (C.) (pending before the Legislature as this bill):

"Assessment" means the amount a proprietary institution licensed to offer academic degrees is required to collect from its enrolled students and remit to the Student Tuition Recovery Fund established pursuant to section 3 of P.L. , c. (C.) (pending before the Legislature as this bill);

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined <u>thus</u> is new matter.

"Disorderly closure" means a closure that does not meet the requirements of sections 9 through 12 of P.L.2021, c.27 (C.18A:3B-93 through C.18A:3B-96);

"Economic loss" means the pecuniary loss that is equivalent to the cost of tuition and fees, excluding all forms of State and federal need-based grants and merit scholarships;

"Fund" means the Student Tuition Recovery Fund established pursuant to section 3 of P.L. , c. (C.) (pending before the Legislature as this bill); and

"Person injured" means a student enrolled in a proprietary institution licensed to offer academic degrees who suffered an economic loss as a result of the disorderly closure, or other failure, of the institution.

3. (New section) There is created a special nonlapsing, revolving fund in the Office of the Secretary of Higher Education, which shall be designated the "Student Tuition Recovery Fund." The fund shall be maintained in a separate account and administered by the secretary to carry out the provisions of this act. The fund shall consist of:

a. any monies received by the State for the purposes of the fund pursuant to section 4 of P.L. , c. (C.) (pending before the Legislature as this bill); and

b. all interest and investment earnings received on monies in the fund.

The fund shall be used to relieve or mitigate the economic loss caused to a student enrolled in a proprietary institution licensed to offer academic degrees as a result of the disorderly closure or other failure of the institution.

4. (New section) a. (1) A proprietary institution licensed to offer academic degrees shall pay an assessment for each student enrolled in an academic degree program of the institution on an annual basis in an amount to be determined by the secretary, for deposit into the Student Tuition Recovery Fund established pursuant to section 3 of P.L. , c. (C.) (pending before the Legislature as this bill).

(2) The secretary shall determine the necessary assessment amounts to ensure the solvency of the fund.

(3) The assessment shall not be considered a part of tuition and fees.

b. (1) When the balance in the fund reaches $40,000,000, and upon notification from the secretary, a proprietary institution licensed to offer academic degrees shall cease contributing to the fund. If the balance in the fund is reduced to an amount less than $30,000,000 because of an institution or program closure, the secretary shall notify all proprietary institutions licensed to offer academic degrees, and each institution shall resume payment for all

newly-enrolled students after the notification date until the balance in the fund is recapitalized at the amount of $40,000,000. The fund balances established in this paragraph may be adjusted, as needed, by the secretary.

(2) The secretary may require a performance bond based on a risk-based analysis of factors that include the institution's financial statement, fiscal monitoring process, and regulatory history.

5. (New section) a. The Secretary of Higher Education shall establish a process for students to apply for reimbursement of prepaid tuition and fees through the Student Tuition Recovery Fund. The application shall require that, at a minimum, the person injured provides:

(1) proof of residency in the State at the time of separation from the proprietary institution;

(2) proof of payment to the proprietary institution of tuition and fees; and

(3) explanation of the nature of the claim, which may include:

(a) the student was enrolled, or on an approved leave, at the time of the disorderly closure of the institution, or discontinuation of the academic program, and the student did not complete the program of study though a teach-out plan or by transferring all earned academic credits to another institution;

(b) the student withdrew from an academic program of the institution within a 120-day period before the disorderly closure of the institution or program discontinuation, due to a decline in the quality of education offered during that time period, except that the secretary may approve, as needed, a longer time period;

(c) the institution failed to pay or reimburse loan proceeds to the student under a federal student loan program as required by law, or failed to pay or reimburse proceeds to the student received by the institution in excess of tuition and fees;

(d) the student was awarded restitution, a refund, or other monetary award by an arbitrator or court, based on a violation by the institution, but has been unable to collect the award from the institution;

(e) the institution knowingly enrolled the student in an academic program for which the student failed to meet the minimum academic requirements; or

(f) the institution failed to fulfill its contractual obligations, failed to comply with licensing and accreditation requirements, or otherwise engaged in unfair or deceptive practices.

b. (1) A student who is denied reimbursement of prepaid tuition and fees pursuant to the provisions of this act may appeal that determination.

(2) The secretary may request information or records relating to a student appeal from an institution or a successor institution.

