

HOUSE No. 3625

By Mr. Dempsey of Haverhill, for the committee on Ways and Means, that the Bill relative to oversight of private occupational schools (House, No. 3512) ought to pass with an amendment substituting a bill with the same title (House, No. 3625).

The Commonwealth of Massachusetts

In the Year Two Thousand Eleven

An Act relative to oversight of private occupational schools.

Whereas, The deferred operation of this act would tend to defeat its purpose, which is to improve the oversight of private occupational schools, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 13 of the General Laws is hereby amended by inserting after
2 section 8 the following section: -

3 Section 8A. There is hereby established an office of private occupational school
4 education within the division of professional licensure, which shall be subject to the direction
5 and supervision of the director of the division. The office of private occupational school
6 education shall assist the director in carrying out the powers, duties and responsibilities set forth
7 in section 263 of chapter 112 and the director may appoint such employees as necessary to carry
8 out such powers, duties and responsibilities. The office of private occupational school education
9 shall not be deemed a board serving in the division of professional licensure, within the meaning
10 of this chapter.

SECTION 2. Chapter 75C of the General Laws is hereby repealed.

SECTION 3. Chapter 75D of the General Laws is hereby repealed.

SECTION 4. Sections 20A to 21G, inclusive, of chapter 93 of the General Laws are hereby repealed.

SECTION 5. Chapter 112 of the General Laws is hereby amended by inserting after section 262 the following section:-

Section 263. (a) As used in this section, the following words shall, unless the context clearly requires otherwise, have the following meanings:-

“Division”, the division of professional licensure established pursuant to section 8 of chapter 13 acting by and through its director.

“Private educational organization”, a non-public entity, including an individual, firm, partnership, association, corporation, organization, trust, or other legal entity or combination of such entities, that maintains a place of business within the commonwealth or solicits business within the commonwealth to provide classroom instruction, or distance education, or both.

“Private occupational school”, a private educational organization, not specifically exempted by subsection (c), that conducts courses, for profit or by charging tuition, for the purpose of training or preparing individuals for a business, trade, technical or industrial occupation, or any other vocational purpose, including correspondence schools, private business schools, private trade schools, and similar entities designated by the division.

(b) The division shall have the following powers and duties: (1) administer and enforce the provisions of this section; (2) adopt and promulgate rules and regulations governing the

licensure and the operation of private occupational schools as may be necessary to promote the public, health, welfare, and safety of citizens of the commonwealth including mandating liability insurance and other such requirements; (3) grant licenses to qualified applicants; (4) approve the curriculum, instructors, and staff of licensed schools; (5) investigate complaints, conduct inspections, review billing and student records, and set and administer penalties as defined in this section for fraudulent, deceptive or professionally incompetent and unsafe practices and for violations of rules and regulations promulgated by the division, and (6) review, under section 172 of chapter 6, the criminal offender record information of principals, administrators, employees, and other individuals related to private occupational schools for purposes of licensure and reviewing complaints.

(c) All private occupational schools operating in the commonwealth shall be licensed by the division; provided, however, that the section shall not apply to: (1) a school, college or other educational institution chartered and authorized by the commonwealth to grant degrees; provided, however, that non-degree programs offered through such a school, college or other educational institution by a third party shall be licensed by the division; (2) a school conducted by any person or entity for the education and training of such person or entity's employees with no fee or tuition being charged to the employees; (3) a school exclusively engaged in training persons with disabilities; (4) a school providing distance learning or online correspondence services having no place of business in the commonwealth; (5) recreational programs conducted for the purpose of relaxation and enjoyment regarding instruction in non-occupational pastimes, exercise, or other such diversions; (6) programs owned and operated by established religious institutions for the purpose of providing religious instruction; (7) courses of instruction conducted by a public school district or combination of public school districts; (8) private

55 schools or programs conducted for the education of students in grades pre-kindergarten through
56 12; (9) incidental training associated with the purchase of a product from a vendor; provided,
57 however, that the training is to familiarize the purchaser with its use and the purchaser is not
58 awarded any form of a certificate or diploma for having received the training; or (10) other
59 programs designated by the division.

