



HOUSE BILL 327: NC Board of Proprietary Schools.

2017-2018 General Assembly

Committee:	House Finance	Date:	April 25, 2017
Introduced by:	Reps. Blackwell, Fraley, R. Turner	Prepared by:	Trina Griffin
Analysis of:	PCS to Second Edition H327-CSTC-33		Committee Counsel

OVERVIEW: *The 2nd Edition of HB 327 would establish the North Carolina Board of Proprietary Schools as an independent licensing board, recodify existing statutes currently controlling proprietary schools, establish fees that may be charged by the new Board, and make additional changes to those statutes. Specifically with regard to fees, Section 11 would authorize the Board to use the same fee structure as under current law for the transition period until the Board sets new fees in accordance with G.S. 155F-35. The new fee authority reflects a 10% increase in the caps to allow for growth.*

The PCS would change the effective date so that the requirements of the act would become effective 90 days after the bill becomes law.

CURRENT LAW: Article 8 of the Chapter 115D provides for licensure of education institutions with a physical presence in the State that educate or train students in vocational programs leading towards professional licensure, employment, or a postsecondary degree below the associate level (proprietary schools) under the authority of the State Board of Community Colleges (SBCC), acting by and through the State Board of Proprietary Schools (SBPS).

The State Board of Proprietary Schools has the following members:

- The President of the North Carolina Community College System or the President's designee.
- Two members appointed by the Governor.
- Two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.
 - One appointee must be the owner or director of a proprietary school licensed in the State with less than 100 total annual enrollment of students.
 - One appointee must be the owner or director of a proprietary school or group of proprietary schools licensed in the State with more than 750 total annual enrollment of students.
- Two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives.
 - One appointee must be the owner or director of a proprietary school licensed in the State with between 100 and 750 total annual enrollment of students.
 - One appointee must be the owner or director of a proprietary school licensed in the State.

Licensed proprietary schools must file bonds that meet certain criteria payable to the State Board of Community Colleges when initially licensed and with each of the first 4 renewals. Schools in operation for more than 5 years must file guaranty bonds meeting certain criteria.

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Legislative Analysis
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House PCS 327

Page 2

Proprietary schools must also pay assessments to the Student Protection Fund to compensate students enrolled in proprietary schools that have suffered losses in certain education expenses due to the failure of the school. The Fund is required to maintain a "catastrophic loss amount" of \$1 million to protect prepaid student tuition in case of a large-scale event drawing against the Fund.

BILL ANALYSIS: The PCS for HB 327 would make the following changes:

- Repeal current statutes regulating proprietary schools in Chapter 115D (Community Colleges).
- Recodify the contents of those statutes, with the following substantive modifications:
 - Establish the North Carolina Board of Proprietary Schools (NCBPS) as an independent Board located administratively within the Department of Administration. The Board would have the same membership composition as the former State Board of Proprietary Schools.
 - Set specific limits on future fees established by the NCBPS, and authorize the NCBPS to continue charging current fees without reestablishing those fees through the rulemaking process.
 - Require proprietary schools to file bonds meeting certain criteria with each of the first 5 (rather than 4) renewals, and guaranty bonds for schools licensed more than 6 (rather than 5) years.
 - Raise the catastrophic loss amount for the Student Protection Fund to \$1.5 million.
 - Authorize the NCBPS to enforce the requirements for proprietary schools as follows:
 - Seek an injunction or restraining order in superior court for a violation.
 - Assess a civil penalty not in excess of \$1,000 for a statutory or rule violation, as well as costs of enforcement.
- Make conforming changes in other statutes.
- Provide that current members of the SBPS will become the new members of the NCBPS until the conclusion of their terms of office.
- Permit the NCBPS to enter into an agreement with the SBCC to provide that the Community College System Office serve as the fiscal agent for the NCBPS during the transition to independent control of those funds by the NCBPS.

EFFECTIVE DATE: HB 327 would become effective 90 days after the bill becomes law, and would apply to applications for initial licensure or license renewals on or after that date.

Kara McCraw, Legislative Analysis Division staff attorney, substantially contributed to this summary.