

# SENATE BILL No. 1286

May 7, 2002, Introduced by Senator GOSCHKA and referred to the Committee on Appropriations.

A bill to amend 1963 PA 40, entitled

"An act to authorize private trade schools, business schools, correspondence schools and institutes to solicit students in this state; to provide for the issuance of permits to solicitors; to prescribe the powers and duties of the superintendent of public instruction; to provide penalties for violations of this act; and to repeal certain acts and parts of acts,"

by amending the title and sections 1, 2, 3, and 4 (MCL 395.121, 395.122, 395.123, and 395.124), section 3 as amended by 1988 PA 244.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

### TITLE

An act to authorize private trade schools, business schools, correspondence schools, and institutes to solicit students in this state; to provide for the issuance of permits to solicitors; to prescribe the powers and duties of the ~~superintendent of public instruction~~ DEPARTMENT OF CAREER DEVELOPMENT; to provide

1 penalties; ~~for violations of this act;~~ and to repeal ~~certain~~  
2 acts and parts of acts.

3 Sec. 1. As used in this act:

4 (a) ~~"Superintendent" means the superintendent of public~~  
5 ~~instruction~~ "DEPARTMENT" MEANS THE DEPARTMENT OF CAREER  
6 DEVELOPMENT.

7 (b) "School domiciled in this state" means a private trade  
8 school, business school, correspondence school, or institute  
9 licensed under ~~Act No. 148 of the Public Acts of 1943, as~~  
10 ~~amended, being sections 395.101 to 395.103 of the Compiled Laws~~  
11 ~~of 1948~~ 1943 PA 148, MCL 395.101 TO 395.103, or incorporated  
12 under ~~Act No. 327 of the Public Acts of 1931, as amended, being~~  
13 ~~sections 450.1 to 450.192 of the Compiled Laws of 1948~~ 1931 PA  
14 327, MCL 450.1 TO 450.192.

15 (c) "School domiciled outside of this state" means a private  
16 trade school, business school, correspondence school, or insti-  
17 tute located outside of this state and organized to give instruc-  
18 tion in any form or manner in any trade, occupation, or vocation  
19 for a consideration, reward, or promise of whatever nature, but  
20 not a school possessing authority to grant baccalaureate  
21 degrees.

22 (d) "Solicitor" means a person or agent 18 years of age or  
23 over representing a school located within or outside of this  
24 state who personally attempts to procure students, enrollees, or  
25 subscribers at a place or places other than the office or place  
26 of business of the school.

1       Sec. 2. Solicitor's permits are required for solicitors  
2 representing schools domiciled in this state, or schools  
3 domiciled outside of this state, ~~which~~ THAT have been autho-  
4 rized by the ~~superintendent~~ DEPARTMENT to solicit students in  
5 this state. The authorization may be granted TO a foreign school  
6 upon the submission of an application form provided for this pur-  
7 pose by the ~~superintendent~~ DEPARTMENT, which shall contain  
8 ~~such~~ THE information ~~to enable the superintendent~~ NECESSARY  
9 to evaluate the instructional program and practices of the school  
10 as well as its promotional and sales policies.

11       Sec. 3. (1) A solicitor shall not personally solicit a pro-  
12 spective student to enroll in any school unless he or she applies  
13 for and obtains a permit from the ~~superintendent~~ DEPARTMENT,  
14 issued under rules promulgated by the ~~superintendent~~ DEPARTMENT  
15 in accordance with the administrative procedures act of 1969,  
16 ~~Act No. 306 of the Public Acts of 1969, being sections 24.201 to~~  
17 ~~24.328 of the Michigan Compiled Laws~~ 1969 PA 306, MCL 24.201 TO  
18 24.328.

19       (2) A solicitor shall not solicit a prospective student to  
20 enroll in a school other than a school specifically listed in the  
21 application and the permit.

22       (3) A solicitor shall possess knowledge regarding available  
23 state and federal student financial aid programs and shall inform  
24 prospective students of their obligations under student financial  
25 aid programs including, but not limited to, loan repayment obli-  
26 gations under federally guaranteed student loan programs.

1       (4) A solicitor who represents more than 1 school shall  
2 obtain a permit for each school THAT he or she represents.

3       (5) Each application for a solicitor's permit shall be  
4 accompanied by a surety bond in the amount of \$5,000.00. The  
5 bond may be continuing and shall be conditioned to provide indem-  
6 nification to a student suffering loss as a result of fraud or  
7 misrepresentation used in procuring the student's enrollment.  
8 The bond shall be supplied by the school as an individual or a  
9 blanket bond covering each of its representatives in the penal  
10 sum of \$5,000.00. The liability to be incurred under an individ-  
11 ual or blanket surety bond shall not exceed \$5,000.00 in the case  
12 of any 1 solicitor. The surety may relieve itself of liability  
13 ~~thereafter~~ and withdraw from the bond upon giving 30 days'  
14 notice in writing to the ~~superintendent~~ DEPARTMENT.

15       (6) An annual fee shall be charged for each solicitor's  
16 permit. The fee shall be \$125.00 for a solicitor representing a  
17 school domiciled in this state or \$225.00 for a solicitor repre-  
18 senting a school domiciled outside of this state. The fee shall  
19 be deposited in the state treasury and credited to the department  
20 of ~~education~~ CAREER DEVELOPMENT to be used solely for adminis-  
21 trative expenses of this act and ~~Act No. 148 of the Public Acts~~  
22 ~~of 1943, being sections 395.101 to 395.103 of the Michigan~~  
23 ~~Compiled Laws~~ 1943 PA 148, MCL 395.101 TO 395.103. The fee  
24 amounts established in this subsection may be adjusted by the  
25 ~~state board of education~~ DEPARTMENT. An adjustment of a fee  
26 established under this section shall be the same as the  
27 percentage of adjustment made for costs associated with the

1 licensing provisions of a proprietary school under ~~Act No. 148~~  
2 ~~of the Public Acts of 1943~~ 1943 PA 148, MCL 395.101 TO 395.103,  
3 as determined annually by the legislature.

4 (7) Each solicitor's permit shall expire 1 year from the  
5 date of issuance.

6 Sec. 4. (a) Any solicitor's permit may be revoked by the  
7 ~~superintendent~~ DEPARTMENT upon 10 days' notice and after a  
8 hearing, if the holder of the permit solicits or enrolls students  
9 through fraud or misrepresentation.

10 (b) All contracts entered into in this state by schools or  
11 their solicitors and all promissory notes or other evidences of  
12 indebtedness taken in lieu of cash payments by such schools or  
13 solicitors shall be null and void unless the schools are duly  
14 licensed, approved, or authorized to solicit prospective students  
15 and unless the solicitors have secured permits as required by  
16 this act.

17 (c) Any person violating any of the provisions of this act  
18 is guilty of a misdemeanor.