New England Private Career School Association

NEPCSA

Testimony Submitted by
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New England Private Career School Association (NEPCSA)
Joint Committee on Consumer Protection and Professional Licensure Public Hearing on August 2, 2021

S217 – Sponsor: Senator Jason Lewis (Democrat - Fifth Middlesex)

Dear Chairwoman Moran, Chairman Chan, and members of the Committee, thank you for allowing me to submit this testimony in opposition to S217, legislation to establish a Student Tuition Recovery Fund.

My name is Catherine Flaherty. I am the Executive Director of the New England Private Career School Association (NEPCSA), a not for-profit membership organization of private sector, post-secondary educational institutions that offer specific career training in a wide variety of career fields. Graduates of NEPCSA member schools can earn diplomas, certificates and/or associate degrees.

NEPCSA member institutions provide training for many industries including: transportation, construction, skilled trades, manufacturing, automotive, information technology, culinary, health sciences, hospitality and personal services.

NEPCSA members are opposed to S217 because, if passed, this legislation would:

- Require that private career schools make an initial payment of $2,500 into the fund;
- Pay 0.25 percent of the school's gross tuition and fees received by the school during the prior year in the second year; and
- Pay an amount determined by the attorney general not to exceed 0.5 percent of a school's gross tuition and fees received by the school during the prior year.

NEPCSA members are opposed to this legislation because pre-paid student tuition is already protected, as private career schools are required to purchase a surety bond that can be used to protect unearned tuition.

The additional costs incurred by a Student Tuition Recovery Fund are particularly troublesome given the new policy being implemented by the Massachusetts Office of the State Auditor (OSA). Our understanding is that the OSA has changed its financial regulations to require an audited review for schools that receive $100,000 or greater in annual tuition and a financial review for schools with tuition income of less than $100,000.

NEPCSA estimates that a full audit could cost $15,000 to $20,000, and a review could cost between $9,000 and $10,000.

For smaller schools, the cost of a review or an audit will be prohibitive as compliance would run between 15-20 percent of gross tuition revenue.

Previously small schools could comply with OSA requirements with a tax return which could cost $1,000 or less.   These additional expenses could greatly impact a school's ability to remain viable.

While the cost to comply with the new OSA policies is excessive, the surety bond received by each school accomplishes the same goal as a Student Tuition Recovery Fund seeks to achieve. There is no good reason to ask schools to pay twice for the same student projection.

In addition, the majority of schools also accept financial aid, state aid or employer reimbursement. Schools quite often have to wait for these funds and frequently receive money only after the student has graduated.

Admittedly, there are some very rare cases wherein a school collects funds up front and then closes before the student can benefit from training. However, even in those very extraordinary instances, the funds collected in advance would not necessitate the need for a Student Tuition Recovery Fund. The majority of students pay their tuition in increments, so at any given point in time, schools would have only collected a portion of total tuition – and the surety bond is already in place to provide any refunds needed in that scenario.

Having to pay $2,500 up front, then 0.25 percent of the school’s gross tuition and fees is exorbitant and for most schools it would be difficult, if not impossible. A Student Tuition Recovery Fund would add unnecessary expenses to schools, that are also already paying fees to the Division of Professional Development (DPL). Plus, the DPL fees have tripled over the last several years, now standing at 0.49 percent of gross tuition and fees.

NEPCSA members are also particularly concerned about the provision to allow the Attorney General to add additional assessments even after the fund reaches $5,000,000. Additionally, and with all due respect to the Massachusetts Legislature, there is no guarantee that the money collected from private career schools would not be put into the General Fund, instead of remaining untouched in a Student Tuition Recovery Fund; thus dropping the balance in the fund below threshold and unreasonably forcing schools to continue contributing, long after the originally stated obligation was met.

In the last ten years, some 60 percent of the state’s career schools have been forced to close because of the unreasonable regulatory burden imposed. A Student Tuition Recovery Fund will undoubtedly force even more schools to close.

Lastly, schools with expansion plans would scrap development because operating in Massachusetts would become even more cost prohibitive, thus hurting the potential for job growth and an enhanced tax revenue stream for the Commonwealth.

Thank you again for the opportunity to testify on behalf of the private career schools in Massachusetts.

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