60 (d) Any person or entity desiring to operate a private occupational school within the
61 commonwealth shall submit to the state auditor, in the manner prescribed by the auditor, such
62 financial information as may be required, including, but not limited to, ownership and
63 organization of the school, the financial condition of the school and the form and content of the
64 student enrollment agreement to be used by the school. In carrying out this section, the auditor is
65 authorized to review the full records of the school and may carry out on-site reviews of the
66 school.

67 If, after investigation, the state auditor finds the applicant is financially qualified to
68 operate a private occupational school, the division shall be notified of the applicant's eligibility
69 to apply for a license to operate a private occupational school. The state auditor shall thereafter
70 re-establish the eligibility of licensees as requested by the division as well as when the state
71 auditor deems, in the auditor's discretion, that such an evaluation is appropriate; provided,
72 however, that each licensee shall be reviewed by the auditor at least once every 3 years. License
73 renewal shall be granted only after such an investigation has been conducted and certification of
74 the financial eligibility of the applicant for renewal has been made by the state auditor. The state
75 auditor's finding of eligibility shall not be construed as the granting of a license by the division.

If the state auditor finds that an applicant or licensee is not financially responsible and qualified to operate a private occupational school, certification of financial eligibility shall be denied and the auditor shall state the reasons for denial in writing.

Notwithstanding section 12 of chapter 11 pertaining to maintenance of the records in the department of the state auditor, the financial information submitted to the state auditor shall be retained in the office of the state auditor and shall not be classified as public records.

The state auditor may adopt rules and regulations, issue guidelines and prescribe forms to carry out this subsection and subsection (g).

(e) Any person or entity desiring to operate a private occupational school within the commonwealth whose application has been granted initial approval by the state auditor pursuant to subsection (d) shall submit to the division, on a form supplied by the division, such information as the division may require, including but not limited to: (1) the training and experience of the instructors employed or to be employed by the school; (2) the building facilities and equipment available or to be available for the instruction to be offered by the school; (3) the form and content of the courses to be offered by the school; (4) the particular field of instruction to be offered by the school; and (5) the form of any contract or agreement to be executed by a prospective student.

If, after investigation, the division finds that the applicant is qualified to operate a private occupational school, the division shall issue a license to the person or entity authorizing the operation of such school. If the division finds that the applicant is not qualified to operate a private occupational school, the division shall refuse to issue a license, and shall state the reasons therefor in writing.

98 The division shall determine the license term, renewal cycle, and renewal period for
99 licenses issued by the division. Each licensee shall apply to the division for license renewal on
100 or before the expiration date, as determined by the division, unless its license was revoked,
101 suspended, or canceled earlier by the division as a result of a disciplinary proceeding instituted
102 pursuant to this section. Applications for initial licenses and renewal shall be in the manner
103 approved by the division and accompanied by payment of a fee, determined by the secretary of
104 administration and finance under section 3B of chapter 7. Licenses shall be non-transferrable. A
105 change in ownership or location shall require a new application. Upon closure of a private
106 occupational school, the school shall convey all student records to the division and pay a fee,
107 determined by the secretary of administration and finance under section 3B of chapter 7, to cover
108 any costs associated with the maintenance of those student records. No application for licensure
109 shall be approved unless all principals and employees of the school are of good moral character.

110 (f) No person shall be a sales representative of a private occupational school without a
111 valid license issued by the division. Any person desiring to be a sales representative of a private
112 occupational school shall submit to the division, on a form supplied by the division, information
113 setting forth: (1) the applicant's name and address; (2) the applicant's educational qualifications;
114 (3) the name and address of 3 business references; and (4) the name and address of 3
115 personal references.

116 If, after investigation, the division finds that the applicant is qualified to be a
117 representative of a private occupational school and is of good moral character the division shall
118 issue a license to that person. The fee for the issuance of the license and the fee for a renewal
119 shall be determined by the secretary of administration and finance under section 3B of chapter 7.

