



February 6, 2020

The Honorable Maggie McIntosh, Chair
House Appropriations Committee
Maryland General Assembly -- House
Legislative Services Building
90 State Circle
Annapolis, MD 221401

RE: Disorderly School Closures Legislation, HB469 [FAVORABLE]

Dear Committee Members:

Thank you for the opportunity to provide testimony in strong support of your bill addressing disorderly school closures by institutions of postsecondary education. As higher education researchers for New America, a nonpartisan think tank in which we work to strengthen and improve the educational system so that all students have equitable access to high-quality learning, we have seen the impact that these kinds of closures have had on students in Maryland and across the country.

Over the last decade, hundreds¹ of degree-granting institutions of higher education or entire campuses covering a region--on average, 20 each month--have shuttered their doors, **displacing around half a million students in just the past five years**. Disproportionately, those students are low-income students, students of color, and/or working adults.² Too often, the closures have come suddenly, with little warning for students and at significant costs to taxpayers; and too often, those closures result in few or no consequences for the school officials who allowed it to happen with virtually no contingency planning in place.

Unfortunately, too often states have also been caught off guard by the closures. As the American higher education system has become more national, with colleges offering programs across state boundaries, state oversight of, and planning for, those institutions and their closures has not always kept up. Officials in the Illinois Board of Higher Education (IBHE), for instance, recently published a paper on how college closures affected their state, and identified some of the key problems. They wrote:

In September 2016, as a result of the precipitous national collapse of ITT Technical Institute, Illinois was one of many states in the nation faced with educationally-displaced students who, among the serious challenges, did not have

¹ https://nces.ed.gov/programs/digest/d17/tables/dt17_317.50.asp

² <https://www.chronicle.com/interactives/20190404-ForProfit>

*access to their transcripts in order to document their academic work and take next steps to transfer or seek employment. IBHE staff realized that existing administrative rules at the time provided insufficient authority for the agency to address several consumer protection issues in cases of institutional closure.*³

Similarly, the association of State Higher Education Executive Officers (SHEEO) has noted the growing need for state involvement in closure matters, writing in a recent report that *“a renewed level of interest in and scrutiny of public accountability of higher education has recently been fueled by a wave of institutional closures.... While much of the attention has focused on the role of accreditors and the federal government, the central actors in the higher education public accountability space are the states.”*⁴ The report recommends many of the same state policies included in the Maryland disorderly school closures bill now before you, including establishing arrangements for teach-outs in the event of a college closure, allowing students to recover their tuition paid if the school closes, and ensuring plans are in place to provide students with their records after a closure.⁵

This legislation takes major steps to protect both students and taxpayers. First and foremost, it **ensures incentives are in place for institutions to avoid a precipitous closure** that leaves students stranded and taxpayers holding the bag.

Too often today, the incentive is for institutions to exhaust every last option and wring every last cent out of students before closing -- many times, without any of the planning for closure that could ensure the closure does the least amount of damage to students. In one recent case, for instance, a nationally operating for-profit college (enrolling nearly 10,000 students at the time of closure in Art Institute and Argosy University campuses, despite facing enrollment declines in recent years, as well as numerous lawsuits and settlements with state and federal law enforcement agencies) dragged out its eventual collapse by selling to a nonprofit organization called Dream Center Education Holdings without any experience operating colleges; closing certain campuses to keep others afloat; failing to notify students when some of the school’s campuses lost full accreditation status; obtaining special treatment from a U.S. Department of Education official through the revocation of past guidance to accrediting agencies; filing for federal receivership; selling off some campuses to another entity; and persuading the Education Department to return some of the taxpayer protection it held from the school.⁶ When the school shut its doors, it had completed relatively little of the planning that would have provided students an opportunity to continue their educations easily.

