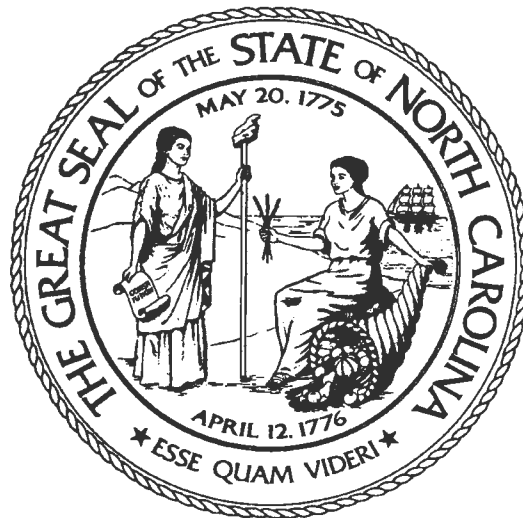


**LEGISLATIVE
RESEARCH COMMISSION**

PROPRIETARY SCHOOLS



**REPORT TO THE
1989 GENERAL ASSEMBLY
OF NORTH CAROLINA
1990 SESSION**

A LIMITED NUMBER OF COPIES OF THIS REPORT IS AVAILABLE
FOR DISTRIBUTION THROUGH THE LEGISLATIVE LIBRARY.

ROOMS 2126, 2226
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-7778

OR

ROOM 500
LEGISLATIVE OFFICE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-9390

(1) A BILL TO BE ENTITLED AN ACT TO AMEND
THE LAWS RELATING TO THE REGULATION OF
PROPRIETARY SCHOOLS J-1

(2) An analysis of the Bill.....J-14

Legislative Proposal II

(1) A BILL TO BE ENTITLED AN ACT TO INCREASE
THE BOND REQUIREMENT FOR PROPRIETARY SCHOOLS K-1

(2) An analysis of the Bill.....K-17

(3) Proposal of Representatives of State
Agencies and Proprietary Schools Regarding
BondingK-20

Legislative Proposal III

(1) A BILL TO BE ENTITLED AN ACT TO APPROPRIATE
FUNDS TO THE DEPARTMENT OF COMMUNITY COLLEGES FOR
PROPRIETARY SCHOOL LAW ENFORCEMENTL-1

(2) An Analysis of the BillL-2

(3) Fiscal Analysis of the Bill by the Department
of Community CollegesL-3

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



May 21, 1990

TO THE MEMBERS OF THE 1989 GENERAL ASSEMBLY (SECOND SESSION, 1990):

The Legislative Research Commission herewith submits to you for your consideration its interim report on Proprietary Schools. The report was prepared by the Legislative Research Commission's Committee on Proprietary Schools pursuant to Section 2.1(22) of Chapter 802 of the 1989 Session Laws.

Respectfully submitted,

Handwritten signature of Josephus L. Mavretic in cursive script.

Josephus L. Mavretic
Speaker

Handwritten signature of Henson P. Barnes in cursive script.

Henson P. Barnes
President Pro Tempore

Cochairmen
Legislative Research Commission

1989-1990

LEGISLATIVE RESEARCH COMMISSION

MEMBERSHIP

Speaker of the House of
Representatives
Josephus L. Mavretic, Cochair

Rep. Joanne W. Bowie

Rep. J. Fred Bowman

Rep. Harold J. Brubaker

Rep. James W. Crawford, Jr.

Rep. John W. Hurley

President Pro Tempore of
the Senate
Henson P. Barnes, Cochair

Senator Ralph A. Hunt

Senator Donald R. Kincaid

Senator Robert L. Martin

Senator Lura S. Tally

Senator Russell G. Walker

PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is co-chaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

At the direction of the 1989 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Co-chairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Co-chairs, one from each house of the General Assembly, were designated for each committee.

The study of Proprietary Schools was authorized by Section 2.1(22) of Chapter 802 of the 1989 Session Laws (1989 Session). That act states that the Commission may consider Senate Bill 854 in determining the nature, scope and aspects of the study. Senate Bill 854, which was introduced by Senator William N. Martin, called for a study of proprietary schools. The relevant portions of Chapter 802 and Senate Bill 854 are included in Appendix A. The Legislative Research Commission grouped this study in its government regulation area under the direction of Senator Robert L. Martin. The Committee was chaired by Senator William N. Martin and Representative Michael P. Decker. The full membership of the Committee is listed in Appendix B of this report.

A committee notebook containing the committee minutes and all information presented to the committee is filed in the Legislative Library.

COMMITTEE PROCEEDINGS

OVER VIEW

The Legislative Research Commission Committee on Proprietary Schools met five times before making its interim report to the 1989 General Assembly (Second Session, 1990). During the course of its deliberations, the Committee heard from representatives of State agencies that regulate proprietary schools about the current regulatory scheme and about the regulators' recommendations for improving it. The State agency that provides financial assistance to students who enroll in proprietary schools also provided information. The Committee also heard from representatives of proprietary schools and their professional organizations regarding the operation of the schools, the current regulatory scheme, and their recommendations for improving it. The Committee also heard from proprietary school students and their parents regarding problems they had had at various proprietary schools.

The Committee decided to make an interim report to the 1990 Session of the 1989 General Assembly. Its recommendations involve three issues - technical changes to the statute under which the Department of Community Colleges regulates proprietary schools, an increase in the bond requirement for most schools operating in North Carolina, and additional funding to enable the regulators to do a better job in enforcing the law.

THE CURRENT REGULATORY SCHEME

Proprietary schools are private schools that provide educational programs, subjects, and courses to students, on a for-profit basis. Proprietary schools may be correspondence schools, business schools, trade schools, technical schools, degree-

granting schools, or any combination of these types of schools, that are operated for profit. Schools that are operated on a nonprofit basis by legitimate charitable or religious organizations are not proprietary schools; public schools within the State public school system, state community colleges within the State Community College System, and colleges or universities within The University of North Carolina, are not proprietary schools.

The General Statutes charge six State agencies with licensing, permitting, and approving the operation of proprietary schools. These agencies are the Board of Governors of The University of North Carolina, which regulates all instruction at the associate degree level and above for nonpublic institutions; the Department of Community Colleges, which regulates instruction below the level of associate degree; the Board of Cosmetic Arts, which regulates instruction leading to licensure as a cosmetologist; the Division of Motor Vehicles, which regulates instruction leading to approval as a commercial truck driver; the Board of Barber Examiners, which regulates instruction leading to licensure as a barber; and the State Board of Nursing, which regulates instruction related to licensure as a Licensed Practical Nurse, a Registered Nurse, and other nursing occupations. Depending on the types of programs, subjects, and courses it offers, a single proprietary school will be subject to regulation by one or more of these agencies.

Three other State agencies are indirectly involved with the operation of proprietary schools within the State. The Attorney General's Office is charged by law with investigating consumer complaints regarding proprietary schools. The Division of Archives and History of the Department of Cultural Resources is the repository of some student records from some proprietary schools. The North Carolina State Education Assistance Authority provides financial assistance to students who elect to enroll in proprietary schools.

The Board of Governors of The University of North Carolina licenses proprietary schools that offer degrees. The Board of Governors requires proprietary schools that offer degrees to meet 15 standards that cover curriculum, faculty, library holdings, financial stability, and responsible advertising. At the expense of the proprietary schools, university staff members and teams of examiners monitor the maintenance of standards at the schools by on-site reviews every two years.

At the present time, all of the proprietary schools that are licensed by the Board of Governors to offer degrees offer only an associate degree, which requires two years of academic study. If a proprietary school meets the requirements of the Board of Governors, the school can offer a bachelors degree, a masters degree, or even a doctorate. So far, no schools have applied for a license to offer a degree higher than an associate degree. A list of the schools currently licensed by the Board of Governors to offer associate degrees may be found in Appendix C of this report.

A common complaint the Board of Governors gets about proprietary schools pertains to the quality of instruction received at the schools. The Board of Governors as a regulatory agency can, however, set only basic, minimum standards for the schools. It must rely on consumer expectations to move schools beyond the minimum. Also, the agency has little budget or staff for evaluating the proprietary schools programs and performance on an on-going basis.

The Department of Community Colleges regulates proprietary schools that offer programs, courses, and subjects below the associate degree level and that are not regulated by some other State agency. (A list of the schools currently licensed by the Department of Community Colleges may be found in Appendix D of this report.) The Department not only administers the law regarding the regulation of these schools, it also responds to complaints received from consumers, employees, and other schools. Because of its minimal resources, the Department experiences problems (1) in assuring

that proprietary school maintain the expectations of the agency in maintaining staff and curriculum, (2) in administrating the law, and (3) in an increased work load due to the increasing number of schools and the influx of home study schools. The Department relies on the State Bureau of Investigation, the Federal Bureau of Investigation, the Veteran's Administration, and other State and federal agencies to assist it in its work.

Because of deficiencies in the statutes, the Department of Community Colleges has two problems with regulating proprietary schools. First of all, there is no provision in the law for temporary licenses. When a school is sold, it automatically loses its license. It is very difficult for the schools and the Department to coordinate the sale of the school and the granting of the license so that a school can continue to operate during a sales transaction. Secondly, there is little protection for students if a school simply ceases to operate. The law requires only a \$1,000 bond of the schools. When a school closes down abruptly, leaving students with an incomplete education, a \$1,000 bond cannot begin to compensate students for their losses.

The North Carolina Board of Cosmetic Arts approves the proprietary schools that offer cosmetology programs. In order to be approved, a school must meet certain financial requirements and the facilities must meet health and safety standards. Also, the schools must validate each student's performance skills and the number of hours each student studied. When the Board of Cosmetic Arts receives a complaint from a student of a cosmetology school, a customer of a cosmetology school, or another cosmetology school, the Board refers it to the Attorney General's Office.

At the present time, some community colleges are paying proprietary schools to teach cosmetology courses to community college students.

A list of the private schools approved to offer cosmetology programs may be found in Appendix E of this report.

The Division of Motor Vehicles of the Department of Transportation regulates proprietary schools that offer driving courses. Many truck drivers and many first-time drivers receive their instruction through proprietary schools. North Carolina has nine truck driving schools in 15 locations. Every piece of equipment at each location is inspected on the schools' premises and at weigh stations during the course of its use. The inspection process includes surprise visits that involve talks with students.

Although other states have serious problems with truck driving schools, North Carolina does not. Every complaint received within the last two years was investigated and only one proved to be valid. Two people were tried and convicted of infractions of the laws governing proprietary schools.

The Division has experienced some difficulties in regulating the quality of instruction; some schools do not include enough actual driving experience such as driving a loaded tractor trailer. The Division also has some concerns about whether advertising by some schools may be misleading or may be misconstrued by potential students. North Carolina seems to have a good record in regulating advertisements for truck driving schools, however. Nearly 97 percent of those students who were certified are placed in jobs.

Proprietary schools test applicants for truck drivers licenses for the Division of Motor Vehicles.

A list of the proprietary schools regulated by the Division of Motor Vehicles may be found in Appendix F of this report.

The North Carolina Board of Barbers regulates the proprietary schools that offer barbers courses. Primarily, the Board regulates the health and safety standards of the schools and the quality of the education provided for the students. Every Barber Proprietary School is visited unannounced by a Board inspector four times annually. Each complaint received concerning irregularities in teaching requirements is

investigated by a staff inspector; so far, no teaching irregularities have been substantiated. Complaints regarding financial aid are referred to a toll-free number at the Department of Education in Atlanta.

A list of the proprietary schools regulated by the Board of Barbers may be found in Appendix G of this report.