If the division finds that the applicant is not qualified to be a representative of a private occupational school, it shall refuse to issue a license and state the reasons therefor in writing. The division shall determine the license term, renewal cycle, and renewal period for licenses issued by the division. Licenses shall be non-transferrable.

(g) No license shall issue under this section until the prospective licensee, or 2 or more prospective licensees who intend to secure a joint indemnification, shall furnish either a bond with surety or a form of indemnification acceptable to the division in the amount determined by the state auditor of not less than \$5,000 for a school's license, and not less than \$1,000 for a license for a representative of a private occupational school; provided, however, that the liability of licensee shall be limited to indemnifying the claimant only for his actual damages.

Additional security shall be required if the state auditor determines that the cash resources of the licensee may not be sufficient to make tuition refunds to students as required under section 13K of chapter 255; and provided further, that the amount of the indemnification in the case of the school shall not exceed the anticipated maximum unearned tuitions. The forms of indemnification other than a surety bond that shall be furnished to the division for licensure are

- (1) An irrevocable letter of credit, maintained for a period of 1 year, issued by a financial institution, as defined in section 1 of chapter 140E, in an amount, determined annually by the state auditor and approved by the division, payable to the commonwealth in which the commonwealth is designated as the beneficiary; or
- (2) A term deposit account held in a financial institution, as defined in section 1 of chapter 140E, payable to the commonwealth, that shall be held in trust for the benefit of students entitled thereto under section 13K of chapter 255 or subject to refund provisions and policies approved by the division. The term deposit account shall be maintained for a period of 1 year, the amount to be determined annually by the state

auditor and acceptable to the division. All interest shall be paid annually to the appropriate school, unless the term deposit account is activated due to a school closing. If the licensee, for any reason, discontinues operation, and is not in default, all monies on deposit, including interest, shall be released to the appropriate school subject to the approval of the division.

A joint indemnification shall be defined as an indemnification issued to cover all prospective licensees to be insured under the indemnification in an amount sufficient to cover the tuition refunds of the participating schools. Each indemnification shall be conditioned to provide that the obligor shall satisfy all valid claims, as determined by the division, to recover damages sustained by students resulting from a breach of contract; provided, however, that the aggregate liability of the person providing indemnification for all breaches of the conditions of the indemnification shall not, under any circumstances, exceed the sum of the indemnification. The indemnification shall not limit or impair any right of recovery otherwise available pursuant to law nor shall the amount of the indemnification be relevant in determining the amount of damages or other relief to which any plaintiff may be entitled. The surety on any bond may cancel the bond upon giving 60 days notice in writing to the division and thereafter shall be relieved of the liability for any breach of condition occurring after the effective date of the cancellation. The indemnification shall be procured only from companies or institutions legally authorized to conduct business in the commonwealth.

(h) The division shall conduct routine inspections and investigate all complaints filed relating to the operations of a private occupational school, and any violation of this section or any rule or regulation adopted under this section. Complaints may be brought by any person or the division.

165 The division shall have the power to issue subpoenas requiring the attendance and
166 testimony of witnesses and the production of any evidence, including books, records,
167 correspondence or documents, relating to any matter in question in the investigation. The
168 division may administer oaths and affirmations, examine witnesses, and receive evidence. The
169 power to issue subpoenas may be exercised by any person or persons designated by the division
170 for that purpose. Any witness summoned may petition the division to vacate or modify a
171 subpoena issued.

172 After an investigation, the division may grant the petition in whole or in part upon a
173 finding that the testimony or the evidence required does not relate with reasonable directness to
174 any matter in question, or that the subpoena for the attendance of a witness or the production of
175 evidence is unreasonable or oppressive, or has not been issued a reasonable period in advance of
176 the time when the evidence is requested. Upon the failure of any person to comply with a
177 subpoena issued by the division, any justice of the superior court, upon application by the
178 division, may in the justice's discretion issue an order requiring the attendance of that person
179 before the agency and the giving of testimony or production of evidence. Any person failing to
180 obey the court's order may be punished by the court for contempt.

181 (i) For the purposes of this section, a school's fitness to conduct educational operations
182 shall be questioned by the division upon a finding that the school or the school's principals,
183 employees, or other representatives have (1) committed fraud or misrepresentation in obtaining a
184 license; (2) engaged in criminal conduct which the division determines to be of such a nature as
185 to render such a school or its principals as unfit to operate as a licensed educational facility, as
186 evidenced by criminal proceedings which resulted in a conviction, guilty plea or plea of nolo
187 contendere or an admission of sufficient facts; (3) engaged in conduct which places into question

the holder's competence to operate a private occupational school including, but is not limited to, gross misconduct or misconduct in the practice of the education activities, dishonesty, fraud or deceit, operating beyond the authorized scope, or operating the school with negligence; (4) allowed instructors, staff or other associated personnel to function when such personnel are not able to perform the essential functions of their positions while impaired by alcohol, drugs or other cause; (5) aided or abetted an unqualified person to perform activities requiring a qualified instructor; (6) held a license, certificate, registration, or authority issued by another state or territory of the United States, the District of Columbia, or foreign state or nation with authority to issue such a license, certificate, registration, and that is or has been revoked, canceled or suspended, not renewed or otherwise acted against, or the holder has been disciplined, if the basis for the action would constitute a basis for disciplinary action in the commonwealth; (7) violated any rule or regulation of the division; (8) failed to cooperate with the division or its agents in the conduct of an inspection or investigation; or (9) violated any ethical standard which the division determines to be of such a nature as to render such a school unfit, such as: (i) failing to establish and maintain minimum standards concerning quality of education, ethical and business practices, health and safety, and fiscal responsibility; (ii) failing to protect students against substandard, transient, unethical, deceptive, or fraudulent practices; (iii) granting of false educational credentials; (iv) authorizing or otherwise failing to protect the public from misleading literature, advertising, solicitation, or representation by the school or its agents; or (v) failing to preserve essential records.

(j) Except as otherwise provided by law, the division may, after a hearing and upon finding conduct that places into question the school's fitness to conduct educational operations, undertake 1 or more of the following actions: (1) suspend, revoke, cancel or place on probation a

licensee; (2) reprimand or censure a licensee; (3) assess a civil administrative penalty upon a licensee not to exceed \$5,000 for each violation; (4) require a licensee or staff of a licensee to complete additional education and training as a condition of retention or future consideration or reinstatement of its license; (5) require a licensee to practice under appropriate supervision for a period of time as determined by the division as a condition of retention or future consideration of reinstatement of its license; (6) require restitution of student fees and tuition, where appropriate; or (7) issue orders to licensees directing them to cease and desist from unethical or unprofessional conduct.

Nothing in this subsection shall be deemed a limitation on the division's authority to impose sanctions by consent agreement as are deemed reasonable and appropriate by the division. Any person aggrieved by any disciplinary action taken by the division under this section may file a petition for judicial review with the superior court pursuant to section 14 of chapter 30A.

The division shall not be required to defer action upon any charge because of pending criminal charges against a person or school accused, nor shall the pendency of any charge before the division act as a continuance or ground for delay in a criminal action.

(k) Upon determination that a school's continued operation poses an immediate and serious threat to the public health, safety, or welfare, the division may suspend or refuse to renew the holder's license, pending a hearing on the merits of the allegation against the holder; provided that the division shall hold a hearing pursuant to chapter 30A on the necessity for the emergency action within 10 days of the action. The division shall issue to the licensee a written order of summary suspension which specifies the findings of the division and the reasons for its

summary suspension including notice of the date, time and place of the hearing. At the request of a licensee the division may reschedule this hearing to a date and time mutually agreeable to the division and licensee. Any rescheduling of the hearing granted at the licensee's request shall not operate to lift or stay the summary suspension order. If the hearing is not held within 10 days of the division's emergency action, the license against which action was taken shall be deemed reinstated.

