



1997 SENATE BILL 326

October 15, 1997 - Introduced by COMMITTEE ON EDUCATION, by request of Educational Approval Board. Referred to Committee on Education.

1 **AN ACT to amend** 39.51 (1) (e), 39.51 (10) (a) and 39.51 (10) (c) (intro.); and **to**
2 **create** 20.235 (3) (q), 25.17 (1) (vg), 25.85, 39.51 (1) (cr) and 39.51 (11) of the
3 statutes; **relating to:** creating a tuition protection program for students
4 enrolled in proprietary schools, granting rule-making authority and making
5 an appropriation.

Analysis by the Legislative Reference Bureau

Current law generally requires each private trade, correspondence, business or technical school ("proprietary school") to obtain and annually renew approval from the educational approval board (EAB) of the quality, content and length of its courses of instruction.

This bill creates a tuition protection fund, administered by EAB, to reimburse the tuition of a proprietary school student, less the value of instruction received or tuition refunded, if the proprietary school closes without fully reimbursing the student's tuition, if the proprietary school discontinues a program in which a student is enrolled without fully reimbursing the student's tuition or if the proprietary school makes fraudulent representations to procure a student's enrollment or to procure approval. If the moneys in the tuition protection fund are insufficient to pay the full amount of claims, EAB must prorate the moneys among the entitled claimants. In addition, a proprietary school that closes must provide to EAB the names and addresses of all students who were attending the school at the time of the closing and notify them not later than 30 days after the closing of their right to make a claim for

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reimbursement from the tuition protection fund. If the EAB determines that a proprietary school has made fraudulent representations to procure approval, within 30 days after EAB's determination, EAB shall notify students enrolled in the proprietary school at the time of EAB's determination of their right to make a claim for reimbursement. A student may file a claim of reimbursement not later than 12 months after the proprietary school closes or the program is discontinued or after the student knew or should have known that the proprietary school had made fraudulent representations to procure the student's enrollment or to procure approval.

To renew approval, proprietary schools must pay into the tuition protection fund an annual fee, determined by EAB, until the tuition protection fund reaches \$1,250,000. A proprietary school that receives initial approval after this bill takes effect must pay the annual fee for an obligatory payment period equal to the number of intervening years between the date on which the bill takes effect and the date on which the tuition protection fund reaches \$1,250,000.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.235 (3) (q) of the statutes is created to read:

2 20.235 (3) (q) *Tuition protection fund.* From the tuition protection fund, all
3 moneys received under s. 39.51 (11) (e), (f) and (g) to be used for reimbursement of
4 tuition under s. 39.51 (11) (d).

5 **SECTION 2.** 25.17 (1) (vg) of the statutes is created to read:

6 25.17 (1) (vg) Tuition protection fund (s. 25.85);

7 **SECTION 3.** 25.85 of the statutes is created to read:

8 **25.85 Tuition protection fund.** There is established a separate, nonlapsible
9 trust fund designated as the tuition protection fund, consisting of all moneys
10 received under s. 39.51 (11) (e), (f) and (g). All moneys in the tuition protection fund
11 shall be used for the purposes specified in s. 39.51 (11).

12 **SECTION 4.** 39.51 (1) (cr) of the statutes is created to read:

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1 39.51 (1) (cr) “Obligatory payment period” means the number of intervening
2 years between the effective date of this paragraph [revisor inserts date], and the
3 date on which the tuition protection fund under s. 25.85 reaches \$1,250,000. Any
4 fraction of a year shall be rounded to a whole year.

5 **SECTION 5.** 39.51 (1) (e) of the statutes, as affected by 1997 Wisconsin Act
6 (Assembly Bill 100), is amended to read:

7 39.51 (1) (e) “School” means any person, located within or outside this state,
8 maintaining, advertising or conducting any course or course of instruction for profit
9 or a tuition charge; but in subs. (7), (8) ~~and~~, (10) and (11) “school” means any private
10 trade, correspondence, business or technical school not excepted under sub. (9).

11 **SECTION 6.** 39.51 (10) (a) of the statutes, as affected by 1997 Wisconsin Act
12 (Assembly Bill 100), is amended to read:

13 39.51 (10) (a) *Authority.* All proprietary schools shall be examined and
14 approved by the board before operating in this state. Approval shall be granted to
15 schools satisfying sub. (11) (e) or (f) and meeting the criteria established by the board
16 for a period not to exceed one year. No school may advertise in this state unless
17 approved by the board. All approved schools shall submit quarterly reports,
18 including information on enrollment, number of teachers and their qualifications,
19 course offerings, number of graduates, number of graduates successfully employed
20 and such other information as the board deems necessary.

21 **SECTION 7.** 39.51 (10) (c) (intro.) of the statutes, as affected by 1997 Wisconsin
22 Act (Assembly Bill 100), is amended to read:

23 39.51 (10) (c) *Fees; rule making.* (intro.) The board shall promulgate rules to
24 establish fees under this paragraph. In promulgating rules to establish fees, the
25 board shall:

SENATE BILL 326**SECTION 8**

1 **SECTION 8.** 39.51 (11) of the statutes is created to read:

2 **39.51 (11) TUITION PROTECTION PROGRAM.** (a) A student enrolled in a proprietary
3 school, or in the case of a minor, his or her parents or guardian, may file a claim for
4 reimbursement of tuition with the board if any of the following occurs and the
5 proprietary school does not reimburse the student's tuition:

6 1. The proprietary school closes.

7 2. The proprietary school discontinues a program in which the student is
8 enrolled.

9 3. The proprietary school makes fraudulent representations to procure a
10 student's enrollment or to procure approval under sub. (10).

11 (b) A proprietary school that closes shall provide to the board at the time of the
12 closing the names and addresses of all students who were attending the proprietary
13 school at the time of the closing and shall notify these students in writing not later
14 than 30 days after the closing of their right to make a claim for reimbursement under
15 this subsection. If the board determines that a proprietary school has made
16 fraudulent representations to procure approval under sub. (10), within 30 days after
17 the determination, the board shall notify students enrolled in the proprietary school
18 at the time of the determination of their right to make a claim for reimbursement
19 under this subsection.

20 (c) A student may file a claim under par. (a) 1. and 2. not later than 12 months
21 after the proprietary school closes or the program is discontinued. A student may file
22 a claim under par. (a) 3. not later than 12 months after the student knew or should
23 have known that the proprietary school had made fraudulent representations to
24 procure the student's enrollment or to procure approval under sub. (10).

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1 (d) If the board determines that the student is entitled to a refund of tuition,
2 the board shall pay the student, or if the student is a minor, his or her parents or
3 guardian, from the appropriation under s. 20.235 (3) (q), an amount equal to the total
4 of the student's tuition, less the amount of any refund or reimbursement of tuition
5 that the student has received from the proprietary school. The board may reduce the
6 amount of the payment by the value of the education the proprietary school provided
7 to the student before the closing of the proprietary school, as determined by the
8 board. If the moneys in the appropriation under s. 20.235 (3) (q) are insufficient to
9 pay the full amount of claims, the board shall prorate the moneys among the entitled
10 claimants.

11 (e) If a proprietary school receives initial approval under sub. (10) before the
12 effective date of this paragraph [revisor inserts date], as a condition for receiving
13 renewal of approval, the proprietary school shall pay the board for deposit into the
14 tuition protection fund an annual fee, whose amount the board shall establish by
15 rule, until the tuition protection fund reaches \$1,250,000.

16 (f) If a proprietary school receives initial approval under sub. (10) on or after
17 the effective date of this paragraph [revisor inserts date], the proprietary school
18 shall pay the board for deposit into the tuition protection fund the annual fee under
19 par. (e) for the obligatory payment period.

20 (g) The board is subrogated to the rights of the payee under par. (d) and may
21 bring an action in circuit court or maintain or intervene in a payee's action for a
22 violation of par. (a).

23 (h) The moneys deposited in the tuition protection fund and all interest earned
24 on the moneys are exempt from garnishment, attachment, execution or any other
25 process of law.

