

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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SENATE BILL 685  
PROPOSED COMMITTEE SUBSTITUTE S685-PCS85197-RQ-16

Short Title: Modify Regulation of Proprietary Schools. (Public)

Sponsors:

Referred to:

April 20, 2011

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND THE LAW RELATING TO THE REGULATION OF PROPRIETARY  
3 SCHOOLS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Article 8 of Chapter 115D of the General Statutes is amended by  
6 adding three new sections to read:

7 "**§ 115D-89.1. State Board of Proprietary Schools.**

8 (a) The State Board of Proprietary Schools is established in the North Carolina  
9 Community Colleges System Office.

10 (b) The State Board of Proprietary Schools shall consist of seven members as follows:

11 (1) The President of the North Carolina Community College System or the  
12 President's designee.

13 (2) Two members appointed by the Governor.

14 (3) Two members appointed by the General Assembly upon the  
15 recommendation of the President Pro Tempore of the Senate, one of whom  
16 shall be the owner or director of a proprietary school licensed in the State  
17 with less than 100 total annual enrollment of students and one the owner or  
18 director of a proprietary school or group of proprietary schools licensed in  
19 the State with more than 750 total annual enrollment of students.

20 (4) Two members appointed by the General Assembly upon the  
21 recommendation of the Speaker of the House of Representatives, one of  
22 whom shall be the owner or director of a proprietary school licensed in the  
23 State with between 100 and 750 total annual enrollment of students and one  
24 the owner or director of a proprietary school licensed in the State.

25 The appointing authorities shall appoint members who have a demonstrated history of  
26 experience in proprietary or public postsecondary education, an understanding of standards of  
27 quality in postsecondary education, and leadership beyond a particular institution.

28 (c) No member of the General Assembly, spouse of a member of the General  
29 Assembly, or officer or employee of the State shall be eligible to serve on the State Board of  
30 Proprietary Schools.

31 (d) One initial member appointed by each appointing authority shall be appointed for a  
32 term ending December 30, 2014; the other member shall be appointed for a term ending  
33 December 30, 2017. Subsequent appointments shall be for six-year terms beginning on January  
34 1. No person shall be appointed or elected to more than two consecutive six-year terms.



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1 Vacancies in appointments made by the Governor shall be filled by the Governor.  
2 Vacancies in the appointments made by the General Assembly shall be filled in accordance  
3 with G.S. 120-122.

4 (e) The State Board of Proprietary Schools may declare vacant the office of a member  
5 who does not attend three consecutive scheduled meetings without justifiable excuse. The  
6 Chair of the State Board of Proprietary Schools shall notify the appropriate appointing  
7 authority of any such vacancy.

8 (f) The State Board of Proprietary Schools shall elect from its membership a chair and  
9 such other officers as it may deem necessary. Officers shall serve for a term of two years.

10 (g) The State Board of Proprietary Schools shall meet at stated times established by the  
11 State Board of Proprietary Schools but not less frequently than four times a year. Special  
12 meetings of the State Board of Proprietary Schools may be set at any regular meeting or may be  
13 called by the chair. A majority of the qualified members of the State Board of Proprietary  
14 Schools shall constitute a quorum for the transaction of business.

15 **"§ 115D-89.2. Office of Proprietary Schools; staff.**

16 The Office of Proprietary Schools shall be the principal administrative unit under the  
17 direction of the State Board of Proprietary Schools. Unless specified in G.S. 115D-89.3, the  
18 State Board of Proprietary Schools has authority to recommend for adoption and to administer  
19 all policies, regulations, and standards which it deems necessary for the operation of the Office  
20 of Proprietary Schools.

21 The State Board of Proprietary Schools shall hire an executive director of the Office of  
22 Proprietary Schools, who shall serve as chief administrative officer of the Office of Proprietary  
23 Schools, or contract with an outside consultant to serve as the executive director. The  
24 compensation of this position shall be fixed by the State Board of Proprietary Schools from  
25 funds provided by fees deposited in the Commercial Education Fund.

26 The State Board of Proprietary Schools may hire other employees as it deems necessary to  
27 carry out the provisions of this Article. The compensation of the staff members hired by the  
28 State Board of Proprietary Schools shall be fixed by the State Board of Proprietary Schools  
29 upon recommendation of the Executive Director of the Office of Proprietary Schools. The  
30 Executive Director shall provide an annual projected operating budget to the State Board of  
31 Proprietary Schools at a time each year designated by the State Board of Proprietary Schools.  
32 The budget will be approved by the State Board of Proprietary Schools from funds provided by  
33 fees deposited in the Commercial Education Fund.