At the adjudicatory hearing on the necessity for summary suspension, the division shall receive evidence limited to determining whether the summary suspension order shall continue in effect pending the final disposition of the complaint. Following the hearing, any continuing suspension imposed by the division shall remain in effect until the conclusion of any formal proceeding on the merits of the allegations against the holder, including judicial review thereof, or withdrawn by such division. The division shall adopt rules and regulations governing the emergency suspension procedure authorized by this subsection.

(l) Notwithstanding any general or special law to the contrary, the division may, after a consent agreement between the parties or after an opportunity for an adjudicatory proceeding held pursuant to chapter 30A, assess and collect a civil administrative penalty not to exceed \$10,000 for the first violation and a civil administrative penalty not to exceed \$25,000 for a second or subsequent violation upon a person or entity who, without holding the required license, operates a private occupational school. The division may also order the individual or entity to cease and desist from continued practice without a license. Nothing in this section shall affect, restrict, diminish or limit any other penalty or remedy provided by law. The division may apply to the appropriate court for an order enjoining the unlicensed practice of a trade or profession, to

255 enforce an order issued after a hearing conducted per this section or for such other relief as may
256 be appropriate to enforce this section.

257 Any court review of an order of the division issued after a hearing shall be conducted in
258 accordance with the standards of review provided in paragraphs (3) to (7), inclusive, of section
259 14 of chapter 30A. An assessment of a civil administrative penalty under this section shall bar a
260 subsequent imposition of a criminal penalty for the same violation.

261 (m) Whoever operates or acts as a representative of a private occupational school that is
262 unlicensed or is under suspension, shall be punished by imprisonment for not more than 6
263 months or by a criminal fine of not more than \$10,000, or both. An imposition of a criminal
264 penalty under this section shall bar a subsequent assessment of a civil administrative penalty for
265 the same violation.

266 The division shall not defer action upon any charge before it until the conviction of the
267 person accused, nor shall the pendency of any charge before the division act as a continuance or
268 ground for delay in a criminal action.

269 (n) Any pupil of a private occupational school, who is misled by an officer or
270 representative of the school, or by any advertisement or circular issued by the school, which
271 representation is false, deceptive or misleading, may recover treble damages, or \$10,000,
272 whichever is greater, and court costs and reasonable attorney's fees.

273 (o) Any complaint, report, record or other information received or kept by the division in
274 connection with an investigation shall become a public record only following the final action by
275 the division; provided however, that the identity of the person filing a complaint shall be exempt
276 from disclosure as a public record at all times. These provisions shall not be deemed to prohibit

the division from providing a licensee with such information for purposes of preparing a defense in a formal adjudicatory hearing nor shall it prevent the division from providing records in response to requests from other state or federal agencies, divisions or institutions as determined by the division.

(p) A private occupational school that obtains an accreditation from a national or regional accrediting agency that is recognized by the federal Department of Education shall notify the division in writing of its accreditation and of any changes to its accreditation. No private occupational school shall represent itself as being so accredited if it is not.

(q) Subject to appropriation, the division may retain all licensure fees, renewal fees, late fees, civil administrative penalties, and other such revenue collected under this section.

(r) There shall be, within the division, an advisory council on private occupational schools which shall be comprised of 11 members as follows: the state auditor, ex officio, or a designee, the secretary of education, ex officio, or a designee, the secretary of labor and workforce development, ex officio, or a designee, the undersecretary of the office of consumer affairs and business regulation, ex officio, or a designee; and 7 members to be appointed by the director of the division who shall have knowledge and understanding of the fiscal, educational, workforce development, and consumer protection issues relating to post-secondary education.

Members appointed by the director shall be appointed for a term of 3 years and serve at the pleasure of the director. Members whose appointments have expired may continue to serve until a replacement is appointed. Members appointed by the director shall be subject to the provisions of chapter 268A and the director may remove any member so appointed for neglect of duty, misconduct, malfeasance or misfeasance in office, or for failure, as a representative or

299 associate of an individual licensee, to follow the rules and regulations of the division. Members
300 appointed by the director shall be considered public employees for the purposes of chapter 258
301 for all acts or omissions within the scope of their duties as council members. Members
302 appointed by the director shall be immune from liability for actions taken in good faith in the
303 discharge of their responsibilities. Members appointed by the director acting in good faith in the
304 discharge of their duties shall be defended by the attorney general and shall be eligible for
305 indemnification of all costs and damages arising from claims and suits against them.

