

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 860 (Fifth Edition)

**SHORT TITLE:** Student Protection Fund/Proprietary Schools.

**SPONSOR(S):** Senator Clodfelter

	FISCAL IMPACT				
	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
<b>REVENUES:</b>					
<b>Student Protection Fund</b>		\$184,300	\$116,530	\$118,831	\$119,057
<b>EXPENDITURES:</b>					
<b>Community College System</b>			No Fiscal Impact		
<b>Department of State Treasurer</b>			No Fiscal Impact		
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> North Carolina Community College System; North Carolina Department of State Treasurer					
<b>EFFECTIVE DATE:</b> This act becomes effective July 1, 2010.					

### BILL SUMMARY:

Sections 1 and 2 of SB 860 CS change the bonding requirements of proprietary schools licensed by the North Carolina Community College System. Section 4 of the bill creates a Student Protection Fund to compensate students enrolled in proprietary schools who lose tuition, fees, or other instructional-related expenses due to the failure of the schools to offer or complete the students' courses of study. Annual assessments charged each proprietary school are based on annual gross tuition revenue. When the fund balance reaches \$1.5 million, then those schools that have been continuously licensed for over eight years may suspend payments into the fund. Section 5 of the bill requires schools to make an additional payment in FY 2010-11 only that is based on enrollment in 2009.

**ASSUMPTIONS AND METHODOLOGY:**

Revenue

The N.C. Community College System and N.C. Proprietary School Association provided the revenue data to estimate deposits into the Student Protection Fund for the 59 proprietary schools licensed in North Carolina in May 2009. In FY 2010-11, each school will pay an initial assessment into the Fund as follows:

<b>Initial Assessments</b>			
<u>Enrollment</u>	<u>Assessment</u>	<u># of Schools</u>	<u>Revenue</u>
0-49	\$500	36	\$18,000
50-99	\$1,000	5	\$5,000
100-499	\$2,000	10	\$20,000
500-999	\$3,000	6	\$18,000
1,000-1,499	\$4,000	1	\$4,000
> 1,500	\$5,000	<u>1</u>	<u>\$5,000</u>
		59	\$70,000

Beginning in FY 2010-11, each proprietary school will pay an annual assessment based on their annual gross tuition revenue. However, three of the schools report tuition revenue with a partner school, meaning that there will only be assessments for 56 schools. The estimated assessments for the 56 licensed schools in May 2009 are shown below.

<b>Annual Assessments</b>			
<u>Annual Gross Tuition Revenue</u>	<u>Assessment</u>	<u># of Schools</u>	<u>Revenue</u>
\$1 - \$25,000	\$200	6	\$1,200
\$25,001 - \$50,000	\$250	6	\$1,500
\$50,001 - \$100,000	\$300	8	\$2,400
\$100,001 - \$200,000	\$400	10	\$4,000
\$200,001 - \$300,000	\$500	2	\$1,000
\$300,001 - \$400,000	\$600	4	\$2,400
\$400,001 - \$500,000	\$700	0	\$0
\$500,001 - \$750,000	\$1,000	2	\$2,000
\$750,001 - \$1,000,000	\$1,250	0	\$0
\$1,000,001 - \$1,500,000	\$1,500	0	\$0
\$1,500,001 - \$2,000,000	\$2,000	2	\$4,000
	\$2,000+		
> \$2,000,000	.05%	<u>16</u>	<u>\$95,800</u>
		56	\$114,300

Based on these estimates of initial and annual assessments, deposits into the Student Protection Fund will total \$184,300 in FY 2010-11. According to the N.C. Community College System, the average growth in tuition revenue for the 56 schools has been 2.8% per year. Using this projected growth in each schools' tuition revenue, deposits into the Student Protection Fund will total \$116,530 in FY 2011-12, \$118,831 in FY 2012-13 and \$119,057 in FY 2013-14.

Expenditure

Since the N.C. Community College System already licenses proprietary schools, it does not anticipate any additional costs to implement this act. A System official also stated that the Student Protection Fund Advisory Committee will impose no additional cost on the department.

**SOURCES OF DATA:** N.C. Proprietary School Association; N.C. Community College System

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** James Robinson

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** August 3, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices