

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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SENATE BILL 860*

Short Title: Student Trust Fund/Proprietary Schools. (Public)

Sponsors: Senator Clodfelter.

Referred to: Education/Higher Education.

March 26, 2009

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A STUDENT PROTECTION FUND FOR PROPRIETARY
3 SCHOOL STUDENTS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Effective July 1, 2012, G.S. 115D-95 is repealed. Prior to that date,
6 the required bond amount shall be a percentage of the maximum amount of prepaid tuition held
7 by the school at any time during the last fiscal year, as follows:

<u>Fiscal year</u>	<u>Percentage</u>
2009-2010	75%
2010-2011	50%
2011-2012	25%.

12 **SECTION 2.** G.S. 115D-96 reads as rewritten:

13 "**§ 115D-96. Operating school without license or bond made misdemeanor.**

14 Any person, or each member of any association of persons or each officer of any
15 corporation who opens and conducts a proprietary business school, a proprietary technical
16 school, a proprietary trade school, or a correspondence school, without first having obtained the
17 license herein required, and without first having executed the ~~bond required~~, bond, paid the
18 assessments into the Student Protection Fund, or both, as required by law, shall be guilty of a
19 Class 3 misdemeanor, and each day said school continues to be open and operated shall
20 constitute a separate offense."

21 **SECTION 3.** Chapter 115D of the General Statutes is amended by adding a new
22 section to read:

23 "**§ 115D-95.1. Student Protection Fund.**

24 (a) The Student Protection Fund is established in the Department of State Treasurer as a
25 statewide fee-supported fund. Interest accruing to the Fund shall be credited to the Fund. The
26 State Board of Community Colleges shall administer the Fund. The purpose of the Fund is to
27 compensate students enrolled in a proprietary school that terminates a program or ceases
28 operation before the students have completed their program of study.

29 (b) Prior to its first year of operation in the State, each proprietary school shall pay an
30 initial amount of five hundred dollars (\$500.00) into the Fund.

31 (c) For its first five years of operation in the State, each proprietary school shall pay
32 into the Fund an amount based on its total enrollment for the previous calendar year, as
33 follows:

<u>Number of Students</u>	<u>Amount of Assessment</u>
0-49	\$500
50-99	\$1,000
100-499	\$2,000



1	<u>500-999</u>	<u>\$3,000</u>
2	<u>1,000-1,499</u>	<u>\$4,000</u>
3	<u>More than 1,500</u>	<u>\$5,000.</u>

4 Total enrollment equals the number of students enrolled on January 1 of the year plus new
5 starts during the calendar year plus students reentering from a period of nonattendance during
6 the calendar year.

7 For the 2009-2010 fiscal year only, proprietary schools that have been operating in the State
8 for more than five years shall also pay this assessment.

9 (d) Each proprietary school operating in the State shall also annually pay into the Fund
10 an amount equal to .0005 of its annual gross tuition revenue generated in the State.

11 (e) The State Board of Community Colleges shall forgive additional payments into the
12 Fund if there have been no claims against the Fund by students of a school for 15 years.

13 (f) The full and timely payment into the Fund pursuant to this section is a condition of
14 licensure.

15 (g) Students enrolled in a proprietary school that terminates a program or ceases
16 operation before the students have completed their program of study may qualify for payments
17 from the Student Protection Fund.

18 (h) The State Board of Community Colleges shall adopt rules for the implementation of
19 this section."

20 **SECTION 4.** Except as otherwise provided in this act, this act becomes effective
21 July 1, 2009.