306 The director shall appoint a chair of the advisory council who shall serve at the pleasure
307 of the director. The advisory council may designate a secretary, treasurer or other position for its
308 members as necessary for the conduct of its business. Members appointed by the director shall
309 serve without compensation, but shall be reimbursed for actual and reasonable expenses incurred
310 in the performance of their duties.

311 The advisory council shall be considered a governmental body and all meetings of the
312 advisory council shall be announced and conducted in accordance with section 11A 1/2 of
313 chapter 30A, with the exception that remote participation is specifically authorized so long as 2
314 or more members are physically present at the public site. At the discretion of the chair,
315 additional members, staff, or interested parties may remotely participate by any live, 2-way
316 medium such as audio or video conferencing.

317 SECTION 6. Section 13K of chapter 255 of the General Laws, as appearing in the 2008
318 Official Edition, is hereby amended by striking out, in lines 1 through 4, inclusive, the words
319 “trade school, business school, vocational school, technical school, correspondence school,
320 dance studio, professional or proprietary school, except a proprietary school which has the

authority to grant degrees,” and inserting in place thereof the following words:-- private occupational school, as defined in section 259 of chapter 112, or dance studio”.

SECTION 7. The department of elementary and secondary education shall transfer to the division of professional licensure the functions and staff of the department associated with overseeing the licensing of proprietary schools. Employees and members of the department of elementary and secondary education whose office has been transferred to the division of professional licensure by this act shall become employees and members of the division of professional licensure without impairment of civil service status and seniority and without reduction in compensation, notwithstanding any change in job titles or duties and without loss of accrued rights to holidays, sick leave, vacation and benefits, and shall thereafter perform their duties under the direction, control and supervision of the division of professional licensure.

Terms of office of employees and members of an office formerly under the department of elementary and secondary education and transferred to the division of professional licensure by this act shall not be deemed to be interrupted by such transfer and all such employees and members shall maintain the same rights and entitlements with respect to retirement, pension and group insurance benefits as previously existed under their employment with such boards or offices transferred by this act. Rights and obligations under collective bargaining agreements with respect to employees and members transferred from such offices shall be assumed by and imposed upon the division of professional licensure. Every employee and member transferred to the division of professional licensure under this section who immediately prior to such transfer holds a permanent appointment classified under chapter 31 or has tenure by reason of section 9A of chapter 30 shall be entitled to the rights and benefits of and shall be subject to the provisions

343 relating to tenured employees and members under chapter 31 or section 9A of chapter 30,
344 respectively.

345 All orders, rules and regulations duly made and all approvals duly granted which are in
346 force immediately before the effective date of this act, shall continue in force and shall thereafter
347 be enforced, until superseded, revised, rescinded or canceled, in accordance with law, by the
348 division of professional licensure. Private occupational schools holding a valid license at the
349 time the division supersedes, revises, rescinds or cancels such orders, rules or regulations, shall
350 have 18 months to comply with any new prerequisites to licensure established by those orders,
351 rules or regulations.

352 All books, papers, records and documents related to the licensure of private occupational
353 schools, which immediately before the effective date of this act are in the custody of the
354 department of elementary and secondary education, shall be transferred to the division of
355 professional licensure.

356 SECTION 8. Notwithstanding any general or special law to the contrary, the department
357 of elementary and secondary education shall, until the effective date of sections 1 through 7,
358 inclusive, collect and deposit all licensure fees, renewal fees, late fees, civil administrative
359 penalties, and other such revenue collected for the licensure and oversight of private
360 occupational schools in a retained revenue account under the control of the division of
361 professional licensure for the division to expend for the licensure and oversight of private
362 occupational schools.

363 SECTION 9. Sections 1 through 7, inclusive, shall take effect 120 days from the date of
364 approval.