

STATE OF NEW YORK

5517

2025-2026 Regular Sessions

IN ASSEMBLY

February 14, 2025

Introduced by M. of A. HYNDMAN -- read once and referred to the Committee on Higher Education

AN ACT to amend the education law, in relation to degree-granting proprietary colleges; and to amend the state finance law, in relation to creating the proprietary college tuition reimbursement account

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. This act shall be known and may be cited as the "degree-
2 granting proprietary college supervision and student protection act".

3 § 2. The education law is amended by adding a new section 212-d to
4 read as follows:

5 § 212-d. Proprietary college tuition reimbursement account. 1. Fee
6 assessment. (a) The commissioner shall annually assess and have each
7 proprietary degree-granting college pay a fee based on that college's
8 gross annual income into a proprietary college tuition reimbursement
9 account. The gross annual income shall be determined by annual financial
10 statements that are submitted to the commissioner.

11 (b) The gross annual income fee shall be assessed according to the
12 following schedule:

GROSS ANNUAL INCOME FEE

14 Gross Annual Income between 0-\$199,999 - Assessed Fee = \$1,000.00

15 Gross Annual Income between \$200,000-\$499,999 - Assessed Fee =
16 \$1,500.00

17 Gross Annual Income between \$500,000-\$999,999 - Assessed Fee =
18 \$2,500.00

19 Gross Annual Income between \$1,000,000-\$4,999,999 - Assessed Fee =
20 \$5,000.00

21 Gross Annual Income between \$5,000,000-\$9,999,999 - Assessed Fee =
22 \$10,000.00

23 Gross Annual Income between \$10,000,000 or above - Assessed Fee =
24 \$20,000.00

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 This assessment shall be based upon each college's gross annual income
2 from the previous year, and shall be payable to the commissioner in
3 equal quarterly installments which shall be due on December first, March
4 first, June first, and September first.

5 (c) All of the total assessment provided for within this section shall
6 accrue to the credit of the proprietary college tuition reimbursement
7 account.

8 (d) In the event that the balance of the proprietary college tuition
9 reimbursement account provided for in this section exceeds three million
10 dollars, all additional funds shall be dedicated to fund the depart-
11 ment's supervision, regulation, and publicly accessible website of
12 proprietary degree-granting colleges pursuant to an annual appropriation
13 and an annual plan of expenditure prepared by the commissioner and
14 approved by the director of the budget.

15 (e) Payments made within thirty days following the due date shall be
16 subject to interest at one percent above the prevailing prime rate.
17 Thereafter, late payments may result in enrollment caps on the number of
18 new students a college has the ability to register and the department
19 shall approve no new programs at a college that is in arrears to the
20 proprietary college tuition reimbursement account.

21 (f) Nothing in this section shall prohibit the state, if it determines
22 that there is a need, to allocate additional funding to the proprietary
23 college tuition reimbursement account to provide for the needs of harmed
24 students.

25 2. Complaint process for access to the proprietary college tuition
26 reimbursement account. (a)(i) Claimants who had been enrolled in
27 proprietary degree-granting colleges which have not closed or ceased
28 operation shall be required to show, in a manner determined by the
29 commissioner, that:

30 (1) the student is eligible pursuant to subparagraph (ii) of this
31 paragraph for a refund amount up to the total cost of tuition expended
32 by the student as determined using a refund formula to be promulgated by
33 the commissioner;

34 (2) the student has made a request to the college for a refund amount
35 up to the total cost of tuition expended by the student and has done so
36 in a manner consistent with any existing complaint process as outlined
37 by the department prior to the effective date of this section or any
38 future process promulgated by the department;

39 (3) the college has failed to provide a refund amount up to the total
40 cost of tuition expended by the student within the ninety days of the
41 complaint being submitted by the student to the college;

42 (4) the student has in their complaint clearly identified the program
43 or degree that the student believes is not compliant with this section
44 and has included information necessary for the department to complete an
45 investigation of the program; and

46 (5) the student has, if applicable, attempted to have any federal
47 student loans discharged pursuant to a borrower defense to repayment
48 claim with the United States department of education.

49 (ii) The commissioner shall compute the total refund amount, if any,
50 in an amount up to the total cost of tuition expended by the student
51 using a refund formula to be promulgated by the department. The commis-
52 sioner shall act on each refund request within thirty business days of
53 such request.