The Board of Nursing approves proprietary schools that prepare students to be nurses or nurses aides.

At the present time, no proprietary school other than a hospital has applied for approval to offer a nursing program. All nursing programs are currently housed in either hospitals or institutes of higher education and offer either a diploma or a bachelor's degree. There have been inquiries, however, from individuals, groups of nurses, and residential health facilities such as nursing homes that are considering offering nursing programs.

If a proprietary school other than a hospital were to offer a nursing program it would be regulated the same way as other nursing programs. The Board reviews each nursing program every five years including a visit to every facility that cooperates with the nursing program. Also, each institution must submit an annual report to the Board. When a nursing candidate has completed the nursing program, he or she must sit for a qualifying examine. If students from any institute score lower than 75 percent, the institution is investigated; if students from any institution score lower than 80 percent, the Board discusses the situation with that institution.

At the present time, there are six schools licensed to offer nurses aide studies; these are in community colleges, hospitals, and rest homes. These programs must be reapproved every two years and must meet financial, academic, and physical requirements.

CONSUMER COMPLAINTS

The Committee heard from the Attorney General's Office and from students and their parents regarding consumer complaints.

The Consumer Protection Section of the Attorney General's Office deals with complaints about proprietary schools from consumers. During the period from March 1988 to December 15, 1989, the Attorney General's Office responded to 72 complaints. The most frequent complaint received concerned proprietary schools "not teaching what they said they would". There has also been a problem with schools closing; in 1989 three schools closed abruptly leaving students without facilities to complete their contacted programs. From its perspective of dealing with complaints from consumers, the Attorney General's Office sees three areas of concern in the regulatory process - the quality of the product, the complaint process, and the lack of adequate resources for the regulatory agencies and licensing offices to do their jobs.

The Committee asked the 72 students who had complained to the Attorney General's Office to appear before the committee so the committee could get an idea of the types and severity of the problems. Very few of the students responded to the invitation. Of those who responded, many were unable to appear because of their work and school schedules. Some parents appeared on behalf of students because of concerns that the students' appearance might compromise the students' positions in pending litigation. The committee made no effort to resolve the cases of the students who appeared because that is the job of the regulatory agencies and the courts; the committee only heard the testimony for its information.

The parents of several students testified before the committee regarding a problem at Hardbarger's Business School. The school had offered an associate degree program when it in fact had no authority to grant a degree in the program. The school continued to offer the "degree program" after it had been denied approval to offer the degree. The State, acting through the Attorney General's Office settled the case on

behalf of 79% of the 192 affected students. Other students are still pursuing their claims in the courts. The parents of four students who are still pursuing their claims appeared before the committee and spoke of the cost in time, money, lost opportunities, and personal disappointments to their children. The school elected not to speak or to respond to questions after the presentations of the parents. Later, the school submitted a written statement for the information of the committee.

Other former students of other schools voiced a variety of complaints about the schools. These complaints included: (i) that the school curriculum did not prepare even good students for the needs and expectations of the market place; (ii) that labs were not open when working students would be able to use them and that the equipment was not state-of-the-art; (iii) that the schools promise of "unconditioned placement for life" was an exaggeration and that placement efforts did not meet his expectations; (iv) that a school had no faculty or curriculum for a manicurist course it contracted to offer and that it did not in fact teach the student; (v) that students were billed for courses and programs they dropped; (vi) that teachers were not qualified to teach the courses; and (vii) that the programs did not measure up to the schools' advertisements.

The committee did not attempt to determine the legitimacy of the complaints it heard. The committee decided, after hearing the complaints, that the current law is adequate to resolve the allegations. The potential deficiency is in the regulatory process, in that the regulatory agencies do not have the man-power to carry out long-range investigations.

The Division of Archives and History of the Department of Cultural Resources is the repository for administrative, financial, and academic records of some defunct proprietary schools. If these records are unavailable from the Division of Archives and History or elsewhere, the students of these defunct schools are stranded with no access

to records that can provide evidence of their graduation, proof of attendance, or status of financial aid.

The Division of Archives and History no longer has the personnel or the shelf space to continue to accept all records from defunct proprietary schools. Its current policy is to limit the acceptance of records from proprietary schools. A copy of the Division's statement on this matter may be found in Appendix H of this report.

THE PERSPECTIVE OF THE SCHOOLS

The committee asked representatives of proprietary schools and their professional organizations to address the committee regarding the operation of the schools, the current regulatory scheme, and their recommendations for improving the current regulatory scheme.

Representatives of the schools told the committee that proprietary schools are the oldest form of education in the United States, dating from Colonial days. In North Carolina Kings College, which has become Rutledge college, was established on 1901. For the most part, proprietary schools set their curricula to provide the specific training necessary for the current job market. Courses are offered as the market demands.

Students who attend proprietary schools are typically older than most college students; their average age is 26. They are often from disadvantaged settings. Many proprietary school students are single parents. Most proprietary school students work while attending class. Many students who attend proprietary schools have attended four-year colleges or universities and have not succeeded or have found the larger, more expanded general college curricula unsatisfactory. These students, who may have been labeled failures in the education system, may prefer a highly structured vocational school. Proprietary schools are a very real alternative to these students because they have direct communication with students.

Representatives of the industry told the committee that proprietary schools offer students several advantages. Classes are small. Students can get specialized training that may not otherwise be available. Students who want and need it can get classes in basic skills. A student who wants only vocational training to compete in the current job market can get it; he is not required to take a broad base of unrelated courses.

A major difference between proprietary schools and public colleges and universities is that there are no direct State or federal subsidies for proprietary schools. (The federal government does, however, provide grants and loans for qualifying students who attend proprietary schools.) All monies for proprietary schools are generated from student tuition.

Proprietary schools are privately owned and they are operated as businesses. Their three main motivations are the education of students, the service of placing students in jobs, and profits.

Representatives of the schools pointed out that they are not regulated just at the State level. They are also regulated by the federal government and by professional accrediting organizations. The federal government acts as a regulator in that it determines whether the students of a certain school qualify for federal grants and loans. The federal government is currently using a method that the schools feel is statistically unsound and otherwise inappropriate to determine default rates on student loans. Proprietary school owners feel the method is too vague to be used to evaluate proprietary schools. They are concerned that students of schools with excessively high default rates may be ineligible for federal funds. Professional accrediting organizations evaluate the overall quality and fiscal soundness of each school. Accrediting organizations give careful consideration to student retention, faculty turnover, and job placement for graduates.

For the most part, representatives of the schools stressed the viability of the proprietary schools and expressed support for the current regulatory system and for the State officials regulating the industry. They urged the committee not to recommend broad-sweeping changes in the regulatory system because a few schools had created problems, not to punish the good proprietary schools in an effort to correct problems in a few schools. They supported the idea of giving the State regulatory agencies additional funds to monitor the industry and enforce the current law more effectively.

A representative of a cosmetic art school stressed the need for a governing board that is not connected to the Community College System. He feels that the Department of Community Colleges really has a conflict of interests since they also offer cosmetology programs and since his schools are paid by three community colleges to provide their cosmetology programs.

A representative of a barber school said that barber schools need a full-time regulatory board and higher standards for instructors. Instructors should have two years of experience as a certified barber and should have served as apprentice instructors before taking the instructor's exam. A strengthening of standards of curriculum contents, and the development of a short course to train instructors is also needed. He also suggested an increase in the bonding requirement for schools.

A developing problem he sees for barber schools is unqualified, poorly motivated students. When his barber school applied for its students to receive federal grants and loans, the school was inundated with applications from students, many of whom he fears will not be serious students or credible professionals. He is not sure the school can maintain its 95 percent graduation rate and a 91 percent gainful employment rate in light of the increase of applications. He hopes to maintain these standards by having an industry-wide regulation that provides for the expulsion of non-performing students without statistical penalties to the schools performance.

RECOMMENDATIONS OF STATE REGULATORS OF PROPRIETARY SCHOOLS

At the request of the committee, the representatives of the State agencies that regulate proprietary schools prepared a list of eight recommendations for the committee. The committee decided that three of the recommendations were critical and it is recommending modified versions of those three to the Regular 1990 Session. The committee may consider the other five recommendations, along with other matters, before it issues its final report to the 1991 General Assembly.

The State agency representatives recommend that:

(1) The law relating to the regulation of proprietary schools by the Department of Community Colleges be amended to make technical and clarifying changes. The committee adopted this recommendation with some modifications. A discussion of the committee's recommendation may be found on page 15 of this report.

(2) Each regulatory agency should have sufficient funding to allow adequate staff to review properly each school and to ensure that the public receives an educational opportunity commensurate with that which is advertised. The committee's recommendation that the Department of Community Colleges receive additional funds may be found on page 16 of this report.

(3) The bond requirements for proprietary schools should be increased to provide meaningful relief to students. The committee adopted this recommendation with some modifications. A discussion of the committee's recommendation may be found on page 16 of this report.

(4) License application fees should be increased in an amount to adequately cover the costs of compliance investigations, financial audits, background checks, curriculum reviews, and on-site evaluations.

(5) The regulatory agencies should have emergency cease and desist powers to suspend a school's license and require a show cause hearing.

(6) A local registered agent and bond should be required for every foreign operator that recruits students in this State, that offers correspondence courses to students in this State, or that is otherwise doing business in the State.

(7) Schools should be assessed an annual fee to offset the storage and retrieval costs to the Division of Archives and History for student records from schools that have gone out of business. In the alternative, the fee would allow for these records to be stored at a private facility that would charge a reasonable fee to students seeking copies of their student records.

(8) The existing regulatory structure for proprietary schools should be retained.

A list of the State agencies making these recommendations and a complete statement of their recommendations may be found in Appendix I of this report.

RECOMMENDATIONS

The Legislative Research Commission Committee on Proprietary Schools, after having reviewed the information presented, recommends the following legislation to the 1989 General Assembly (Second Session, 1990):

RECOMMENDATION 1. THE LAW RELATING TO THE REGULATION OF PROPRIETARY SCHOOLS BY THE DEPARTMENT OF COMMUNITY COLLEGES, ARTICLE 8 OF CHAPTER 115D OF THE GENERAL STATUTES SHOULD BE AMENDED TO MAKE TECHNICAL AND CLARIFYING CHANGES.

The law relating to the regulation of proprietary schools by the Department of Community Colleges is generally adequate to ensure that schools are meeting their commitments to students. There are, however, many technical and clarifying changes that should be made in the law. First of all, the definitions in the law should be amended to distinguish between trade and technical schools and to clarify the issue of when a separate campus becomes a separate school. Second, the types of schools that are exempt from the proprietary school law need to be clarified to reflect current practice. Third, for ease of administration, the State Board of Community Colleges needs to be able to carry out some of its responsibilities by and through the President of the Community College System. Fourth, the authority of the Department of Community Colleges needs to be clarified and, in some cases, supplemented. The Department needs to be able to ask other State boards and agencies to regulate some aspects of school programs and to make compliance with the other boards' or agencies' requirements a condition of the Department approving a program. The Department needs a procedure for granting temporary licenses to schools that are sold to make it easier to coordinate the sale of a school and the approval of a license for the new

owners. The Department's authority to charge fees needs to be made explicit in the law. Finally, many technical changes in the law need to be made to complement these other changes and otherwise to improve the wording.

None of these changes would constitute a major departure in the way the Department of Community Colleges regulates proprietary schools. Representatives of proprietary schools did not object to these changes.

A bill to amend the law to make these technical and clarifying changes and a complete explanation of the bill may be found in Appendix J of this report.

RECOMMENDATION 2. THE BOND REQUIREMENT FOR PROPRIETARY SCHOOLS SHOULD BE INCREASED.

The present guaranty bond requirement in the law under which the Department of Community Colleges regulates proprietary schools is only \$1,000. That amount is simply inadequate to provide meaningful relief to students who lose their tuition and fees when a school stops operating. The amount of the required bond should take into account the amount of pre-paid tuition a school holds; in every case, the amount of the required bond should be at least \$10,000.

If a school is unable to obtain a guaranty bond, it should be allowed to seek a waiver of the bond requirement and submit an alternative to a guaranty bond. This option will give the State agency or licensing board that is requiring the bond some flexibility if, for whatever reason, bonds become unobtainable.

The State agencies that regulate proprietary schools and representatives of proprietary schools worked together to propose increased bond requirements to the committee. A copy of their joint proposal may be found in Appendix K of this report. The committee recommends that a bill based on their proposal be enacted by the General Assembly. A copy of the bill and a summary of it may also be found in Appendix K of this report.

RECOMMENDATION 3. THE GENERAL ASSEMBLY SHOULD APPROPRIATE ADDITIONAL FUNDS TO THE DEPARTMENT OF COMMUNITY COLLEGES FOR ADMINISTRATION AND ENFORCEMENT OF THE LAW RELATING TO PROPRIETARY SCHOOLS.

The most serious deficiency the committee found in the system of State regulation of proprietary schools is a lack of adequate staff in the Department of Community Colleges. The Department simply does not have the personnel to review each school properly to ensure that the school lives up to its commitment to its students.

Over the past 12 years, the State Approving Agency for Veterans Education in the Department of Community Colleges has taken on the tasks related to the regulation of proprietary schools. Although there is no professional staff member paid to administer the proprietary education program, Bernell Dickenson, the professional who was hired to administer the veterans education program, has been doing the job for the past 12 years. She has only a part time secretary assigned to the Proprietary Education Office to help her. She has been using the services of other State agencies and licensing boards to make the job possible.

The committee found that in spite of the budget crisis facing the State at this time, it is important that the General Assembly appropriate \$50,000 in the expansion budget for proprietary school law enforcement. These funds, coupled with \$20,000 from the General Fund and \$5,000 in receipts already in the base budget for proprietary school regulation, would give the Proprietary Education Office a full-time professional staff member, a full-time secretary, office expense funds, and a travel allowance.

The committee recognizes that the State Board of Community Colleges has the authority to increase fees for proprietary schools. The Appropriations Committees may wish to offset part of the proposed \$50,000 appropriation from the General Fund with the authority for the Department to spend any additional fees it collects.

With these resources, the Department could give proprietary schools information and guidance "up front" rather than just react to problems; it could make regular

presentations to the schools, give workshops, and hold seminars. The Department could also monitor the schools more closely to assure that they are complying with the law and meeting their commitments to their students; it could make one announced and one unannounced visit to each school every year. During on-site visits, the office could make certain a school is meeting its own criteria and fulfilling its promises to students; look at what is being taught and whether students are being tested properly; examine student records to make sure appropriate refunds are being granted; examine financial records; look at the operating budget; look at the library, classrooms, and labs; and interview staff members, students, and teachers, privately and in groups.

A bill to appropriate additional funds to the Department of Community Colleges, an explanation of the bill, and the Department's fiscal analysis of the bill, may be found in Appendix L of this report.

APPENDIX A

GENERAL ASSEMBLY OF NORTH CAROLINA
1989 SESSION
RATIFIED BILL

CHAPTER 802
SENATE BILL 231

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMITTEES AND COMMISSIONS, TO MAKE APPROPRIATIONS THEREFOR, AND TO DIRECT VARIOUS STATE AGENCIES TO STUDY SPECIFIED ISSUES.

The General Assembly of North Carolina enacts:

PART I. TITLE

Section 1. This act shall be known as "The Studies Act of 1989."

...

PART II.-----LEGISLATIVE RESEARCH COMMISSION

Sec. 2.1. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1989 bill or resolution that originally proposed the issue or study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

...

(22) Proprietary Schools (S.B. 854 - Martin, W.),

...

Sec. 2.4. Committee Membership. For each Legislative Research Commission Committee created during the 1989-1991 biennium, the Cochairmen of the Commission each shall appoint a minimum of seven members.

Sec. 2.5. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation, to the 1990 Session of the 1989 General Assembly or the 1991 General Assembly, or both.

Sec. 2.6. Bills and Resolution References. The listing of the original bill or resolution in this Part is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

Sec. 2.7. Funding. From the funds available to the General Assembly, the Legislative Services Commission may allocate additional monies to fund the work of the Legislative Research Commission.

...

PART XXV.-----EFFECTIVE DATE

Sec. 25.1. This act shall become effective July 1, 1989.

In the General Assembly read three times and ratified this the 12th day of August, 1989.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1989

S

1

SENATE BILL 854

Short Title: Proprietary School Study.

(Public)

Sponsors: Senator Martin of Guilford.

Referred to: Rules.

April 12, 1989

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE A LEGISLATIVE STUDY COMMISSION ON
3 PROPRIETARY SCHOOLS.

4 The General Assembly of North Carolina enacts:

5 Section 1. The Legislative Study Commission on Proprietary Schools is
6 created. The Commission shall consist of 14 members: 7 appointed by the President
7 Pro Tempore of the Senate, at least 4 of whom are members of the Senate, and 7
8 appointed by the Speaker of the House of Representatives, at least 4 of whom are
9 members of the House of Representatives.

10 Sec. 2. The President Pro Tempore of the Senate shall designate one
11 Senator as cochairman and the Speaker of the House of Representatives shall
12 designate one Representative as cochairman.

13 Sec. 3. The Commission shall investigate, study, and make
14 recommendations in connection with proprietary schools that offer, or purport to
15 offer, associate degrees or diplomas. The scope of the study shall include the
16 following:

- 17 (1) The extent to which the schools are capitalized;
18 (2) The extent of their operating reserves;
19 (3) Their assets and liabilities, and profit and loss information;

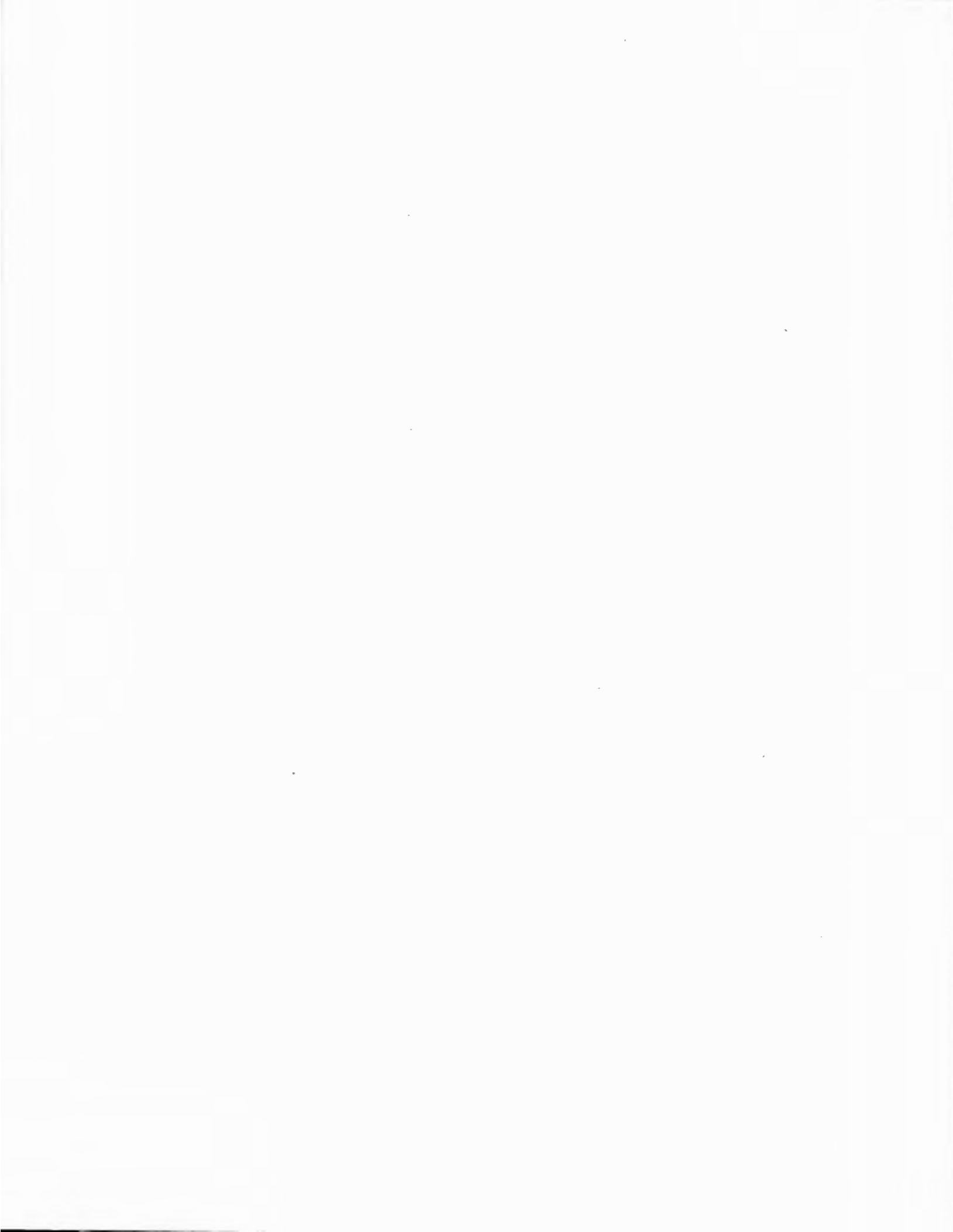
1 Sec. 7. The Commission may contract for professional, clerical, or
2 consultant services as provided by G.S. 120-32.02. The Legislative Services
3 Commission, through the Legislative Administrative Officer, shall assign professional
4 staff to assist in the work of the Commission. The House of Representatives' and the
5 Senate's Supervisors of Clerks shall assign clerical staff to the Commission or
6 committee, upon the direction of the Legislative Services Commission. The expenses
7 relating to clerical employees shall be borne by the Commission.

8 Sec. 8. When a vacancy occurs in the membership of the Commission the
9 vacancy shall be filled by the same appointing officer who made the initial
10 appointment.

11 Sec. 9. All State departments and agencies and local governments and
12 their subdivisions shall furnish the Commission with any information in their
13 possession or available to them.

14 Sec. 10. There is appropriated from the General Fund to the General
15 Assembly for fiscal year 1989-90 the sum of twenty-five thousand dollars (\$25,000)
16 and for fiscal year 1990-91 the sum of twenty-five thousand dollars (\$25,000) for the
17 expenses of the Commission.