(3) The secretary shall adopt regulations that provide for a timely, equitable, and transparent appeals process.

6. (New section) a. The secretary shall, upon completed application and to the extent that funds are available, reimburse a person injured by a proprietary school licensed to offer academic degrees. The person injured may recover from the fund an amount not to exceed the actual economic loss sustained.

b. In administering the fund, the secretary shall, as appropriate, for a person injured who holds outstanding student loan obligations for education at a proprietary institution that closed or otherwise failed:

(1) pursue a lender, holder, guarantee agency, or the United States Department of Education for the full or partial cancellation or discharge of student loan obligations to relieve students of economic loss and reduce the liability of the fund;

(2) after notifying the student, pay a student's claim directly to the lender, holder, guarantee agency, or the United States Department of Education under a federally guaranteed student loan program; provided, however, that the payment shall satisfy all or a commensurate part of the student's loan obligations related to attendance at the institution for which the claim was filed; and

(3) delay the payment of a claim pending the resolution of its attempt to obtain a cancellation or discharge of the claimant's student loan obligation; provided, however, the secretary shall not delay payment of the claim if the secretary receives notice of any adverse action that is not stayed against the claimant, including the commencement of a civil or administration action, tax offset, the enforcement of a judgement, or the denial of any government benefit.

c. A person injured by a proprietary school licensed to offer academic degrees shall be eligible to submit a claim against the fund for a period of six years after the date upon which the person injured formally separated from the institution.

7. (New section) The secretary shall annually issue, on or before December 31st of each year, a report presenting the financial condition of the fund, assessment collections and reimbursements paid during the preceding fiscal year, recovery efforts undertaken, and the compliance of proprietary institutions licensed to offer academic degrees with the provisions of this act.

8. The Office of the Secretary of Higher Education shall adopt in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and regulations as may be necessary to implement the provisions of this act.

9. This act shall take effect immediately and shall first apply to the first full academic year following the date of enactment.

STATEMENT

This bill establishes a Student Tuition Recovery Fund in the Office of the Secretary of Higher Education to compensate students impacted by failing or fraudulent proprietary institutions.

This bill creates a special nonlapsing, revolving fund in the Office of the Secretary of Higher Education, to be designated the "Student Tuition Recovery Fund." The fund will be used to relieve or mitigate the economic loss caused to a student enrolled in a proprietary institution licensed to offer academic degrees as a result of the disorderly closure or other failure of the institution.

Under the bill, a proprietary institution licensed to offer academic degrees would pay an assessment for each student enrolled in an academic degree program of the institution on an annual basis in an amount to be determined by the Secretary of Higher Education, for deposit into the Student Tuition Recovery Fund. The secretary is directed to determine the necessary amounts to ensure the solvency of the fund.

The bill establishes a balance for the fund of $40 million, at which point assessments will be paused. Assessments will resume if the fund balance is below $30 million. The fund balances for this mechanism may be adjusted, as needed, by the secretary.

The bill permits the secretary to require a performance bond based on a risk-based analysis.

The bill directs the secretary to establish a process for students to apply for reimbursement of prepaid tuition and fees through the Student Tuition Recovery Fund. The student's application, at a minimum, is required to include:

- proof of residency in the State at the time of separation from the proprietary institution;
- proof of payment to the proprietary institution of tuition and fees; and
- explanation of the nature of the claim.

The bill requires the secretary, upon completed application and to the extent that funds are available, to reimburse a person injured. The person injured may recover from the fund an amount not to exceed the actual economic loss sustained. In administering the fund, the secretary is required to, for a person injured who holds outstanding student loan obligations for education at a proprietary institution that had a disorderly closure or otherwise failed and as appropriate:

- pursue a lender, holder, guarantee agency, or the United States Department of Education for the full or partial cancellation or discharge of student loan obligations to

relieve students of economic loss and reduce the liability of the fund;

- after notifying the student, pay a student's claim directly to the lender, holder, guarantee agency, or the United States Department of Education under a federally guaranteed student loan program; and
- delay the payment of a claim pending the resolution of its attempt to obtain a cancellation or discharge of the claimant's student loan obligation; with certain exceptions.

Under the bill, a claim against the fund may be made for a period of six years after the date upon which the person injured formally separated from the institution.

The bill permits the Office of the Attorney General to initiate a claim, on behalf of a student, for payment from the Student Tuition Recovery Fund.