³ <https://www.ibhe.org/Thought-Paper-Institutional-Closure.html>

⁴ https://sheeo.org/wp-content/uploads/2019/07/SHEEO_StateAuth.pdf

⁵ Ibid

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<https://www.educationdive.com/news/timeline-how-dream-centers-higher-ed-bid-went-off-the-rails/550339/>; <https://www.nytimes.com/2019/07/23/us/politics/dream-center.html>;
<https://www.insidehighered.com/news/2019/04/03/another-profit-giant-collapses-critics-dream-center-deal-wonder-why-feds-didnt-seek>

The Maryland legislation lays out a framework for ensuring institutional leaders take personal responsibility for carefully and appropriately planning for the possibility of a closure, and for carrying out those plans responsibly and in the interests of their students. It also provides for the cancellation of institutional loan debt in the event a college closes without students being able to complete their programs -- making students whole for the financial and reputational harm done to them by the college, and recognizing such practices as unacceptable violations of state consumer protection laws.

Second, this bill **provides for teach-out agreements to give students the opportunity to continue their programs** at another institution.

When a college closes before its students can complete their programs, the students have the option of receiving a full loan discharge from the Education Department or of transferring their credits to another institution. But in many closures, only the vague outlines of a plan exists to help students transition to another school.

Students suffer when colleges fail to establish a real arrangement with another institution prior to closure. For instance, when the Education Corporation of America (ECA) abruptly closed its doors in December 2018, it enrolled more than 20,000 students, including around 1,700 Maryland students in Brightwood College campuses.⁷ At the time of its closure, the school had established no serious teach-out partners,⁸ though it did list several other for-profit colleges on its website at which students might be able to enroll, albeit likely without transferring all of the credits they had earned.⁹ By the next semester, when the Education Department reported data to Congress, fewer than 1,200--only about 6 percent of students affected at the time of closure--had transferred to another college.¹⁰

This legislation gives colleges the impetus to establish teach-out arrangements before it's too late -- something many colleges have argued strenuously against, claiming it would be premature. Past experience, though, shows that the current system's overabundance of caution has had devastating consequences for students. Importantly, the bill also lays out certain requirements for the schools that can accept these particularly vulnerable students at high risk of dropping out: requiring that they be in good standing with an accrediting agency, carries a lower risk of borrowers defaulting on their federal student loans than the

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<https://www.educationdive.com/news/how-state-agencies-prepared-for-the-chaos-of-ecas-abrupt-closure/546538/>

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<https://www.insidehighered.com/news/2018/12/06/closure-education-corporation-america-raises-questions-about-oversight-and-support>

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<https://www.educationdive.com/news/how-state-agencies-prepared-for-the-chaos-of-ecas-abrupt-closure/546538/>

¹⁰ <https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf>

institution at which the student originally enrolled, and has not been found to have consumer protection violations in recent years.

Finally, this bill **creates a process for handling student records quickly, accurately, and responsibly**, one of the most significant roles states have, but also one they have not always been able to play in precipitous closures over the past decade.

When ITT Tech closed suddenly, with around 40,000 students across 130 campuses nationwide, students' records became an immediate problem. With no plan in place, states were sent scrambling to construct a process. The Illinois Board of Higher Education noted that, at the time, it lacked authority to seize the records that sat in ITT offices, and students were left waiting as bankruptcy proceedings moved through the courts.¹¹ Research by the National Student Legal Defense Network found that students in school closures have experienced *"extreme delays in transcripts processing, failure to transfer records to a new custodian, transcripts distributed with minor or significant errors, or, in some cases, the destruction of irreplaceable records."*¹² In the aftermath of an already-devastating sudden interruption to studies, these problems with student records make it nearly impossible for students to get their academic futures back on track.

The Maryland legislation, though, would ensure that all necessary student records--academic, financial aid, and account information--are turned over to the state, that they are accurate at the time of closure, and that a process exists for correcting or updating transcripts when needed. This policy will avoid the double harm done to tens of thousands of students affected by college closures in recent years.

We sincerely appreciate the efforts of the sponsors of this legislation to counteract the problematic and harmful precipitous college closures that have occurred in recent years. With a particularly at-risk population typically affected by these closures--and at a time of significant fluctuation in the higher education system writ large--your legislation is especially welcome. We urge all Maryland legislators to report the bill favorably, adopt this language and serve as a model for states across the nation.

Sincerely,

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¹¹ https://www.ibhe.org/assets/files/IBHE_Thought_Paper_Closure.pdf

¹² <https://www.defendstudents.org/news/body/quality-assurance/Student-Defense-Transcripts-Paper.pdf>