

SENATE, No. 4644

STATE OF NEW JERSEY
222nd LEGISLATURE

INTRODUCED SEPTEMBER 28, 2026

Sponsored by:
Senator JOSEPH P. CRYAN
District 20 (Union)

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.



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

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. Section 8 of P.L.2021, c.27 (C.18A:3B-92) is amended to read
8 as follows:

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

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

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

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

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

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

29 d. The Office of the Attorney General shall seek an injunction
30 or other judicial remedy against a proprietary institution licensed to
31 offer academic degrees that fails to comply with the requirements of
32 this section, including requiring the institution to refund all tuition
33 and fees paid by any student and initiating a claim, on behalf of a
34 student, for payment from the Student Tuition Recovery Fund
35 established pursuant to section 3 of P.L. , c. (C.) (pending
36 before the Legislature as this bill).
37 (cf: P.L.2021, c.27, s.8)

38
39 2. (New section) a. As used in sections 2 through 6 of
40 P.L. , c. (C.) (pending before the Legislature as this bill):

41 “Assessment” means the amount a proprietary institution
42 licensed to offer academic degrees is required to collect from its
43 enrolled students and remit to the Student Tuition Recovery Fund
44 established pursuant to section 3 of P.L. , c. (C.) (pending
45 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 thus is new matter.

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

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

7 “Person injured” means a student enrolled in a proprietary
8 institution licensed to offer academic degrees who suffered an
9 economic loss as a result of the closure, or other failure, of the
10 institution.

11
12 3. (New section) There is created a special fund in the Office of
13 the Secretary of Higher Education, which shall be designated the
14 "Student Tuition Recovery Fund." The fund shall be maintained in a
15 separate account and administered by the secretary to carry out the
16 provisions of this act. The fund shall consist of:

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

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

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

26
27 4. (New section) a. A proprietary institution licensed to offer
28 academic degrees shall remit an initial deposit of \$2,500 to the
29 Student Tuition Recovery Fund established pursuant to section 3 of
30 P.L. , c. (C.) (pending before the Legislature as this bill).

31 b. The institution shall remit for each academic semester or term
32 a fee to be determined by the Secretary of Higher Education
33 sufficient to ensure the solvency of the fund, but which shall be no
34 less than \$1 per each \$1,000 in institutional charges, inclusive of
35 tuition and all fees.

36
37 5. (New section) The Secretary of Higher Education shall
38 establish a process for students to apply for reimbursement of
39 prepaid tuition and fees through the Student Tuition Recovery
40 Fund. The application shall require that, at a minimum, the person
41 injured provides:

42 a. proof of residency in the State at the time of separation from
43 the proprietary institution;

44 b. proof of payment to the proprietary institution of tuition and
45 fees; and

46 c. explanation of the nature of the claim, which may include:

47 (1) the student was enrolled, or on an approved leave, at the time
48 of the closure of the institution, or discontinuation of the academic

1 program, and the student did not complete the program of study
2 though a teach-out plan or by transferring all earned academic
3 credits to another institution;

4 (2) the student withdrew from an academic program of the
5 institution within a 120-day period before the institution closed or
6 the program discontinued, due to a decline in the quality of
7 education offered during that time period, except that the secretary
8 may approve, as needed, a longer time period;

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

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

17 (5) the institution enrolled the student in an academic program
18 for which the student failed to meet the minimum academic
19 requirements; or

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

23

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

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

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

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

43 (3) delay the payment of a claim pending the resolution of its
44 attempt to obtain a cancellation or discharge of the claimant's
45 student loan obligation; provided, however, the secretary shall not
46 delay payment of the claim if the secretary receives notice of any
47 adverse action that is not stayed against the claimant, including the
48 commencement of a civil or administration action, tax offset, the

1 enforcement of a judgement, or the denial of any government
2 benefit.

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

7
8 7. The Office of the Secretary of Higher Education shall adopt
9 in accordance with the "Administrative Procedure Act," P.L.1968,
10 c.410 (C.52:14B-1 et seq.), rules and regulations as may be
11 necessary to implement the provisions of this act.

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

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17 STATEMENT

18

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

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

28 Under the bill, a proprietary institution licensed to offer
29 academic degrees is to remit an initial deposit of \$2,500 to the
30 Student Tuition Recovery Fund. The institution is also required to
31 remit for each academic semester or term a fee to be determined by
32 the Secretary of Higher Education sufficient to ensure the solvency
33 of the fund, but which is to be no less than \$1 per each \$1,000 in
34 institutional charges, inclusive of tuition and all fees

35 The bill directs the Secretary of Higher Education to establish a
36 process for students to apply for reimbursement of prepaid tuition
37 and fees through the Student Tuition Recovery Fund. The student's
38 application, at a minimum, is to include:

- 39 • proof of residency in the State at the time of separation from
40 the proprietary institution;
41 • proof of payment to the proprietary institution of tuition and
42 fees; and
43 • explanation of the nature of the claim.

44 The bill requires the secretary, upon completed application and
45 to the extent that funds are available, to reimburse a person injured.
46 The person injured may recover from the fund an amount not to
47 exceed the actual economic loss sustained. In administering the
48 fund, the secretary is to, for a person injured who holds outstanding

- 1 student loan obligations for education at a proprietary institution
2 that closed or otherwise failed and as appropriate:
- 3 • pursue a lender, holder, guarantee agency, or the United
4 States Department of Education for the full or partial
5 cancellation or discharge of student loan obligations to
6 relieve students of economic loss and reduce the liability of
7 the fund;
 - 8 • after notifying the student, pay a student's claim directly to
9 the lender, holder, guarantee agency, or the United States
10 Department of Education under a federally guaranteed
11 student loan program; and
 - 12 • delay the payment of a claim pending the resolution of its
13 attempt to obtain a cancellation or discharge of the
14 claimant's student loan obligation; with certain exceptions.
- 15 Under the bill, a claim against the fund may be made for a period
16 of six years after the date upon which the person injured formally
17 separated from the institution.
- 18 The bill permits the Office of the Attorney General to initiate a
19 claim, on behalf of a student, for payment from the Student Tuition
20 Recovery Fund.