

[First Reprint]

SENATE, No. 4644

STATE OF NEW JERSEY
222nd LEGISLATURE

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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 reported by the Senate Higher Education Committee on October 5, 2026, with amendments.



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) ¹**[a.]**¹ As used in sections 2 through ¹**[6]** ⁷1
40 of P.L. , c. (C.) (pending before the Legislature as this
41 bill):

42 “Assessment” means the amount a proprietary institution
43 licensed to offer academic degrees is required to collect from its
44 enrolled students and remit to the Student Tuition Recovery Fund

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SHI committee amendments adopted October 5, 2026.

1 established pursuant to section 3 of P.L. , c. (C.) (pending
2 before the Legislature as this bill);

3 ¹“Disorderly closure” means a closure that does not meet the
4 requirements of sections 9 through 12 of P.L.2021, c.27
5 (C.18A:3B-93 through C.18A:3B-96);¹

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

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

12 “Person injured” means a student enrolled in a proprietary
13 institution licensed to offer academic degrees who suffered an
14 economic loss as a result of the ¹disorderly¹ closure, or other
15 failure, of the institution.

16

17 3. (New section) There is created a special ¹nonlapsing,
18 revolving¹ fund in the Office of the Secretary of Higher Education,
19 which shall be designated the "Student Tuition Recovery Fund."
20 The fund shall be maintained in a separate account and administered
21 by the secretary to carry out the provisions of this act. The fund
22 shall consist of:

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

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

28 The fund shall be used to relieve or mitigate the economic loss
29 caused to a student enrolled in a proprietary institution licensed to
30 offer academic degrees as a result of the ¹disorderly¹ closure or
31 other failure of the institution.

32

33 4. (New section) a. ¹(1)¹ A proprietary institution licensed to
34 offer academic degrees shall ¹remit¹ pay¹ an ¹initial deposit of
35 \$2,500 to¹ assessment for each student enrolled in an academic
36 degree program of the institution on an annual basis in an amount to
37 be determined by the secretary, for deposit into¹ the Student Tuition
38 Recovery Fund established pursuant to section 3 of
39 P.L. , c. (C.) (pending before the Legislature as this bill).

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

42 (3) The assessment shall not be considered a part of tuition and
43 fees.¹

44 b. ¹The institution shall remit for each academic semester or
45 term a fee to be determined by the Secretary of Higher Education
46 sufficient to ensure the solvency of the fund, but which shall be no

1 less than \$1 per each \$1,000 in institutional charges, inclusive of
2 tuition and all fees.】

3 (1) When the balance in the fund reaches \$40,000,000, and upon
4 notification from the secretary, a proprietary institution licensed to
5 offer academic degrees shall cease contributing to the fund. If the
6 balance in the fund is reduced to an amount less than \$30,000,000
7 because of an institution or program closure, the secretary shall
8 notify all proprietary institutions licensed to offer academic
9 degrees, and each institution shall resume payment for all newly-
10 enrolled students after the notification date until the balance in the
11 fund is recapitalized at the amount of \$40,000,000. The fund
12 balances established in this paragraph may be adjusted, as needed,
13 by the secretary.

14 (2) The secretary may require a performance bond based on a
15 risk-based analysis of factors that include the institution's financial
16 statement, fiscal monitoring process, and regulatory history.¹

17
18 5. (New section) ¹a.¹ The Secretary of Higher Education shall
19 establish a process for students to apply for reimbursement of
20 prepaid tuition and fees through the Student Tuition Recovery
21 Fund. The application shall require that, at a minimum, the person
22 injured provides:

23 ¹**【a.】** ¹(1)¹ proof of residency in the State at the time of
24 separation from the proprietary institution;

25 ¹**【b.】** ¹(2)¹ proof of payment to the proprietary institution of
26 tuition and fees; and

27 ¹**【c.】** ¹(3)¹ explanation of the nature of the claim, which may
28 include:

29 ¹**【(1)】** ¹(a)¹ the student was enrolled, or on an approved leave, at
30 the time of the ¹disorderly¹ closure of the institution, or
31 discontinuation of the academic program, and the student did not
32 complete the program of study through a teach-out plan or by
33 transferring all earned academic credits to another institution;

34 ¹**【(2)】** ¹(b)¹ the student withdrew from an academic program of
35 the institution within a 120-day period before the ¹disorderly
36 closure of the¹ institution ¹**【closed】**¹ or ¹**【the】**¹ program
37 ¹**【discontinued】** discontinuation¹, due to a decline in the quality of
38 education offered during that time period, except that the secretary
39 may approve, as needed, a longer time period;

40 ¹**【(3)】** ¹(c)¹ the institution failed to pay or reimburse loan
41 proceeds ¹to the student¹ under a federal student loan program as
42 required by law, or failed to pay or reimburse proceeds ¹to the
43 student¹ received by the institution in excess of tuition and fees;

44 ¹**【(4)】** ¹(d)¹ the student was awarded restitution, a refund, or
45 other monetary award by an arbitrator or court, based on a violation

1 by the institution, but has been unable to collect the award from the
2 institution;

3 ¹[(5)] (e)¹ the institution ¹knowingly¹ enrolled the student in an
4 academic program for which the student failed to meet the
5 minimum academic requirements; or

6 ¹[(6)] (f)¹ the institution failed to fulfill its contractual
7 obligations, failed to comply with licensing and accreditation
8 requirements, or otherwise engaged in unfair or deceptive practices.

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

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

14 (3) The secretary shall adopt regulations that provide for a
15 timely, equitable, and transparent appeals process.¹

16

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

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

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

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

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

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

1 ¹7. (New section) The secretary shall annually issue, on or
2 before December 31st of each year, a report presenting the financial
3 condition of the fund, assessment collections and reimbursements
4 paid during the preceding fiscal year, recovery efforts undertaken,
5 and the compliance of proprietary institutions licensed to offer
6 academic degrees with the provisions of this act.¹

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

12
13 ¹**[8.] 9.**¹ This act shall take effect immediately and shall first
14 apply to the first full academic year following the date of
15 enactment.