18 Sec. 11. This act shall become effective July 1, 1989.



APPENDIX B

MEMBERSHIP OF LRC COMMITTEE ON PROPRIETARY SCHOOLS

EDUCATION--PROPRIETARY SCHOOLS

LRC Member in Charge:

Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Members

Pres. Pro Tem's Appointments

Sen. William N. 'Bill' Martin
Co-Chairman
P.O. Box 21363
Greensboro, NC 27420
(919)373-1108

Sen. Richard E. Chalk, Jr.
427 Wright Street
High Point, NC 27262
(919)883-0444

Sen. J. Richard Conder
1401 Carolina Drive
Rockingham, NC 28379
(919)997-5551

Sen. James E. 'Jim' Ezzell, Jr.
P.O. Box 8225
Rocky Mount, NC 27804-1225
(919)443-1505

Ms. Nina Freeman
107 King Circle
Louisburg, NC 27549
(919)496-5322

Sen. James F. 'Jim' Richardson
1739 Northbrook Drive
Charlotte, NC 28216
(704)399-1555

Sen. Lura S. Tally
3100 Tallywood Drive
Fayetteville, NC 28303

Speaker's Appointments

Rep. Michael P. 'Mike' Decker
Co-Chairman
6011 Bex Hill Drive
Walkertown, NC 27051
(919)595-4864

Rep. Gordon H. Greenwood
P.O. Box 487
Black Mountain, NC 28711
(704)669-7961

Rep. John B. McLaughlin
P.O. Box 158
Newell, NC 28126
(704)596-0845

Rep. Edd Nye
P.O. Box 8
Elizabethtown, NC 28337
(919)862-3679

Rep. John L. Tart
Route 1, Box 125-A
Goldsboro, NC 27530
(919)934-0200

Rep. Lois S. Walker
611 Woods Drive
Statesville, NC 28677
(704)873-2221

Mrs. Rachel Wright
556 Glorenia Street
Eden, NC 27288

(919)484-4868

(919)623-2881

Staff:

Sarah Fuerst
Bill Drafting Division
(919)733-6660

Clerk:

Connie Altman
Legislative Building, Room 2007
O: (919)733-5658
H: (919)859-2536

APPENDIX C

DEGREE-GRANTING SCHOOLS

Blanton's College
126 College Street
Asheville, N. C. 28801

Cecils Junior College of Business
1567 Patton Avenue
Asheville, N. C. 28806

Phillips Junior College -
Hardbarger Campus
1920 Capital Boulevard
Raleigh, N. C. 27604

Phillips Junior College of
Charlotte, Inc.
610 East Morehead Street
Charlotte, N. C. 28202

Phillips Junior College of
Fayetteville, Inc.
603 Country Club Drive
Fayetteville, N. C. 28301

Phillips Junior College of
Greensboro, Inc.
617 West Market Street
Greensboro, N. C. 27401

Phillips Junior College of
Raleigh, Inc.
211 West Martin Street
Raleigh, N. C. 27601

Phillips Junior College of
Winston-Salem, Inc.
4410 Providence Lane, Suite L
Winston-Salem, N. C. 27106

APPENDIX D

2-26-90

Replaces: 1-31-90

NORTH CAROLINA DEPARTMENT OF COMMUNITY COLLEGES
PROPRIETARY SCHOOLS SERVICES PROGRAM
DIRECTORY OF LICENSED PROPRIETARY SCHOOLS
(* Degree-granting schools) (** Approved for USDVA Benefits)

BUSINESS SCHOOLS

Elizabeth M. Hummel, President
American Business & Fashion Institute
1515 Mockingbird Lane, Suite 600
Charlotte, NC 28209
704/523-3738 est. 1973

Elizabeth States, Assist. State Dir.
American Institute of Paralegal
Studies, Inc., Charlotte
10510 Paces Avenue, #1316
Matthews, NC 28105
Classes located at: Queens College
1900 Selwyn Avenue
Charlotte, NC 28274 est. 1989
704/847-8948

Erin Johnston, Assist. State Dir.
American Institute of Paralegal
Studies, Inc., Greensboro
312 Maple Avenue
Reidsville, NC 27320
Classes located at: UNC-Greensboro
100 Foust Building
Greensboro, NC 27412 est. 1989
919/765-7777

Carolyn Bolton, Assist. State Dir.
American Institute of Paralegal
Studies, Inc., Raleigh
165 Newton Road
Raleigh, NC 27615
Classes located at: St. Mary's College
900 Hillsborough Street
Raleigh, NC 27603-1689 est. 1989
919/821-7762

Kevin Daughtry, Executive Director
*Blanton's College
126 College Street
Asheville, NC 28801
704/252-7346 est. 1930
**

Archie Cameron, Director
Brookstone College of Business
8307 University Executive Park Drive
Suite 240
Charlotte, NC 28213
704/547-8600 est. 1987

Michael Thompson, Director
Brookstone College of Business
7815 National Service Road
Airpark - West, Suite 600
Greensboro, NC 27404
1 800/992-5515 est. 1984

John T. South, President
*Cecil's Junior College of Business
1567 Patton Avenue
Asheville, NC 28806
704/252-2486 est. 1956
**

Carolyn Westmoreland, President
Draughon Business College
632 West 4th Street
Winston-Salem, NC 27102
919/722-0121 est. 1923
**

Lucille S. Jones, President
Greenville School of Commerce
2410 East Fourth Street
Greenville, NC 27834
919/752-3177 est. 1959

Roy da Roza, Director
Institute for Paralegal Studies
4020 Westchase Boulevard, Suite 500
Raleigh, NC 27607
919/833-0400 est. 1988

Edward Arrington, President
King's Business College
322 Lamar Avenue
Charlotte, NC 28204
704/372-0266 est. 1901
**

Lindley White, Director
Miller-Motte Business College
606 South College Road
Wilmington, NC 28403
919/392-4660 est. 1916
1-800-868-6622
**

James Laird, Executive Director
Miller-Motte Business College
647 West Fifth Street
Winston-Salem, NC 27101
919/724-7353 est. 1987
**

Gary Rhodes, Director
*Phillips Junior College -
Hardbarger Campus
1920 Capital Boulevard
Raleigh, NC 27604 est. 1924
919/828-7291 or 1-800-662-7149
**

Britt Dorman, Director
*Phillips Junior College of
Charlotte, Inc.
610 East Morehead Street
Charlotte, NC 28202
704/332-2625 est. 1981
**

Diane Hoskins, Director
Rutledge Business College of
Durham, Inc.
410 West Chapel Hill Street
Durham, NC 27701
919/682-5681 est. 1930

Janis M Yearick, Director
*Phillips Junior College of
Fayetteville, Inc.
603 Country Club Drive
Fayetteville, NC 28301
919/488-2527 est. 1924
**

Susan Bagby, Director
*Phillips Junior College of
Greensboro, Inc.
617 West Market Street
Greensboro, NC 27401
919/275-6341 est. 1964
**

Wayne Thompson, Director
*Phillips Junior College of
Raleigh, Inc.
211 West Martin Street
Raleigh, NC 27601
919/833-6402 est. 1901
**

Karen Hester, Director
*Phillips Junior College of
Winston-Salem, Inc.
4410 Providence Lane, Suite L
Winston-Salem, NC 27106
919/725-8701 est. 1962
**

William Hensley, President
Salisbury Business College, Inc.
129 Corriher Avenue
Salisbury, NC 28144
704/636-4071 est. 1917
**

Judy J. Reed, President
Southern College of Technology
160 West Franklin Street
Gastonia, NC 28052
704/861-0833 est. 1985

TRADE SCHOOLS

~~Tom Wilson~~ *ACTING*
~~Jeffrey M. Seaver, Sr.~~, Director
American College of Allied Health
1609 Elizabeth Avenue
Charlotte, NC 28204
704/332-9800 est. 1987

Brady Kraft, Director
American Motor Institute
4500 North Tryon Street
Charlotte, NC 28213
704/598-9000 est. 1982
**

Rick Rosen, Director
Body Therapy Institute
P. O. Box 202
Saxapahaw, NC 27340
919/376-9696 est. 1988

Steven M. Bolston, President
Bolston Private Electronics Insti.
112-A Cambridge Plaza Drive
Winston-Salem, NC 27104
919/760-0707 est. 1984

William Vaughn, President
Carolina School of Broadcasting
717 South Kings Drive
Charlotte, NC 28204
704/376-1619 est. 1960

Stewart Walker, Director
Carolina School of Massage Therapy
103 W. _____ Street
Carrboro, NC 27510

TRADE SCHOOLS (con't.)

Paul Shultz, Director
 ECPI of Charlotte
 1121 Wood Ridge Center Drive
 Suite 150
 Charlotte, NC 28217
 704/357-0077 est. 1989

Steven L. Hitchner, Director
 Electronic Computer Programming
 Institute of Greensboro
 7015 Albert Pick Road
 Greensboro, NC 27409
 919/665-1400 est. 1988

Gary Rhodes, Director
 Phillips Junior College -
 Hardbarger Campus
 (Technical Division)
 1920 Capital Boulevard
 Raleigh, NC 27604 est. 1924
 919/828-7291 or 1-800-662-7149

Susan Van Reen, Director
 Lucas Travel School, Inc.
 Crown Pointe Corporate Centre
 2200 Sardis Rd., North
 Bldg., 1, Suite 150
 Charlotte, NC 28227
 704/366-7560 est 1983

Jan Lauton, Director
 Lucas Travel School, Inc.
 1616-H Battleground Avenue
 Greensboro, NC 27408
 919/272-0033 est. 1983

Leslie Morris, Director
 Lucas Travel School, Inc.
 5540 Centerview Drive, Suite 309
 Raleigh, NC 27606
 919/851-2900 est. 1983

Katherine P. Sharpe, Director
 MTA School
 809 West Florida Street
 Greensboro, NC 27406
 919/378-1972 est. 1984

Robert L. Magee, Manager
 PCA Video Production Institute
 P. O. Box 1670
 Matthews, NC 28106
 704/847-8507 est. 1984

Lou Lyons, Director
 Professional Travel Academy
 7415 Pineville Matthews Road
 Suite 100
 P. O. Box 470867
 Charlotte, NC 28247
 704/542-0789 est. 1988

John Founds, Director
 Programming and Systems Institute
 of Charlotte
 4 Woodlawn Green, Suite 200
 Charlotte, NC 28217
 704/523-0555 est. 1988

Britt Dorman, Director
 Phillips Junior College of
 Charlotte, Inc.
 (Human Services Division)
 610 East Morehead Street
 Charlotte, NC 28202
 704/332-2625 est. 1981

Diane Hoskins, Director
 Rutledge Business College
 of Durham, Inc.
 (Human Services Division)
 410 West Chapel Hill Street
 Durham, NC 27701
 919/682-5681 est. 1930

Wayne Thompson, Director
 Phillips Junior College of
 Raleigh, Inc. (Human
 Services Division)
 211 West Martin Street
 Raleigh, NC 27601
 919/833-6402 est. 1901

Richard Monteith, Jr., President
 Travel Agents International
 Travel Academy of Raleigh
 1606-E North Market Drive
 Raleigh, NC 27609
 919/878-8820 est. 1988

E. Tish Brissette, President
 Travel Agents International
 Travel Academy of Wilmington
 902 South College Road
 Wilmington, NC 28403
 919/392-4091 est. 1987

CORRESPONDENCE SCHOOLS

Donald R. Lobdell, President
American Technical Institute
P. O. Box 201
Cedar Mountain, NC 28718
704/885-2877 est. 1988

William C. McNeill, President
Peace Officer Training Service
P. O. Box 185 (Rt. 3, Box 4-A)
Hope Mills, NC 28348-0185
919/424-4777 est. 1984

CORPORATE OFFICES OF DOMICILED
SCHOOLS IN NORTH CAROLINA

James Carrol, President
American Career Educators, Inc.
(Owner of American College of
Allied Health) P. O. Box 36822
11121 Carmele Commons Blvd., Suite 100
Charlotte, NC 28247
704/541-6900

Tom W. Williams, President
American Institute for Paralegal
Studies, Inc.
17515 W. Nine Mile, #225
Southfield, MI 48075

Jack Henderson, President
Asheboro Commercial College, Inc. (Owner of Brookstone Colleges of Business)
8307 University Executive Park Drive
Suite 240
Charlotte, NC 20213
704/547-8600