54 (iii) Utilizing any existing complaint process at the department that
55 may exist or any new complaint process that the department may promul-
56 gate, if a student who meets the eligibility requirements of subpara-

1 graph (i) of this paragraph and can in such complaint make a good cause
2 showing of a violation pursuant to paragraph (c) of this subdivision has
3 occurred then that student shall be deemed eligible for a refund in an
4 amount up to the total cost of tuition expended by the student as deter-
5 mined using a refund formula to be promulgated by the commissioner.

6 (iv) For a student who had been enrolled in a proprietary degree-
7 granting college that has not closed or ceased operation, the refund
8 shall be an amount up to the total cost of tuition, however, any
9 discharge of student loans as prescribed under borrower defense to
10 repayment claims with the United States department of education that the
11 student has successfully received shall be deducted from any refund
12 calculation under this section.

13 (v) (1) Where a claim is paid to a student relating to a verified
14 complaint asserting a violation by a degree-granting proprietary college
15 that has not closed or ceased operation the commissioner shall imme-
16 diately notify the college within thirty days of its decision on a
17 student's complaint to the department.

18 (2) Within fifteen days of the receipt of the notice, the college
19 shall either request a hearing to challenge the commissioner's determi-
20 nation that a refund was owed to the student or reimburse the fund the
21 amount paid to the claimant. This payment shall also incur interest for
22 each day it remains unpaid at an annual interest rate of one percent
23 above the prime rate. The commissioner may promulgate streamlined proce-
24 dures for conducting hearings pursuant to this clause.

25 (vi) Persons and entities receiving refunds under this section shall
26 be deemed to have assigned or subrogated their proprietary college
27 tuition reimbursement account rights to the commissioner on behalf of
28 the proprietary college tuition reimbursement account only for the
29 amount refunded by the proprietary college tuition reimbursement
30 account. Within ninety days of any refund made pursuant to this section,
31 the commissioner or the attorney general shall take appropriate action
32 to recover the total amount of the refunds made, plus administrative
33 costs, from the college.

34 (b) The commissioner shall develop a complaint form for students of
35 closed or closing institutions and provide such form to students. In
36 order to claim a refund amount up to the total cost of tuition expended
37 by the student from the proprietary college tuition reimbursement
38 account, a student, for the section also referred to as a claimant,
39 shall apply to the department with a complaint form pursuant to the
40 following requirements:

41 (i) Claimants who had been enrolled in proprietary degree-granting
42 colleges which have closed or ceased operation shall be required to show
43 in a manner determined by the commissioner that:

44 (1) the student is eligible pursuant to subparagraph (ii) of this
45 paragraph for a refund amount equal up to the total cost of tuition
46 expended by the student as determined using a refund formula to be
47 promulgated by the commissioner;

48 (2) the student has in their complaint clearly identified the program
49 or degree that the student believes was not compliant with this section
50 at the closed college and has included information necessary for the
51 department to complete and make a determination of the program; and

52 (3) the student has, if applicable, attempted to have any federal
53 student loans discharged pursuant to a borrower defense to repayment
54 claim with the United States department of education.

55 (ii) The commissioner shall compute the total refund amount, if any,
56 in an amount up to the total cost of tuition expended by the student

1 using a refund formula to be promulgated by the department. The commis-
2 sioner shall act on each refund request within thirty business days of
3 such request, unless such request relates to a recent or impending
4 college closure in which case the department shall handle all similarly
5 situated claims within a reasonable amount of time but in no instance
6 shall that time be longer than ninety business days.

7 (iii) Utilizing any existing complaint process at the department that
8 may exist or any new complaint process that the department may promul-
9 gate, if a student who meets the eligibility requirements of subpara-
10 graph (i) of this paragraph and can in such complaint make a good cause
11 showing of a violation pursuant to paragraph (c) of this subdivision has
12 occurred then that student shall be deemed eligible for a refund in an
13 amount up to the total cost of tuition expended by the the student as
14 determined using a refund formula to be promulgated by the commissioner.

15 (iv) For a student who has been enrolled in a proprietary degree-
16 granting college that has closed or ceased operation, the refund shall
17 be paid in an amount up to the total cost of tuition expended by a
18 student for the program the student was enrolled in at college closure,
19 however, any discharge of student loans as prescribed under borrower
20 defense to repayment claims with the United States department of educa-
21 tion that the student has successfully received shall be deducted from
22 any refund calculation under this subdivision.

23 (v) A student who is offered a teachout plan approved by an institu-
24 tional accrediting agency for the program in which the student was
25 enrolled at the time the college closed or ceased operation may elect to
26 continue instruction pursuant to the teachout plan or may decline to
27 continue instruction and may instead apply for a refund in an amount up
28 to the total cost of tuition expended by the student under this section.
29 The option to apply for a refund shall extend to the end of the first
30 week of instruction at the teachout college.