34 **"§ 115D-89.3. State Board of Proprietary Schools and State Board of Community**  
35 **Colleges; licensing authority and coordination of responsibilities to administer**  
36 **Article.**

37 The State Board of Community Colleges, having the authority under G.S. 115D-89 to grant  
38 and issue licenses to proprietary schools by and through the State Board of Proprietary Schools,  
39 shall receive written recommendation from the State Board of Proprietary Schools concerning  
40 applicants for licenses and annual renewal applications for licenses. The State Board of  
41 Proprietary Schools shall prepare and have approved by the State Board of Community  
42 Colleges a certificate of license that reflects the recommendation of the State Board of  
43 Proprietary Schools and approval by the State Board of Community Colleges. The State Board  
44 of Community Colleges shall also receive from the State Board of Proprietary Schools and  
45 have authority concerning proposed changes to the General Statutes and rules affecting  
46 proprietary schools. The State Board of Community Colleges shall receive a written report  
47 annually from the State Board of Proprietary Schools to include the number of schools  
48 receiving initial licenses during the previous year, a list of currently licensed proprietary  
49 schools, school closures during the previous year, including a complete report of actions  
50 concerning any catastrophic closures, complaints received and resulting decisions or actions,  
51 total fees received, and balances of the Commercial Education Fund and the Student Protection

1 Fund. The State Board of Proprietary Schools shall provide the State Board of Community  
2 Colleges with any information requested."

3 **SECTION 2.** G.S. 115D-88(4c) reads as rewritten:

4 "(4c) Classes or schools that the State Board, acting by and through the ~~President~~  
5 ~~of the Community College System, State Board of Proprietary Schools~~  
6 determines are avocational, recreational, self-improvement, or continuing  
7 education for already trained and occupationally qualified individuals."

8 **SECTION 3.** G.S. 115D-89 reads as rewritten:

9 **"§ 115D-89. State Board of Community Colleges to administer Article; issuance of**  
10 **diplomas by schools; investigation and inspection; rules.**

11 (a) The State Board of Community Colleges, acting by and through the ~~President of the~~  
12 ~~Community College System, State Board of Proprietary Schools,~~ shall have authority to  
13 administer and enforce this Article and to grant and issue licenses to proprietary schools whose  
14 sustained curriculum is of a grade equal to that prescribed for similar public schools and  
15 educational institutions of the State and which have met the standards set forth by the Board,  
16 including but not limited to course offerings, adequate facilities, financial stability, competent  
17 personnel and legitimate operating practices.

18 (b) Any such proprietary school may by and with the approval of the State Board of  
19 Community Colleges issue certificates and diplomas.

20 (c) The State Board, acting by and through the ~~President of the Community College~~  
21 ~~System, State Board of Proprietary Schools,~~ shall formulate the criteria and the standards  
22 evolved thereunder for the approval of such schools or educational institutions, provide for  
23 adequate investigations of all schools applying for a license and issue licenses to those  
24 applicants meeting the standards fixed by the State Board, maintain a list of schools approved  
25 under the provisions of this Article which list shall be available for the information of the  
26 public, and provide for periodic inspection of all schools licensed under the provisions of this  
27 Article. Through periodic reports required of licensed schools and by inspections made by  
28 authorized representatives of the State Board of Community Colleges, the State Board of  
29 Community Colleges shall have general supervision over proprietary schools in the State, the  
30 object of said supervision being to protect the health, safety and welfare of the public by having  
31 the proprietary schools maintain adequate, safe and sanitary school quarters, sufficient and  
32 proper facilities and equipment, sufficient and qualified teaching and administrative staff, and  
33 satisfactory programs of operation and instruction, and to have the school carry out its  
34 advertised promises and contracts made with its students and patrons. To this end the State  
35 Board of Community Colleges is authorized to issue such rules not inconsistent with the  
36 provisions of this Article as are necessary to administer the provisions of this Article.