Gary Pritchett, President
Bradford Schools (Owner of
King's Business College)
335 Lamar Avenue
Charlotte, NC 28204
704/372-9001

Robert Smith, President
CareerCom Corporation
(Owner of MTA School)
1801 Oberlin Road
Middletown, PA 17057
1-800-233-7097

Alfred Dreyfus, President
Electronic Computer Programming Inst.
(Owner of ECPI - Greensboro & Charlotte)
3661 E. Virginia Beach Blvd.
Norfolk, Virginia 23502
804/461-6161

Janice L. Landry, President
Lucas Travel Schools, Inc
(Owner of Lucas Travel Schools)
Crown Pointe Corporate Centre
Building One, Suite 150
2200 Sardis Road, North
Charlotte, NC 28227
704/847-6005

Richard Craig, President
N. C. Business Schools, Inc.
(Owner of Miller-Motte
Business Colleges)
5051 New Center Drive, Suite 201
Wilmington, NC 28403
919/392-0150 or 1-800-868-6622

Gerald D. Adams, President
Phillips Colleges, Inc.
(Owner of Phillips Junior Colleges,
Rutledge Business College, and
American Motor Institute)
One Hancock Plaza, Suite 1408
Gulfport, MS 39501
601/864-6096

Irwin Mautner, President
Programming & Systems, Inc.
(Owner of PSI of Charlotte)
269 West 40th Street
New York, New York 10018

Ronald R. Reed
Chairman of the Board
Reed Educational Services, Inc.
(Owner of Southern College of
Technology)
546-G S. Cherry Road
Rock Hill, SC 29730
803/327-3106

Wayne Gilpin, President
Texas Education Corporation
(Owner of Institute for
Paralegal Studies)
2505 North Highway 360, Suite 420
Grand Prairie, TX 75053
817/633-4747

Roger Block, President
Travel Agents International, Inc.
(Franchisor for TAI Schools)
8640 Seminole Boulevard
Seminole, FL 33542
813/393-8765

APPENDIX E

North Carolina State Board of Cosmetology



PROPRIETARY SCHOOLS

Alamance Beauty College
240 East Front St.
Burlington, N.C. 27215

Albemarle College of Cosmetology
P.O. Box 1868
Albemarle, N.C. 28001

All American Beauty Academy
706 Lexington Ave.
Thomasville, N.C. 27360

Alpha Beauty School
Innsbruck Mall
Asheville, N.C. 28805

Alpha Beauty School,
Asheville-Western
1 Battle Square
Battery Park Bldg.
Asheville, N.C. 28802

American Academy of Hairstyling
206 S. Myrtle School Rd.
Gastonia, N.C. 28052

Anson College of Cosmetology
201 West Morgan St.
Wadesboro, N.C. 28170

Arnold's Beauty College
3117 Shannon Rd.
Durham, N.C. 27707

Artistic Academy
314 Tenth St.
N. Wilkesboro, N.C. 28659

Asheboro Beauty School
736 S. Fayetteville St.
Asheboro, N.C. 27203

Atlantic Beauty College
5124 Roxboro Rd.
Durham, N.C. 27704

Aurora Beauty College
1047 Burke St.
Winston-Salem, N.C. 27101

Barbizon Beauty College
Parkway II
1253 Silas Creek Parkway
Parkway Plaza Center
Winston-Salem, N.C. 27127

Brand's College of Beauty I
115 Lakewood Ave.
Charlotte, N.C. 28208

Brand's College of Beauty II
4900 B. Old Pineville Rd.
Charlotte, N.C. 28210

Burke Academy of Cosmetic Art
304 W. Union St.
Morganton, N.C. 28655

Butler's Beauty College
609-A Murchison Rd.
Fayetteville, N.C. 28301

Cameo Beauty College
Akers Center
1483-B Franklin Blvd.
Gastonia, N.C. 28053

Career Beauty School
123 Berry St.
Statesville, N.C. 28677

Catawba Hairstyling Academy
229 First Ave., S.E.
Hickory, N.C. 28601

Cheveux School of Hair Design
P.O. Box AF 1036
Jacksonville, N.C. 28540

Civilla's Beauty School
203 E. Cabarrus St.
Raleigh, N.C. 27601

Classic Beauty College
609 W. 20th St.
Newton, N.C. 28658

College Village Beauty Academy
801 English Dr.
High Point, N.C. 27260

Concord Beauty College
128 Cloverleaf Plaza Center
Concord, N.C. 28025

Continental Beauty College
5430-0 North Tryon St.
Charlotte, N.C. 28213

Mr. David's School of Hair Design
4348 Market St.
Wilmington, N.C. 28403

Dudley's Beauty College
2506 Beatties Ford Rd.
Charlotte, N.C. 28216

Dudley Cosmetology University
900-B East Mountain St.
Kernersville, N.C. 27284

Fayetteville Beauty School
2018 Fort Bragg Rd.
Fayetteville, N.C. 28303

Gate City Beauty College
2001 E. Wendover Ave.
Greensboro, N.C. 27405

Hairstyling Acad. of Cosmetology
113 Water St.
Statesville, N.C. 28677

Hair Stylist Acad. of Cosmetology
807 Corporation Parkway
Winston-Salem, N.C. 27107

Hank Shanna's Beauty School
200 N. Wilson Ave.
Dunn, N.C. 28334

International College of Beauty
231 N. Lafayette St.
Shelby, N.C. 28150

Kannapolis Beauty School
930 Floyd St.
Kannapolis, N.C. 28081

LaJean's Beauty College
806 Elm St.
Fayetteville, N.C. 28303

LaJean's Beauty College
218-220 Bryan Marr Rd.
Bryan Marr Plaza
Jacksonville, N.C. 28504

Leon's Beauty School
1410 W. Lee St.
Greensboro, n.C. 27401

Lexington Beauty School
810 E. Winston Rd.
Lexington, N.C. 27292

Mitchell's Academy
3605-101 Bastion Ln.
Raleigh, N.C. 27604

Mitchell's Hair Styling
222 Tallywood Shopping Cnt.
Fayetteville, N.C. 28303

Mitchell's Hair Styling
112-H S. Berkley Blvd.
Goldsboro, N.C. 27530

Mitchell's Hair Styling
426 Arlington Blvd.
Pitt Plaza
Greenville, N.C. 27858

Mitchell's Hair Styling Acad.
1225 Buck Jones Rd.
Raleigh, N.C. 27606

Mitchell's Hair Styling Academy
Parkwood Shopping Center
Wilson, N.C. 27893

Monroe Beauty College
1201 Stafford Street Complex
Suite B-2
Monroe, N.C. 28110

National Beauty Academy
1902 S. Main St.
Salisbury, N.C. 28144

N. C. Academy of Cosmetic Art
131 Sixth Ave., E.
Hendersonville, N.C. 28739

Northwestern Beauty College
501 S. South St.
Mount Airy, N.C. 27030

Phase II School of Cosmetology
250 First Ave., N.W.
Hickory, N.C. 28601

Plaza Beauty School
1410½ Central Ave.
Charlotte, N.C. 28205

Progressive Hairstyling Academy
814 S. Dekalb St.
Shelby, N.C. 28150

Raleigh Institute of Cosmetology
600 S. Bloodworth St.
Raleigh, N.C. 27601

Regency Beauty College
120 E. Main St.
Elkin, N.C. 28621

Roanoke Academy
232 Roanoke Ave.
Roanoke Rapids, N.C. 27870

Sanford School of Cosmetology
219 S. Steele St.
Sanford, N.C. 27330

Sherrill's Univ. of Hairstyling
3421 Murchison Rd.
Fayetteville, N.C. 28301

Sherrill's Univ. of Cosmetology
420 Woodburn Rd.
Raleigh, N.C. 27605

Skyland Academy of Cosmetic Art
415 7th Ave., S.W.
Hickory, N.C. 28601

Skyland Academy of Cosmetic Art
170 Rosscraggon Rd.
Skyland, N.C. 28776

South Eastern Beauty School
1535 Elizabeth Ave.
Charlotte, N.C. 28204

Troutman's College of Hairstyling
2407 Paula St.
Raleigh, N.C. 27608

Troutman's Beauty Sch. of Wilmington
3333 Wrightsville Ave.
Wilmington, n.C. 28403

Universal College of Beauty, Inc.
1701 West Trade St.
Charlotte, N.C. 28216

Wilkes Beauty College
1200-C Woodfield Way
Wilkesboro, N.C. 28697

APPENDIX F

TRUCK DRIVER TRAINING SCHOOLS

ALLIANCE CORPORATION

Box 883, Highway 25
Arden, North Carolina 28732
704/684-4454

Company Number: 1000S

Attention: Daniel Welch, President
Richard Welch, Safety Officer
Richard Grassitte, Vice President

BLANTON'S JUNIOR COLLEGE

Tractor Trailer Training Center
Route 2, Box 4
Fletcher, North Carolina 28732
704/684-2595

Company Number: 2000S

Attention: Joey Davis

Tractor Trailer Training Center
P.O. Box 808
Lumberton, North Carolina 28358

Company Number: A2000S

Attention: Faith Tate

Tractor Trailer Training Center
100 Terminal Court
Concord, NC 28025
704/782-3146

Company Number: B2000S

Attention: Don Wagener

CECIL'S COLLEGE TRANSPORTATION DIVISION

P.O. Box 6407
24 Pond Road
Asheville, North Carolina 28816
704/252-2486
704/258-9715

Company Number: 6000S

Attention: John T. South
Craig Edmonds

CHARLOTTE DIESEL DRIVING SCHOOL, INC.

7725 Pitt School Road
Concord, North Carolina 28025

704/786-1187
1-800-222-7430

Company Number: 3000S

Attention: John Christopher Watson
Charles Richard Johnson

CHARLOTTE DIESEL DRIVING SCHOOL, INC.

6000 N. Tryon St.
Charlotte, North Carolina 28213

Company Number: A3000S

CHARLOTTE TRUCK DRIVER TRAINING SCHOOL, INC.

P.O. Box 668193
6060 Belhaven-Boulevard
Charlotte, North Carolina ~~28216~~ *66-8193*

Company Number: 5000S

~~704/393-3000~~ *803-545-1800*

Attention: John D. Ratliff - President
Bill Hudson, II - Vice President
Bill Hudson - Secretary/Treasurer

MTA SCHOOL

1061 Boulder Road
Greensboro, North Carolina 27410

Company Number: 5000S

Attention: Lawrence Hill

COPY - NCDD1

SOUTHERN COLLEGE

Transportation Division
469-A Hospital Drive
Gastonia, North Carolina 28052

Company Number: 8000S

704/853-8528

Attention: Karen Degraw
Steve Lowe

FAX: 704/866-0829

PRESSLEY'S SCHOOL OF TRUCK DRIVING

100 Highland Boulevard Center
Asheville, NC 28806

704/667-8747

Company Number: 7000S

Attention: Dorothy E. Pressley, President/Treasurer
John A. Powell, Vice President/Secretary

HESTER TRUCK DRIVING SCHOOL, INC.

P.O. Box 125
Bladenboro, NC 28320
919/863-3149

Company Number: 9000S

Attention: Robert E. Hester, Owner
Robert E. Hester, Jr., Manager

KERNERSVILLE TRUCK DRIVING SCHOOL, INC.

P.O. Box 385
Kernersville, NC 27285

919/996-5154

Company Number: 1200S

Attention: Jack S. Shew, Owner

COPY - NCDOT

*UNITED SCHOOLS, INC.