31 (vi) A student who was enrolled in a proprietary degree-granting
32 college at the time the college closes or ceases operation shall be
33 entitled to a refund of the full amount any prepaid tuition or expenses
34 the student expended. In addition, commencing September first, two thou-
35 sand twenty-six, a student who drops out of a college, where such
36 college closes within thirty days of the student's withdrawal and prior
37 to completion of such student's program, shall be entitled to a refund
38 in an amount up to the total cost of tuition expended by the student.

39 (vii) Notwithstanding all notice procedures described in this subdivi-
40 sion, in the event of a proprietary degree-granting college closing, the
41 commissioner on their own initiative may take appropriate action in
42 accordance with this section to process refund claims on behalf of all
43 of the students of the closed college.

44 (c) For the purposes of this section a good cause showing that a
45 violation has occurred shall include any of the following:

46 (i) fraudulent statements or representations to the department, the
47 public or to the student in connection with any program that the student
48 was enrolled in while matriculating at the proprietary degree-granting
49 college;

50 (ii) violation of any provisions of this article or regulation of the
51 commissioner that occurred within a program that the student was
52 enrolled in while matriculating at the proprietary degree-granting
53 college;

54 (iii) conviction or a plea of no contest on the part of any owner,
55 operator, or member of the proprietary degree-granting college's board

1 of trustees, if such conviction negatively impacts the student's program
2 of study:

3 (1) to any of the following felonies defined in the penal law: bribery
4 involving public servants; commercial bribery; perjury in the second
5 degree; rewarding official misconduct; larceny, in connection with the
6 provision of services or involving the theft of governmental funds;
7 offering a false instrument for filing, falsifying business records;
8 tampering with public records; criminal usury; scheme to defraud; or
9 defrauding the government; or

10 (2) in any other jurisdiction for an offense which is substantially
11 similar to any of the felonies set forth in clause one of this subpara-
12 graph and for which a sentence to a term of imprisonment in excess of
13 one year was authorized and is authorized in this state regardless of
14 whether such sentence was imposed; or

15 (iv) incompetence of any owner or operator to operate a college that
16 negatively impacted any program that the student was enrolled in while
17 matriculating at the college.

18 3. Management of the proprietary college tuition reimbursement
19 account. (a) As used in this subdivision, net balance is defined as the
20 actual cash balance of the account as determined by the state comp-
21 troller on November thirtieth, two thousand twenty-six and every three
22 months thereafter. For the purpose of calculating the net balance, the
23 state comptroller shall not take into consideration any refunds made
24 from the account pursuant to this section for the year immediately
25 preceding the date on which the calculation is made.

26 (b) (i) In the event that the account has accumulated a net balance in
27 excess of three million dollars, the commissioner shall, with the
28 approval of the director of the budget, waive an amount not to exceed
29 the amount due for the next quarterly assessment for a proprietary
30 degree-granting college that has paid sixteen quarters or more of
31 assessments pursuant to this section. In such event, payment of future
32 quarterly assessments shall be suspended for colleges which have paid
33 sixteen quarters or more of assessments until the net balance of the
34 account falls below two million three hundred thousand dollars.

35 (ii) In the event the net balance of the account falls below two
36 million three hundred thousand dollars, if the quarterly assessment has
37 been suspended for colleges which have paid sixteen quarters or more of
38 assessments pursuant to subparagraph (i) of this paragraph, it shall be
39 reinstated for the next quarterly assessment and all subsequent quarter-
40 ly assessments until the account has accumulated a net balance in excess
41 of three million dollars.

42 (c) The commissioner may annually apportion from the proprietary
43 college tuition reimbursement account an amount up to two hundred thou-
44 sand dollars for the purpose of securing, scanning and otherwise making
45 student transcripts from closed colleges available to students who
46 attended such proprietary degree-granting colleges. Provided, however,
47 that in no case shall such apportionment cause the account to fall below
48 a balance of two million dollars.

49 (d) The state comptroller shall audit or cause to be audited the
50 proprietary college tuition reimbursement account once every two years
51 and produce an audited financial statement according to generally
52 accepted accounting principles.

53 (e) Within the first year that a proprietary degree-granting college
54 begins operation as a fully accredited degree-granting institution, the
55 commissioner shall assess such college an amount to be deposited into
56 the account in an amount to be determined by the commissioner. The

1 amount determined by the commissioner shall not exceed the amount of
2 five payments of the maximum assessed fee collected by the department
3 under this section.

