

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE DRH10681-LE-141A\* (2/23)

Short Title: Student Trust Fund/Proprietary Schools.

(Public)

Sponsors: Representative Gibson.

Referred to:

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5 **SECTION 1.** Effective July 1, 2012, G.S. 115D-95 is repealed.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%.

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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>
<u>0-49</u>	<u>\$500</u>



1	<u>50-99</u>	<u>\$1,000</u>
2	<u>100-499</u>	<u>\$2,000</u>
3	<u>500-999</u>	<u>\$3,000</u>
4	<u>1,000-1,499</u>	<u>\$4,000</u>
5	<u>More than 1,500</u>	<u>\$5,000.</u>

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

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

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

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

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

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

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

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