P.O. Box 6399
Clearwater, FL 34618-6399

813/784-0660

Company Number: 1300S

Attention: Earl R. Edwards, Director of Licensing

*Recruit in North Carolina Only, No Facility in the State

* Draughon's College of Knoxville, Inc.
315 Erin Drive
Knoxville, TN 37919
615/584-8621

Co. Number: 1400S

Att: R. Dewitt Shelton, President

COPI - NC001

APPENDIX G

North Carolina Barber Schools

Winston-Salem Barber School, Inc.
1531 Silas Creek Parkway
Winston-Salem, North Carolina 27107
William Speece - Manager
(919) 724-1459
17 students

Pyramid Institute of Barbering
709 Patterson Avenue
Winston-Salem, North Carolina 27105
Qhueem Furqan - Manager
(919) 723-8822
38 students

Hairstyling Institute of Charlotte, Inc.
3440 Wilkinson Boulevard
Charlotte, North Carolina 28208
Costas Melissaris - Owner/Manager
(704) 394-8195
55 students

Black World College of Hair Design
Post Office Box 669403
1550 West Boulevard
Charlotte, North Carolina 28208
Costas Melissaris - Owner
Luther Gore - Manager
(704) 372-8172
65 students

Harris Barber College
803 S. Blount Street
Raleigh, North Carolina 27601
Charlie R. Stone - Manager
(919) 834-3134
36 students

DZ Barber College
407 Hwy 210 North
Spring Lake, North Carolina 28390
Earl Nails - Owner/Manager
(919) 436-0984
16 students

APPENDIX H



North Carolina Department of Cultural Resources

James G. Martin, Governor
Patric Dorsey, Secretary

Division of Archives and History
William S. Price, Jr., Director

January 30, 1990

Memorandum

To: Participants in the Proprietary School Roundtable

From: William S. Price, Jr. *William S. Price, Jr.*
Director, Division of Archives and History

Subject: Recommendations Re Proposed Proprietary Schools
Legislation

In response to Mr. Randy Miller's memorandum of January 25th, the Division of Archives and History requests that participants in the Roundtable and the membership of the Legislative Research Commission Study Committee on Proprietary Schools carefully consider the ultimate disposition of the records of defunct post-secondary schools. The preservation of these records, in particular the financial aid materials and academic transcripts, are essential for evidential purposes.

Through the auspices of its Archives and Records Section, the Division has been the principal repository for administrative, financial, and academic records of defunct post-secondary institutions. This is a role that the Division traditionally has performed in regards to organizations of statewide or regional significance, and is one that is proper under the thrust of G.S.121 and 132 governing responsibilities of the Division of Archives and History. In the mid-1970s Archives and Records strengthened its services in this area by cooperating with the Board of Governors of the University of North Carolina in providing guidelines for the disposition of permanently valuable student records of nonpublic institutions licensed to conduct post-secondary degree activity.

Memorandum
Page 2
January 30, 1990

Unfortunately, the services provided by the Division in maintaining and handling the records of proprietary schools can no longer be extended on a pro forma basis. The Archives and Records Section does not have sufficient personnel to adequately handle the growing number of requests for transcripts or the stack space required to properly store them.

Because of these factors it will be necessary for the Section to limit its acceptance of records from nonpublic post-secondary schools. Preference will be given to those institutions that are licensed to conduct degree activity in North Carolina, and only to those institutions that cannot provide for their preservation outside of the State Archives.

Ultimately, whatever recommendations are made by the Roundtable participants and the membership of the Legislative Research Commission Study Committee must provide for the preservation of the permanently valuable records created by these nonpublic post-secondary institutions. Otherwise many unfortunate students will be stranded with no access to academic transcripts or financial aid records which can provide evidence of their graduation, proof of attendance, or status of financial aid.

WSP/JRL/drs

APPENDIX I

P A R T I C I P A N T S

	Phone No. Area Code (919)
Stan C. Broadway, NC State Education Assistance Authority P. O. Box 2688, Chapel Hill, N.C. 27514-2688	549-8614
John Corey, UNC- Chapel Hill, General Administration P. O. Box 2688, Chapel Hill, N.C. 27514-2688	962-1000
Teresa Curtis, NC Board of Barber Examiners 3901 Barrett Drive, Raleigh, N.C. 27609	733-3623
Gwen Davis, College Foundation, Inc. P. O. Box 12100, Raleigh, N.C. 27605	834-2893
Bernell Dickinson, State Approving Agency 301 W. Jones Street, Raleigh, N.C. 27603-1338	733-7535
Vicky Goudi, NC Board of Cosmetic Arts, Suite H 4101 N. Boulevard, Raleigh, N.C. 27604	790-8460
Jane Gray, Assistant Attorney General, DMV 1100 New Bern Avenue, Raleigh, N.C. 27697	733-3254
Richard Kinton, DMV Enforcement Section 1100 New Bern Avenue, Raleigh, N.C. 28697	733-4077
Steve Mieir, SEAA, P. O. Box 2688 Chapel Hill, N.C. 27515-2688	549-8614
Randy Miller, Assistant Attorney General P. O. Box 629, Raleigh, N.C. 27602	733-4825
Maude Speakman, NC Board of Nursing P. O. Box 2129, Raleigh, N.C. 27602	782-3211
Joyce Smyrski, NC Board of Nursing P. O. Box 2129, Raleigh, N.C. 27602	782-3211

PROPOSALS FOR CONSIDERATION BY LEGISLATIVE RESEARCH COMMISSION
STUDY COMMITTEE ON PROPRIETARY SCHOOLS

February 27, 1990

The following regulatory, enforcement and postsecondary educational support bodies empowered by the State of North Carolina with oversight of Proprietary Schools and the support bodies with support advanced to enrollees submit the recommendations below:

Department of Community Colleges
Department of Justice
Department of Transportation
Board of Cosmetic Arts
Board of Barber Examiners
University of North Carolina General Administration
Board of Nursing
State Education Assistance Authority
College Foundation, Inc.
State Approving Agency for Veterans Education

MATTERS FOR LEGISLATIVE CONSIDERATION:

1. Amendments to Article 8 as suggested by Ms. Bernell Dickinson, State Approving Agency for Veterans Education (see attached)
2. Sufficient funding for each regulatory agency to allow adequate staff to properly review each school to ensure that the public receives an educational opportunity commensurate with that which is advertised. Each respective agency will address its specific funding needs.
3. Increase bond requirements that will provide meaningful relief to students with either a grievance or should a school go out of business. The level of required bond should take into account the size of student enrollment and total tuition paid by students. Present bond required of \$1,000, for non-degree institutions, is inadequate for current operations with the type of exposure students may face if a school should close or operate illegally.

COMMENTS: Ms. Dickinson has proposed a minimum \$10,000 bond under amendments to Article 8 at 115D-95(a)

Suggested language: Bonds. (1) Schools located within this state shall file as part of their application for a license evidence of a savings account, deposit, certificate of deposit or

a bond as set forth in this section covering said school. A bond shall be required for each branch or campus that a school is licensed to operate. Schools located outside this state shall file evidence of a savings account, deposit, certificate of deposit on deposit with a North Carolina financial institution or bond as set forth in this section covering said school's agents.

(2) At the time application is made for a license or license renewal, the respective governing state board shall require an applicant to file with the clerk of the Superior Court of the county in which such school or branch school will be located a surety bond in favor of the State of North Carolina in such sum as determined pursuant to this section. Each application for a license shall include a proposal for the bond or alternative in the form of a letter signed by an authorized representative of the school showing in detail the calculations made pursuant to this section, and explaining the method used for computing the amount of the bond or alternative.

(3) The bond shall be executed by the applicant as principal and by a surety company authorized to do business in this state. The bond shall be conditioned to provide indemnification to any student or enrollee or his parent or guardian who has suffered loss of tuition or any fees or other costs, goods and services by reason of the failure of the school to offer or complete student instruction, academic services, or other goods and services related to course enrollment for any reason, including but not limited to the suspension, revocation, nonrenewal of a school's license, bankruptcy, foreclosure or the school ceasing to operate.

(4) The aggregate liability of the surety thereon shall in no event exceed the penal sum of the bond regardless of the number of years the bond is in force. The bond shall be continuous unless said surety is released as set forth in this section.

(5) Surety Bond Alternatives (a) In lieu of a surety bond, an applicant may file with the clerk of the Superior Court of the county in which such school or branch school will be located an assignment of a savings account in an amount equal to the bond required which (1) is in a form acceptable to the respective governing state board; (2) is executed by the applicant; and (3) is executed by a state or federal savings and loan association, state bank or national bank which is doing business in North Carolina and whose accounts are insured by a federal depositors corporation; and (4) access to the account in favor of the State of North Carolina is subject to the same conditions as for a bond in section 3 above.

(b) In lieu of a surety bond, an applicant may file with the clerk of the Superior Court of the county in which such school or branch school will be located a certificate of deposit

which (1) is executed by a state or federal savings and loan association, state bank or national bank which is doing business in North Carolina and whose accounts are insured by a federal depositors corporation; and is either: (2) payable to the State of North Carolina; or (3) in the case of a negotiable certificate of deposit, is unrestrictively endorsed to the governing state board; or (4) in the case of a nonnegotiable certificate of deposit, is assigned to the governing state board by assignment in a form satisfactory to the governing state board; and (5) access to the certificate of deposit in favor of the State of North Carolina is subject to the same conditions as for a bond in section 3 above.

(6) The amount of the bond shall be established by each respective governing body, but in no case be less than ten thousand dollars. (It is recommended that the bond amount reflect the amount of prepaid student tuition so that smaller schools pay less and larger schools pay more)

4. Increase license application fees in an amount to adequately cover the costs of compliance investigations, financial audits, background checks, curriculum reviews and on-site evaluations. Such fee increases may also need to be tied to the size of student enrollment and total tuition paid by students. A license fee ceiling or floor may be appropriate with each respective governing state board empowered to determine the applicable fees for the services provided.
5. Emergency Cease and Desist power to enable a regulatory body to suspend a schools license and require a show cause hearing. This would be helpful in the situation where there is advance notice that an operator is about to cease operation and leave the state with student funds and records.

COMMENTS: At this time no governing state board or enforcement agency is empowered to take immediate emergency action other than the civil process of obtaining a Temporary Restraining Order and Preliminary Injunction. While those tools are effective in the vast majority of situations, the emergency cease and desist power would be a very helpful in those limited situations where prompt and immediate action is necessary to protect the interests of the students or the State.

Suggested language: (1) The respective governing state board may revoke a license issued to a school if such school:

(a) ceases to meet the conditions of license authorization;

(b) has, in the judgment of the governing state board, committed a material or substantial violation of any provisions or minimum standards as established by the governing state board, or of regulations promulgated thereunder; or

(c) has made a false statement about a material fact on its application.

(2) If the respective governing state board finds that the public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in their order, summary suspension of the license of a school may be ordered, pending proceedings for revocation or other action. Such proceedings shall be promptly instituted and determined.

(3) The respective governing state board shall serve written notice upon such school indicating that revocation of a school's license is under consideration.

Upon receipt of such notice with the reasons set forth for the consideration of revocation of license, a school may file within seven days a written request for administrative review by the governing state board. Within twenty-one days after the receipt of such request, the governing state board or their designee shall conduct such administrative review pursuant to the Administrative Procedures Act and render a determination to the affected school. A school aggrieved by the decision of the governing state board or their designee may, within fourteen days following its receipt of the official notice of the completion and determination of such administrative review, appeal, in writing setting forth the reasons thereof, to the governing state board. The governing state board shall hold a hearing within twenty business days following receipt of such appeal.