4 4. Proprietary college tuition reimbursement account student complaint
5 verification. (a) Any current or former student of a proprietary
6 degree-granting college who believes they have been aggrieved by a
7 violation of this section shall have the right to file a written
8 complaint within:

9 (i) six years of the alleged violation; or

10 (ii) one year after receiving notification from the higher education
11 services corporation or any other guarantee agency that the student has
12 defaulted on a student loan payment as long as that remains within six
13 years of completed matriculation from their program or the student's
14 withdrawal from their program at the proprietary degree-granting
15 college.

16 (b) The commissioner shall maintain a written record of each complaint
17 that is made. The commissioner shall also send to the complainant a form
18 acknowledging the complaint and requesting further information if neces-
19 sary and shall advise the director of the college that a complaint has
20 been made and, where appropriate, the nature of the complaint.

21 5. Proprietary college complaint investigation process. (a) The
22 commissioner shall within twenty days of receipt of such written
23 complaint commence an investigation of the alleged violation and shall
24 within ninety days of the receipt of such written complaint, issue a
25 written finding. The commissioner shall furnish such findings to the
26 person who filed the complaint and to the chief operating officer of the
27 college cited in the complaint. If the commissioner finds that there has
28 been a violation of this section, the commissioner shall take appropri-
29 ate action, including but not limited to referring cases of misconduct
30 to the state attorney general, beginning a review of the program in
31 violation, and providing notice to students of the institution of the
32 violation by a publicly accessible website.

33 (b) If the commissioner finds that there has been a violation of this
34 section, the commissioner shall also place such finding on a publicly
35 accessible website disclosing the institution that was in violation and
36 the substance of the complaint within thirty days of the commissioner's
37 finding.

38 (c) The department shall annually be allocated up to one million
39 dollars from the state general fund to carry out investigations of
40 student complaints pursuant to this subdivision.

41 (d) Any allocation pursuant to paragraph (c) of this subdivision shall
42 be reduced by the amount of funding apportioned to the department pursu-
43 ant to paragraph (d) of subdivision one of this section.

44 § 3. The state finance law is amended by adding a new section 97-n to
45 read as follows:

46 § 97-n. Proprietary college tuition reimbursement account. 1. There
47 is hereby established in the joint custody of the comptroller and the
48 commissioner of taxation and finance a fund to be known as the "proprie-
49 tary college tuition reimbursement account".

50 2. The proprietary college tuition reimbursement account established
51 in this section shall be for reimbursement of tuition to certain
52 students of proprietary degree-granting colleges pursuant to sections
53 two hundred twelve-b and two hundred twelve-d of the education law.

54 3. (a) Notwithstanding any other law, rule, or regulation to the
55 contrary, the state comptroller is hereby authorized and directed to
56 receive for deposit to the credit of the account established in this

1 section moneys collected pursuant to sections two hundred twelve-b and
2 two hundred twelve-d of the education law including, but not limited to,
3 all fees and assessments relating to the supervision of proprietary
4 degree-granting colleges received after September first, two thousand
5 twenty-five pursuant to such sections and all other moneys credited or
6 transferred to such accounts from any other fund or source pursuant to
7 law.

8 (b) The comptroller is hereby authorized and directed to permit inter-
9 est earnings on any account balances on accounts established in this
10 section to accrue to the benefit of each of the accounts.

11 4. Monies of the accounts established in this section, following
12 appropriation by the legislature, shall be available to the education
13 department and may be expended pursuant to sections two hundred twelve-b
14 and two hundred twelve-d of the education law. Monies shall be paid out
15 of such accounts on the audit and warrant of the state comptroller.

16 § 4. Severability clause. If any clause, sentence, paragraph, subdivi-
17 sion, section or part of this act shall be adjudged by any court of
18 competent jurisdiction to be invalid, such judgment shall not affect,
19 impair, or invalidate the remainder thereof, but shall be confined in
20 its operation to the clause, sentence, paragraph, subdivision, section
21 or part thereof directly involved in the controversy in which such judg-
22 ment shall have been rendered. It is hereby declared to be the intent of
23 the legislature that this act would have been enacted even if such
24 invalid provisions had not been included herein.

25 § 5. This act shall take effect one year after it shall have become a
26 law. Effective immediately, the addition, amendment and/or repeal of
27 any rule or regulation necessary for the implementation of this act on
28 its effective date are authorized to be made and completed on or before
29 such effective date.