37 The State Board, acting by and through the ~~President of the Community College System,~~  
38 State Board of Proprietary Schools, may request any occupational licensing or approving board  
39 or agency in this State to adopt rules requiring the approval of that board or agency for a course  
40 of study. Under these rules, the board or agency shall pass on the adequacy of equipment,  
41 curricula, and instructional personnel. The State Board of Community Colleges may deny  
42 approval to a course of study that is not approved by such board or agency."

43 **SECTION 4.** G.S. 115D-90 reads as rewritten:

44 **"§ 115D-90. License required; application for license; school bulletins; requirements for**  
45 **issuance of license; license restricted to courses indicated; supplementary**  
46 **applications.**

47 (a) No person shall operate, conduct or maintain or offer to operate in this State a  
48 proprietary school unless a license is first secured from the State Board of Community Colleges  
49 granted in accordance with the provisions of this Article and the rules adopted by the Board  
50 under the authority of G.S. 115D-89. The license, when issued, shall constitute the formal  
51 acceptance by the Board of the educational programs and facilities of each school approved.

1 (b) Application for a license shall be filed in the manner and upon the forms prescribed  
2 and furnished by the ~~President of the Community College System~~ State Board of Proprietary  
3 Schools for that purpose. Such application shall be signed by the applicant and properly  
4 verified and shall contain such of the following information as may apply to the particular  
5 school for which a license is sought:

- 6 (1) The title or name of the school or classes, together with the name and  
7 address of the owners and of the controlling officers thereof.
- 8 (2) The general field of instruction.
- 9 (3) The place or places where such instruction will be given.
- 10 (4) A specific listing of the equipment available for instruction in each field.
- 11 (5) The qualifications of instructors and supervisors.
- 12 (6) Financial resources available to equip and to maintain the school or classes.
- 13 (7) Such additional information as the State Board, acting by and through the  
14 ~~President of the Community College System~~, State Board of Proprietary  
15 Schools, may deem necessary to enable it to determine the adequacy of the  
16 program of instruction and matters pertaining thereto. Each application shall  
17 be accompanied by a copy of the current bulletin or catalog of the school  
18 which shall be in published form and certified by an authorized official of  
19 the school as being current, true, and correct in content and policy. The  
20 school bulletin shall contain the following information:
  - 21 a. Identifying data, such as volume number and date of publication.
  - 22 b. Names of the institution and its governing body, officials and faculty.
  - 23 c. A calendar of the institution showing legal holidays, beginning and  
24 ending date of each quarter, term or semester, and other important  
25 dates.
  - 26 d. Institution's policy and regulations relative to leave, absences, class  
27 cuts, make-up work, tardiness and interruptions for unsatisfactory  
28 attendance.
  - 29 e. Institution's policy and regulations on enrollment with respect to  
30 enrollment dates and specific entrance requirements for each course.
  - 31 f. Institution's policy and regulations relative to standards of progress  
32 required of the student by the institution. This policy will define the  
33 grading system of the institution; the minimum grades considered  
34 satisfactory; conditions for interruption for unsatisfactory grades or  
35 progress and description of the probationary period, if any, allowed  
36 by the institution; and conditions of reentrance for those students  
37 dismissed for unsatisfactory progress. A statement will be made  
38 regarding progress records kept by the institution and furnished the  
39 student.
  - 40 g. Institution's policy and regulations relating to student conduct and  
41 conditions for dismissal for unsatisfactory conduct.
  - 42 h. Detailed schedule for fees, charges for tuition, books, supplies, tools,  
43 student activities, laboratory fees, service charges, rentals, deposits,  
44 and all other charges.
  - 45 i. Policy and regulations of the institution relative to the refund of the  
46 unused portion of tuition, fees and other charges in the event the  
47 student does not enter the course or withdraws or is discontinued  
48 therefrom. The policy and regulations shall provide for, at a  
49 minimum, a full refund if a student withdraws before the first day of  
50 class or the school cancels the class and a seventy-five percent (75%)