(4) The respective governing state board may seek to prevent or remedy any violation of statutes, rules or regulations through the use of an injunction pursuant to the general statutes.

6. A local registered agent and bond should be required for every foreign operator that recruits students in this state, that offers correspondence courses to students in this state or otherwise is doing business in this state.

COMMENTS: This recommendation will deal with the foreign school that is not registered as a foreign corporation with the Secretary of State and recruits a N.C. resident for a correspondence course offered, for example, by their Arizona campus, with corporate headquarters in Ohio, and the final field training taking place at their Florida campus. As such

interstate school operations become more sophisticated, we can expect to see more of this activity.

Suggested language: Out-of-state school representatives. Any representative of an out-of-state proprietary school, which school is not licensed to operate in this state, shall not visit the residence of any prospective student, contact by telephone, solicit enrollments, sell occupational instruction in any form or manner, make representations or give counsel to prospective students until obtaining a permit from the respective governing state board empowered to license the type of educational or trade program the agent is representing. Application for such permit shall be in writing and shall include the following information:

- (1) name, resident address, business address and telephone number of the representative;
- (2) name and address of the school or schools he or she represents;
- (3) evidence that the school is authorized to give instruction by the state wherein the school is located and is in good standing;
- (4) evidence that the school, if a corporation, is in good standing where incorporated, and is registered in good standing to do business in North Carolina;
- (5) the name and North Carolina address of a designated agent upon whom process, notice or demand may be served, such agent shall be maintained continuously;
- (6) a bond in the amount and type required by the proprietary school bond statute and in no event less than ten thousand dollars;
- (7) copies of all student enrollment agreements, school catalog, and sales literature intended for use in North Carolina.

7. Student Records -require that schools are assessed an annual fee to offset the storage and information retrieval costs to the Division of Archives and History for student records from schools that have gone out of business. In the alternative, the annual fee would allow for these records to be stored at a private facility that would charge a reasonable fee to students seeking copies of their student records and to which the students or the respective governing state board shall have access.

COMMENTS: See 1/30/90 memo from William S. Price, Jr., Director, Division of Archives and History. It appears that there is both a storage space problem and inadequate staff to properly respond to all the requests for copies of student records from files of schools that have gone out of business.

Suggested language: (1) Each school shall maintain student records from the date of enrollment, which shall include at least the following:

(a) A copy of the enrollment contract and other instruments relating to the payment for educational services.

(b) Student's name, address, date of birth, gender, Social Security number;

(c) date of enrollment;

(d) name of curriculum, course or courses taken;

(e) record or all final tests and grades earned for each course or curriculum;

(f) date of completion or discontinuance;

(g) notation whether a certificate, diploma or degree was awarded and date awarded.

(2) Every school holding a license from a respective governing state board shall maintain at all times a depository for the original records described in 1(a) - (g) above at a location within this state.

(3) In the event a school ceases to operate, the school owner or the licensed school director shall transfer all student records to the custody of the Division of Archives and History for appropriate storage and handling. The Division of Archives and History may assess a fee for the storage of these files.

(4) In the event a school ceases to operate without making the arrangements for storage of student records as provided in section 3 above, the records shall immediately become the property of the respective governing state board upon receipt of notice of the school's closing. The governing state board shall be empowered to seize student records of the closed school and provide for their proper storage.

5. Schools receiving Federal funds shall maintain records as required by the applicable Federal statutes and regulations.

8. Retention of Existing Licensure Structure Presently six (6) State Agencies have licensure responsibility for the schools that fall under their general supervision. They are:

-The Board of Governors of the the University of North Carolina -jurisdiction over all instruction at the associate degree level and above for nonpublic institutions;

-The Department of Community Colleges (State Approving Agency) -jurisdiction over instruction below the level of associate degree;

-The State Board of Nursing -jurisdiction over instruction related to licensure as a Licensed Practical Nurse (LPN) and Registered Nurse (RN), and other nursing occupations;

-The Board of Cosmetic Arts -jurisdiction over instruction leading to licensure as a cosmetologist;

-The Department of Motor Vehicles -jurisdiction over instruction leading to approval as a commercial truck driver;

-The Board of Barber Examiners - jurisdiction over instruction leading to licensure as a barber.

We believe this decentralized licensure approach ensures that the legal body having general oversight over its area of expertise grants to that body the appropriate duty and, consistent with our recommendations to this Committee, powers sufficient to enforce protection of the public good. Consequently, we do not support any major change to the current method of proprietary school licensing, regulation or supervision. It is the collective opinion of the regulatory and enforcement professionals that the current method of regulation if properly staffed and funded allows for close contact with the individual schools (and their owners), staff, students and the public.

Our information regarding the experience of those states that place all school licensure under a single board is that such a system works no better than our present decentralized system and, indeed, may present additional concerns not present within a decentralized structure. Therefore, we recommend that the present system remain in place and be strengthened by the proposals presented to this committee.

APPENDIX J

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

H

D

89-LE-065(3.1)

Short Title: Proprietary School Regulation

(Public)

Sponsors:

Referred to:

- 1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE LAWS RELATING TO THE REGULATION OF
3 PROPRIETARY SCHOOLS.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 115D-87 reads as rewritten:
6 "**§ 115D-87. Definitions.**
7 As used in this Article:
8 (1) "Correspondence school" means an educational institution
9 privately owned and operated by an owner, partnership or
10 corporation conducted for the purpose of providing, by
11 correspondence, for a consideration, profit, or tuition, systematic
12 instruction in any field or teaches or instructs in any subject area
13 through the medium of correspondence between the ~~pupil~~
14 student and the school, usually through printed or typewritten
15 matter sent by the school and written responses by the ~~pupil~~
16 student.
17 (2) "Persons" means any individual, association, partnership or
18 corporation, and includes any receiver, referee, trustee, executor,
19 or administrator as well as a natural person.

- 1 (3) ~~"Private Proprietary business school" or "business school" or~~
2 ~~"school"~~ means an educational institution that is (i) located
3 within a single county, (ii) privately owned and operated by an
4 owner, partnership or corporation, and (iii) offering business and
5 office related courses for which tuition is charged, in ~~such~~
6 ~~subjects as typewriting, manual or machine shorthand, filing and~~
7 ~~indexing, receptionist's duties, key punch, teletype, penmanship,~~
8 ~~bookkeeping, accounting, office machines, business arithmetic,~~
9 ~~English, business letter writing, salesmanship, personality~~
10 ~~development, leadership training, public speaking, real estate,~~
11 ~~insurance, traffic management, business psychology, economics,~~
12 ~~business management, subjects of a similar character~~ business or
13 office related subjects or subjects of general education when they
14 contribute value to the objective of the course of study. ~~Classes in~~
15 ~~any of the subjects herein referred to which are taught or coached~~
16 ~~in homes or elsewhere to five or less students are not included in~~
17 ~~the term "school" and shall be exempt from the requirements of~~
18 ~~this Article.~~
- 19 (4) ~~"Private Proprietary trade school" or "trade school"~~ means an
20 educational institution that is (i) located within a single county,
21 (ii) privately owned and operated by an owner, partnership or
22 corporation, and (iii) offering classes conducted for the purpose
23 of teaching, for profit or for a tuition charge, any trade, ~~technical,~~
24 mechanical or industrial occupation or teaching any or several of
25 the subjects needed to train youths or adults in the skills,
26 ~~technical knowledge,~~ knowledge and subjects, related industrial
27 information, and job judgment, necessary for success in one or
28 more skilled trades, industrial occupations or related occupations.
- 29 (5) "Proprietary technical school", "technical school", "proprietary
30 technical institute", or "technical institute" means an educational
31 institution that is (i) located within a single county, (ii) privately
32 owned and operated by an owner, partnership or corporation,
33 and (iii) offering classes conducted for the purpose of teaching,
34 for profit or for a tuition charge, any technical occupation or
35 teaching any or several of the subjects needed to train youths or

adults in the skills, technical knowledge and subjects, related information, and job judgment, necessary for success in one or more technical or related occupations.

Sec. 2. G.S. 115D-88 reads as rewritten:

"§ 115D-88. Exemptions.

It is the purpose of this Article to include all private schools operated for profit: Provided, that the following schools shall be exempt from the provisions of this Article:

- (1) Nonprofit schools conducted by bona fide eleemosynary or religious institutions.
- (2) Schools maintained or classes conducted by employers for their own employees where no fee or tuition is ~~charged~~ charged to the student.
- (3) Courses of instruction given by any fraternal society, civic club, or benevolent order, which courses are not operated for profit.
- (4) Any school for which there is another legally existing licensing or approving board or agency in this State.
- (4a) Classes or schools that are equipment-specific to purchasers, users, classes, or schools offering training or instruction to acquaint purchasers or users with equipment capabilities.
- (4b) Classes or schools that are taught or coached in homes or elsewhere to five or fewer students.
- (4c) Classes or schools that the State Board, acting by and through the President of the Community College System, determines are avocational, recreational, self-improvement, or continuing education for already trained and occupationally qualified individuals.
- (5) Any established university, professional, or liberal arts college, public or private high school approved by the Department of Public ~~Instruction,~~ Instruction or other State agency, or any State institution which has heretofore offered, or which may hereinafter offer one or more courses covered in this Article: Provided, that the tuition fees and charges, if any, made by such university, college, high school, or State institution shall be collected by their regular officers in accordance with the rules

1 ~~and regulations~~ prescribed by the board of trustees or governing
2 body of such university, college, high school, or State institution;
3 but provisions of the Article shall apply to all business schools,
4 proprietary trade schools, proprietary technical schools, or
5 correspondence schools ~~or branch schools,~~ as defined in this
6 Article, and operated within the State of North Carolina as such
7 institutions, except schools for which there are other legally
8 existing licensing boards or agencies."

9 Sec. 3. G.S. 115D-89 reads as rewritten:

10 "**§ 115D-89. State Board of Community Colleges to administer Article; issuance of**
11 **diplomas by schools; investigation and inspection; ~~regulations and standards.~~ rules.**

12 (a) The State Board of Community Colleges, acting by and through the President
13 of the ~~Department of Community Colleges, Community College System,~~ shall have
14 authority to administer and enforce this Article and to grant and issue licenses to
15 ~~private schools and educational institutions, as the same are defined herein,~~
16 proprietary business schools, proprietary trade schools, proprietary technical schools,
17 and correspondence schools, whose sustained curriculum is of a grade equal to that
18 prescribed for similar public schools and educational institutions of the State and
19 which have met the standards set forth by the Board, including but not limited to
20 course offerings, adequate facilities, financial stability, competent personnel and
21 legitimate operating practices.

22 (b) Any such ~~private school or educational institution~~ proprietary business school,
23 proprietary trade school, proprietary technical school, or correspondence school, may
24 by and with the approval of the State Board issue certificates and diplomas.

25 (c) The State Board, acting by and through the President of the ~~Department of~~
26 ~~Community Colleges, Community College System,~~ shall formulate the criteria and the
27 standards evolved thereunder for the approval of such schools or educational
28 institutions, provide for adequate investigations of all schools applying for a license
29 and issue licenses to those applicants meeting the standards fixed by the Board,
30 maintain a list of schools approved under the provisions of this Article which list
31 shall be available for the information of the public, and provide for periodic
32 inspection of all schools licensed under the provisions of this Article. Through
33 periodic reports required of licensed schools ~~or branch schools~~ and by inspections
34 made by authorized representatives of the State Board of Community Colleges, the
35 State Board of Community Colleges shall have general supervision over business,

1 ~~trade~~ trade, technical, and correspondence schools in the State, the object of said
2 supervision being to protect the health, safety and welfare of the public by having the
3 licensed business, ~~trade~~ trade, technical, and correspondence schools maintain
4 adequate, safe and sanitary school quarters, sufficient and proper facilities and
5 equipment, sufficient and qualified teaching and administrative staff, and satisfactory
6 programs of operation and instruction, and to have the school carry out its advertised
7 promises and contracts made with its students and patrons. To this end the State
8 Board of Community Colleges is authorized to issue such ~~regulations and standards~~
9 rules not inconsistent with the provisions of this Article as are necessary to administer
10 the provisions of this Article.

