



HOUSE BILL 467: Establish State Board of Prop.

2019-2020 General Assembly

Committee:	House Pensions and Retirement. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 15, 2019
Introduced by:	Reps. R. Turner, Fraley, Blackwell	Prepared by:	Theresa Matula Committee Staff
Analysis of:	Second Edition		

OVERVIEW: *HB 467 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.*

Section 9 of the bill would permit employees of the North Carolina Board of Proprietary Schools to participate in the Teachers' and State Employees' Retirement System, and Section 10 would allow participation in the State Health Plan.

CURRENT LAW: Article 8 of 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).

Currently, 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 annual enrollment of less than 100 total students.
 - One appointee must be the owner or director of a proprietary school or group of proprietary schools licensed in the State with annual enrollment of more than 750 total 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 total annual enrollment of between 100 and 750 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 initial licensed and with each of the first 4 renewals. Schools in operation for more than 5 years must file guaranty bonds meeting certain criteria.

Proprietary schools must also pay assessments to the Student Protection Fund to compensate students enrolled in proprietary schools that have suffered losses of 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.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

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BILL ANALYSIS: HB 467 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. The Board would have a similar membership composition as the former State Board of Proprietary Schools, but instead of the President of the Community College System, would include the Executive Director of the State Approving Agency.
 - Make the NCBPS subject to the State Budget Act to qualify its employees for membership in the Teachers' and State Employees' Retirement System and State Health Plan.
 - 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, and that the members of the SBPS and NCPBS may serve in a dual capacity for one month to transition between the advisory board and new independent board.
- **With regard to the State retirement systems, Section 9 provides that in order for employees of the North Carolina Board of Proprietary Schools (NCBPS) to participate in the Teachers' and State Employees' Retirement System, the Board is required to make an irrevocable election by October 1, 2019. Section 10 amends the definition of "employing unit" in the State Health Plan for Teachers and State Employees to allow NCBPS employees to participate. G.S. 115F-30(c) requires the Office of Proprietary Schools to use BEACON, or the State payroll system, for payroll purposes for employees of the Board.**
- Permit the NCBPS to enter into an agreement with the SBCC to provide that the Community College System Office continue to serve as the fiscal agent for the NCBPS during the transition to independent control of those funds by the NCBPS.

EFFECTIVE DATE: Section 1 of the act would become effective October 1, 2019, and the remainder of the act would become effective September 1, 2019. Chapter 115F, as enacted by the act, would apply to applications for initial licensure or license renewals on or after October 1, 2019.

**Kara McCraw, Committee Counsel for House Education substantially contributed to this summary.*