- 1 refund if the student withdraws within the first twenty-five percent  
2 (25%) of the period of enrollment for which the student was charged.
- 3 j. A description of the available space, facilities and equipment.
- 4 k. A course outline for each course for which approval is requested,  
5 showing:
- 6 1. Subjects or units in the course,  
7 2. Type of skill to be learned, and  
8 3. Approximate (i) time; (ii) clock hours, and (iii) credit hours  
9 or credit hours equivalent, as appropriate, to be spent on each  
10 subject or unit.
- 11 l. Policy and regulations of the institution relative to granting credit for  
12 previous educational training.
- 13 (c) After due investigation and consideration on the part of the State Board, acting by  
14 and through the ~~President of the Community College System~~, State Board of Proprietary  
15 Schools, as provided herein, a license shall be granted to the applicant when it is shown to the  
16 satisfaction of ~~said the State Board~~ that said applicant, school, programs of study or courses are  
17 found to have met the following criteria:
- 18 (1) The courses, curriculum and instruction are consistent in quality, content and  
19 length with similar courses in public schools and other private schools in the  
20 State, with recognized accepted standards.
- 21 (2) There is in the institution adequate space, equipment, instructional material  
22 and instructor personnel to provide training of good quality.
- 23 (3) Education and experience qualifications of director, administrators and  
24 instructors are adequate.
- 25 (4) The institution maintains a written record of the previous education and  
26 training of the student.
- 27 (5) A copy of the course outline, schedule of tuition, fees and other charges,  
28 regulations pertaining to absences, grading policy and rules of operation and  
29 conduct will be furnished the student upon enrollment.
- 30 (6) Upon completion of training, the student is given a certificate or diploma by  
31 the institution indicating the approved course or subjects and indicating that  
32 training was satisfactorily completed.
- 33 (7) Adequate records as prescribed by the State Board of Community Colleges,  
34 acting by and through the ~~President of the Community College System~~, State  
35 Board of Proprietary Schools, are kept to show attendance and progress or  
36 grades and satisfactory standards relating to attendance, progress and  
37 conduct are enforced.
- 38 (8) The school complies with all local, city, county, municipal, State and federal  
39 regulations, such as fire codes, building and sanitation codes. The State  
40 Board of Community Colleges may require such evidence of compliance as  
41 is deemed necessary.
- 42 (9) The school is financially sound and capable of fulfilling its commitments for  
43 training.
- 44 (10) The school does not exceed its enrollment limitation as established by the  
45 State Board of Community Colleges.
- 46 (11) The school does not utilize advertising of any type which is erroneous or  
47 misleading, either by actual statement, omission or intimation.
- 48 (12) The school's administrators, directors, owners and instructors are of good  
49 reputation and character.
- 50 (13) Such additional criteria as may be deemed necessary by the State  
51 ~~Board~~, Board of Community Colleges.

1 (d) Any license issued shall be restricted to the programs of instruction or courses or  
2 subjects specifically indicated in the application for a license. The holder of a license shall  
3 present a supplementary application as may be directed by the ~~President of the Community~~  
4 ~~College System~~ State Board of Proprietary Schools for approval of additional programs of  
5 instruction, courses, or subjects, in which it is desired to offer instruction during the effective  
6 period of the license."

7 **SECTION 5.** G.S. 115D-91 reads as rewritten:

8 "**§ 115D-91. Duration and renewal of licenses; notice of change of ownership,**  
9 **administration, etc.; license not transferable.**

10 (a) All licenses issued shall expire on ~~June 30 next following the date of issuance.~~ June  
11 30.

12 (b) Unless a duration is otherwise prescribed by the State Board of Community  
13 Colleges, licenses shall be renewable annually on July 1 if all of the following conditions are  
14 met:

15 (1) An application for the renewal of the license has been filed in the form and  
16 manner prescribed by the State Board, acting by and through the ~~President of~~  
17 ~~the Community College System.~~ State Board of Proprietary Schools.

18 (2) The renewal fee has been paid.

19 (3) The school and its courses, facilities, faculty and all other operations are  
20 found to meet the criteria set forth in the requirements for a school to secure  
21 an original license.

22 (c) After a license is granted to any school by the State Board of Community Colleges  
23 on the basis of its application, it shall be the responsibility of said school to notify immediately  
24 ~~said the State Board~~ of any changes in the ownership, administration, location, faculty, the  
25 instructional program or other changes as may affect significantly the course of instruction  
26 offered.

27 (d) In the event of the sale of such school, the license already granted to the original  
28 owner or operators thereof shall not be transferable to the new ownership or operators.  
29 Provided, however, the ~~President of the Community College System~~ State Board of Proprietary  
30 Schools may issue a 90-day, temporary operating license to a school upon its sale if the school  
31 held a valid, current license prior to the sale, and if the ~~President~~ State Board of Proprietary  
32 Schools finds that the school is likely to qualify after the sale for a license under this Article."

33 **SECTION 6.** G.S. 115D-92 reads as rewritten:

34 "**§ 115D-92. Authority to establish fees; Commercial Education Fund established; refund**  
35 **of fees.**

36 The ~~State Board of Community Colleges~~ State Board of Proprietary Schools shall establish  
37 reasonable fees for licenses, renewals, and approvals granted, and for inspections performed  
38 pursuant to this ~~Article.~~ Article in accordance with Article 2A of Chapter 150B of the General  
39 Statutes.

40 The fees and licenses collected under this section shall be placed in a special fund to be  
41 designated the "Commercial Education Fund" and shall be used under the supervision and  
42 direction of the ~~State Board of Community Colleges~~ State Board of Proprietary Schools for the  
43 administration of this Article. No license fee shall be refunded in the event the application is  
44 rejected or the license suspended or revoked."

45 **SECTION 7.** G.S. 115D-93 reads as rewritten:

46 "**§ 115D-93. Suspension, revocation or refusal of license; notice and hearing; judicial**  
47 **review; grounds.**

48 (a) A refusal to issue, refusal to renew, suspension of, or revocation of a license under  
49 this section shall be made in accordance with Chapter 150B of the General Statutes.

1 (b) A decision under this section to refuse to grant, refuse to renew, suspend, or revoke  
2 a license is subject to judicial review in accordance with Article 4 of Chapter 150B of the  
3 General Statutes.

4 (c) The State Board, acting by and through the ~~President of the Community College~~  
5 ~~System, State Board of Proprietary Schools,~~ shall have the power to refuse to issue or renew  
6 any such license and to suspend or revoke any such license theretofore issued in case it finds  
7 one or more of the following:

- 8 (1) That the applicant for or holder of such a license has violated any of the  
9 provisions of this Article or any of the rules promulgated thereunder.
- 10 (2) That the applicant for or holder of such a license has knowingly presented to  
11 the State Board of Community Colleges false or misleading information  
12 relating to approval or license.
- 13 (3) That the applicant for or holder of such a license has failed or refused to  
14 permit authorized representatives of the State Board of Community Colleges  
15 to inspect the school, or has refused to make available to them at any time  
16 upon request full information pertaining to matters within the purview of the  
17 State Board of Community Colleges under the provisions of this Article.
- 18 (4) That the applicant for or holder of such a license has perpetrated or  
19 committed fraud or deceit in advertising the school or in presenting to the  
20 prospective students written or oral information relating to the school, to  
21 employment opportunities, or to opportunities for enrollment in other  
22 institutions upon completion of the instruction offered in the school.
- 23 (5) That the applicant or licensee has pleaded guilty, entered a plea of nolo  
24 contendere or has been found guilty of a crime involving moral turpitude by  
25 a judge or jury in any state or federal court.
- 26 (6) That the applicant or licensee has failed to provide or maintain premises,  
27 equipment or conditions which are adequate, safe and sanitary, in  
28 accordance with such standards of the State of North Carolina or any of its  
29 political subdivisions, as are applicable to such premises and equipment.
- 30 (7) That the licensee is employing teachers, supervisors or administrators who  
31 have not been approved by the State Board, acting by and through the  
32 ~~President of the Community College System, State Board of Proprietary~~  
33 Schools.
- 34 (8) That the licensee has failed to provide and maintain adequate premises,  
35 equipment, materials or supplies, or has exceeded the maximum enrollment  
36 for which the school or class was licensed.
- 37 (9) That the licensee has failed to provide and maintain adequate standards of  
38 instruction or an adequate and qualified administrative, supervisory or  
39 teaching staff.
- 40 (10) That the applicant for or a holder of a license has failed to provide a required  
41 bond or bond alternative.
- 42 (11) That the applicant for or holder of a license has failed to pay assessments  
43 into the Student Protection Fund."

44 **SECTION 8.** G.S. 115D-95(b) reads as rewritten:

45 "(b) Amount. – An applicant for a license must file a bond with the North Carolina State  
46 Board of Community Colleges executed by the applicant as a principal and by a bonding  
47 company authorized to do business in this State. The bond must be payable to the State Board  
48 of Community Colleges, must be conditioned on fulfillment of the school's obligations, and  
49 must remain in effect until cancelled by the bonding company. The bonding company may  
50 cancel the bond upon 30 days' notice to the State Board of Community Colleges.

1 The application must set out calculations made by the applicant to determine the amount of  
2 bond required with the application. The required amount is determined as follows:

- 3 (1) Initial licensure. – For an applicant for initial licensure of a school, the bond  
4 amount is the amount determined by the State Board that is adequate to  
5 provide indemnification to any student, or the student's parent or guardian  
6 who has suffered a loss of tuition, fees, or any other instructional-related  
7 expenses paid to the school. A bond amount shall be at least twenty-five  
8 thousand dollars (\$25,000).
- 9 (2) First four renewals. – For a school that has been licensed for one year but  
10 less than six years, the bond shall be in an amount equal to the greatest  
11 amount of unearned paid tuition in the school's possession at anytime during  
12 the prior fiscal year. The bond amount shall be evaluated by the school  
13 quarterly and reported to the State Board or its representative. A quarterly  
14 evaluation requiring an increase of five percent (5%) or more in the amount  
15 of the bond held by the school shall require an immediate increase in the  
16 bond amount. Bond amounts also shall be evaluated pursuant to this  
17 subdivision and the rules of the State Board of Community Colleges and  
18 State Board of Proprietary Schools at the time of the school's annual license  
19 renewal and increased if necessary regardless of the amount of the change.
- 20 (3) Schools in operation more than five years. – A guaranty bond shall be  
21 required for license renewal for a school that has been continuously licensed  
22 to operate for more than five years in the State, as follows:
- 23 a. If the balance of the Student Protection Fund in G.S. 115D-95.1 is  
24 below the catastrophic loss amount, the school shall file a guaranty  
25 bond in an amount equal to the maximum amount of prepaid tuition  
26 held by the school during the prior fiscal year multiplied by the  
27 percentage amount the fund is deficient.
- 28 b. If the school held prepaid tuition in excess of the Student Protection  
29 Fund catastrophic loss amount during the prior fiscal year, in  
30 addition to any bond amount required by sub-subdivision a. of this  
31 subdivision, the school shall file a guaranty bond for the difference  
32 between the prepaid tuition amount held in the previous fiscal year  
33 and the Fund catastrophic loss amount."

34 **SECTION 9.** G.S. 115D-95.1 reads as rewritten:

35 **"§ 115D-95.1. Student Protection Fund.**

36 (a) Definitions. – As used in this section:

- 37 (1) "Catastrophic loss amount" means the amount of funds required to protect  
38 prepaid student tuition in case of a large-scale event that would draw against  
39 the Student Protection Fund. The amount is one million dollars (\$1,000,000).  
40 (2) "Fund cap amount" means the catastrophic loss amount plus a reserve  
41 amount. The amount is one million five hundred thousand dollars  
42 (\$1,500,000).

43 (b) Student Protection Fund. – The Student Protection Fund is established in the  
44 Department of State Treasurer as a statewide fee-supported fund. Interest accruing to the Fund  
45 is credited to the Fund. The State Board of ~~Community Colleges~~ Proprietary Schools  
46 administers the Fund. The purpose of the Fund is to compensate students enrolled in a  
47 proprietary school licensed under this Article who have suffered a loss of tuition, fees, or any  
48 other instructional-related expenses paid to the school by reason of the failure of the school to  
49 offer or complete student instruction, academic services, or other goods and services related to  
50 course enrollment if the school ceases to operate for any reason, including the suspension,  
51 revocation, or nonrenewal of a school's license, bankruptcy, or foreclosure.



1 (c) Student Protection Fund Advisory Committee. —~~The President of the North~~  
 2 ~~Carolina Community College System shall appoint a Student Protection Fund Advisory~~  
 3 ~~Committee. Members of the Committee shall be appointed for terms of three years. The State~~  
 4 ~~Board of Proprietary Schools shall serve as the Student Protection Advisory Committee. The~~  
 5 Committee shall advise the State Board of Community Colleges on matters related to the Fund,  
 6 including, but not limited to, the adjustment of the catastrophic loss amount and Fund cap  
 7 amount.

8 ~~The Committee shall consist of seven members as follows:~~

- 9 (1) ~~Three professional staff members of the Community Colleges System~~  
 10 ~~Office.~~
- 11 (2) ~~An owner/director of a proprietary school with less than 100 students, or the~~  
 12 ~~owner/director's designee.~~
- 13 (3) ~~An owner/director of a proprietary school with between 100 and 750~~  
 14 ~~students, or the owner/director's designee.~~
- 15 (4) ~~An owner/director of a proprietary school or group of proprietary schools~~  
 16 ~~with more than 750 students, or the owner/director's designee.~~
- 17 (5) ~~An owner/director of a proprietary school appointed at large, or the~~  
 18 ~~owner/director's designee.~~

19 (d) Initial Payment. – Prior to its first year of operation in the State, each proprietary  
 20 school shall pay an initial amount of one thousand two hundred fifty dollars (\$1,250) into the  
 21 Fund.

22 (e) Annual Revenue Payment. – Each proprietary school operating in the State shall pay  
 23 annually into the Fund an amount based on its annual gross tuition revenue generated in the  
 24 State as follows:

25 Annual Gross Tuition Revenue	Amount of Assessment
26 \$1.00 – \$25,000	\$200.00
27 \$25,001 – \$50,000	\$250.00
28 \$50,001 – \$100,000	\$300.00
29 \$100,001 – \$200,000	\$400.00
30 \$200,001 – \$300,000	\$500.00
31 \$300,001 – \$400,000	\$600.00
32 \$400,001 – \$500,000	\$700.00
33 \$500,001 – \$750,000	\$1,000
34 \$750,001 – \$1,000,000	\$1,250
35 \$1,000,001 – \$1,500,000	\$1,500
36 \$1,500,001 – \$2,000,000	\$2,000
37 Greater than \$2,000,000	\$2,000 plus one-twentieth of one percent 38 (.05%) of annual gross tuition revenue 39 over \$2,000,000.

40 (f) Suspension of Payments. – If the Student Protection Fund balance is equal to or  
 41 exceeds the Fund cap amount, the State Board of ~~Community Colleges-Proprietary Schools~~  
 42 shall suspend payments into the Fund for schools that have been continuously licensed in the  
 43 State for more than eight years. The State Board of Proprietary Schools shall require schools to  
 44 resume payments into the Fund if the balance of the Fund is less than the catastrophic loss  
 45 amount.

46 (g) Catastrophic Assessments. – If claims against the Student Protection Fund exceed  
 47 the catastrophic loss amount, the State Board of ~~Community Colleges-Proprietary Schools~~ may  
 48 assess additional fees to the extent necessary to compensate students qualified for repayment  
 49 under the Fund. The amount of the catastrophic assessment shall not exceed one-half of the  
 50 amount of the annual revenue payment required by subsection (e) of this section. If the amount

1 of the catastrophic assessment will be insufficient to cover qualified claims, the State Board  
2 shall develop a method of allocating funds among claims.

3 (h) Payment Required for Proprietary School Licensure. – The full and timely payment  
4 into the Fund pursuant to this section is a condition of licensure.

5 (i) Payments Nonrefundable. – No payment to the Student Protection Fund shall be  
6 refunded in the event that a school's license application is rejected or a school's license is  
7 suspended or revoked.

8 (j) Student Repayment. – A student, or the student's parent or guardian, who has  
9 suffered a loss of tuition, fees, or any other instructional-related expenses paid to a proprietary  
10 school licensed under this Article by reason of the school ceasing to operate for any reason,  
11 including the suspension, revocation, or nonrenewal of a school's license, bankruptcy, or  
12 foreclosure, may qualify for repayments under the Student Protection Fund. The State Board of  
13 Community Colleges first must issue repayment from the bonds issued under G.S. 115D-95. If  
14 the Student Protection Fund is insufficient to cover the qualified claims, the State Board must  
15 develop a method of allocating funds among claims.

16 (k) Rules. – The State Board of ~~Community Colleges~~Proprietary Schools shall adopt  
17 rules for the implementation of this section."

18 **SECTION 10.** Effective July 1, 2011, two positions in the Community Colleges  
19 System Office of Proprietary Schools shall be terminated.

20 **SECTION 11.** Appointments to the State Board of Proprietary Schools shall be  
21 made within 30 days after the effective date of this act.

22 **SECTION 12.** Sections 1 through 9 of this act become effective January 1, 2012.  
23 Section 10 of this act becomes effective July 1, 2011. The remainder of this act is effective  
24 when it becomes law.