11 The State Board, acting by and through the President of the Community College
12 System, may request any occupational licensing or approving board or agency in this
13 State to adopt rules requiring the approval of that board or agency for a course of
14 study. Under these rules, the board or agency shall pass on the adequacy of
15 equipment, curricula, and instructional personnel. The State Board of Community
16 Colleges may deny approval to a course of study that is not approved by such board
17 or agency."

18 Sec. 4. G.S. 115D-90 reads as rewritten:

19 "**§ 115D-90. License required; application for license; school bulletins; requirements**
20 **for issuance of license; license restricted to courses indicated; supplementary**
21 **applications.**

22 (a) No person shall operate, conduct or maintain or offer to operate in this State a
23 ~~private school or educational institution as defined herein~~ proprietary trade school,
24 proprietary technical school, proprietary business school, or correspondence school,
25 unless a license is first secured from the State Board of Community Colleges ~~issued~~
26 granted in accordance with the provisions of this Article and the rules ~~and~~
27 ~~regulations promulgated~~ adopted by the Board under the authority of G.S. ~~115C-570.~~
28 115D-89. The license, when issued, shall constitute the formal acceptance by the
29 Board of the educational programs and facilities of each ~~private~~ school approved.

30 (b) Application for a license shall be filed in the manner and upon the forms
31 prescribed and furnished by the President of the ~~Department of Community Colleges~~
32 Community College System for that purpose. Such application shall be signed by the
33 applicant and properly verified and shall contain such of the following information as
34 may apply to the particular school ~~or branch school~~, for which a license is sought:

- 1 (1) The title or name of the school or classes, together with the
2 name and address of the owners and of the controlling officers
3 thereof.
- 4 (2) The general field of instruction.
- 5 (3) The place or places where such instruction will be given.
- 6 (4) A specific listing of the equipment available for instruction in
7 each field.
- 8 (5) The qualifications of instructors and supervisors.
- 9 (6) Financial resources available to equip and to maintain the
10 school or classes.
- 11 (7) Such additional information as the State ~~Board~~ Board, acting by
12 and through the President of the Community College System,
13 may deem necessary to enable it to determine the adequacy of
14 the program of instruction and matters pertaining thereto. Each
15 application shall be accompanied by a copy of the current
16 bulletin or catalog of the school which shall be in published
17 form and certified by an authorized official of the school as
18 being ~~true~~ current, true, and correct in content and policy. The
19 school bulletin shall contain the following information:
20 a. Identifying data, such as volume number and date of
21 publication.
22 b. Names of the institution and its governing body, officials
23 and faculty.
24 c. A calendar of the institution showing legal holidays,
25 beginning and ending date of each quarter, term or
26 semester, and other important dates.
27 d. Institution's policy and regulations relative to leave,
28 absences, class cuts, make-up work, tardiness and
29 interruptions for unsatisfactory attendance.
30 e. Institution's policy and regulations on enrollment with
31 respect to enrollment dates and specific entrance
32 requirements for each course.
33 f. Institution's policy and regulations relative to standards of
34 progress required of the student by the institution. This
35 policy will define the grading system of the institution; the

1 minimum grades considered satisfactory; conditions for
2 interruption for unsatisfactory grades or progress and
3 description of the probationary period, if any, allowed by
4 the institution; and conditions of reentrance for those
5 students dismissed for unsatisfactory progress. A statement
6 will be made regarding progress records kept by the
7 institution and furnished the student.

8 g. Institution's policy and regulations relating to student
9 conduct and conditions for dismissal for unsatisfactory
10 conduct.

11 h. Detailed schedule for fees, charges for tuition, books,
12 supplies, tools, student activities, laboratory fees, service
13 charges, rentals, deposits, and all other charges.

14 i. Policy and regulations of the institution relative to the
15 refund of the unused portion of tuition, fees and other
16 charges in the event the student does not enter the course
17 or withdraws or is discontinued therefrom.

18 j. A description of the available space, facilities and
19 equipment.

20 k. A course outline for each course for which approval is
21 requested, ~~showing~~ showing:

22 1. ~~subjects~~ Subjects or units in the course,

23 2. ~~type~~ Type of skill ~~or skill~~ to be learned, and

24 3. ~~approximate time and~~ Approximate (i) time; (ii) clock
25 ~~hours- hours, and (iii) credit hours or credit hours~~

26 equivalent, as appropriate, to be spent on each subject or
27 unit.

28 l. Policy and regulations of the institution relative to granting
29 credit for previous educational training.

30 (c) After due investigation and consideration on the part of the State ~~Board~~ Board,
31 acting by and through the President of the Community College System, as provided
32 herein, a license shall be ~~issued~~ granted to the applicant when it is shown to the
33 satisfaction of said Board that said applicant, school, programs of study or courses are
34 found to have met the following criteria:

- 1 (1) The courses, curriculum and instruction are consistent in
2 quality, content and length with similar courses in public schools
3 and other private schools in the State, with recognized accepted
4 standards.
- 5 (2) There is in the institution adequate space, equipment,
6 instructional material and instructor personnel to provide
7 training of good quality.
- 8 (3) Education and experience qualifications of director,
9 administrators and instructors are adequate.
- 10 (4) The institution maintains a written record of the previous
11 education and training of the student.
- 12 (5) A copy of the course outline, schedule of tuition, fees and other
13 charges, regulations pertaining to absences, grading policy and
14 rules of operation and conduct will be furnished the student
15 upon enrollment.
- 16 (6) Upon completion of training, the student is given a certificate or
17 diploma by the institution indicating the approved course or
18 subjects and indicating that training was satisfactorily completed.
- 19 (7) Adequate records as prescribed by the State Board of
20 Community ~~Colleges~~ Colleges, acting by and through the
21 President of the Community College System, are kept to show
22 attendance and progress or grades and satisfactory standards
23 relating to attendance, progress and conduct are enforced.
- 24 (8) The school complies with all local, city, county, municipal, State
25 and federal regulations, such as fire codes, building and
26 sanitation codes. The State Board of Community Colleges may
27 require such evidence of compliance as is deemed necessary.
- 28 (9) The school is financially sound and capable of fulfilling its
29 commitments for training.
- 30 (10) The school does not exceed its enrollment limitation as
31 established by the State Board of Community Colleges.
- 32 (11) The school does not utilize advertising of any type which is
33 erroneous or misleading, either by actual statement, omission or
34 intimation.

1 (12) The school's administrators, directors, owners and instructors
2 are of good reputation and character.

3 (13) Such additional criteria as may be deemed necessary by the
4 State Board.

5 (d) Any license issued shall be restricted to the programs of instruction or courses
6 or subjects specifically indicated in the application for a license. The holder of a
7 license shall present a supplementary application as may be directed by the President
8 of the ~~Department of Community Colleges~~ Community College System for approval
9 of additional programs of ~~instruction or courses~~ instruction, courses, or subjects, in
10 which it is desired to offer instruction during the effective period of the license."

11 Sec. 5. G.S. 115D-91 reads as rewritten:

12 "**§ 115D-91. Duration and renewal of licenses; notice of change of ownership,**
13 **administration, etc.; license not transferable.**

14 (a) All licenses issued shall expire on June 30 next following the date of issuance.

15 (b) Licenses shall be renewable annually on July 1: Provided, an application for
16 the renewal of the license has been filed in the form and manner prescribed by the
17 State ~~Board~~ Board, acting by and through the President of the Community College
18 System, and the renewal fee has been paid: Provided, further that the school and its
19 courses, facilities, faculty and all other operations are found to meet the criteria set
20 forth in the requirements for a school to secure an original license.

21 (c) After a license is ~~issued~~ granted to any school by the State Board of
22 Community Colleges on the basis of its application, it shall be the responsibility of
23 said school to notify immediately said Board of any changes in the ownership,
24 administration, location, faculty, the instructional program or other changes as may
25 affect significantly the course of instruction offered.

26 (d) In the event of the sale of such school, the license already granted to the
27 original owner or operators thereof shall not be transferable to the new ownership or
28 operators. Provided, however, the President of the Community College System may
29 issue a 90-day, temporary operating license to a school upon its sale if the school held
30 a valid, current license prior to the sale, and if the President finds that the school is
31 likely to qualify after the sale for a license under this Article."

32 Sec. 6. G.S. 115D-92 reads as rewritten:

33 "**§ 115D-92. Authority to establish fees; Commercial Education Fund established;**
34 **refund of fees.**

1 The State Board of Community Colleges shall establish reasonable fees for
2 licenses, renewals, and approvals granted and for inspections performed pursuant to
3 this Article.

4 The fees and licenses collected under this section shall be placed in a special fund to
5 be designated the "Commercial Education Fund" and shall be used under the
6 supervision and direction of the State Board of Community Colleges for the
7 administration of this Article. No license fee shall be refunded in the event the
8 application is rejected or the license suspended or revoked."

9 Sec. 7. G.S. 115D-93 reads as rewritten:

10 **§ 115D-93. Suspension, revocation or refusal of license; notice and hearing; judicial**
11 **review; grounds.**

12 (a) A refusal to issue, refusal to renew, suspension of, or revocation of a license
13 under this section shall be made in accordance with Chapter 150B of the General
14 Statutes.

15 (b) A decision under this section to refuse to grant, refuse to renew, suspend, or
16 revoke a license is subject to judicial review in accordance with Article 4 of Chapter
17 150B of the General Statutes.

18 (c) The State Board, acting by and through the President of the ~~Department of~~
19 ~~Community Colleges, Community College System,~~ shall have the power to refuse to
20 issue or renew any such license and to suspend or revoke any such license theretofore
21 issued in case it finds one or more of the following:

22 (1) That the applicant for or holder of such a license has violated
23 any of the provisions of this Article or any of the rules ~~and~~
24 ~~regulations~~ promulgated thereunder.

25 (2) That the applicant for or holder of such a license has knowingly
26 presented to the State Board of Community Colleges false or
27 misleading information relating to ~~approval~~ approval or license.

28 (3) That the applicant for or holder of such a license has failed or
29 refused to permit authorized representatives of the State Board
30 of Community Colleges to inspect the school, or has refused to
31 make available to them at any time upon request full
32 information pertaining to matters within the purview of the
33 State Board of Community Colleges under the provisions of this
34 Article.

- 1 (4) That the applicant for or holder of such a license has
2 perpetrated or committed fraud or deceit in advertising the
3 school or in presenting to the prospective students written or
4 oral information relating to the school, to employment
5 opportunities, or to opportunities for enrollment in other
6 institutions upon completion of the instruction offered in the
7 school.
- 8 (5) That the applicant or licensee has pleaded guilty, entered a plea
9 of **nolo contendere** or has been found guilty of a crime involving
10 moral turpitude by a judge or jury in any state or federal court.
- 11 (6) That the applicant or licensee has failed to provide or maintain
12 premises, equipment or conditions which are adequate, safe and
13 sanitary, in accordance with such standards of the State of North
14 Carolina or any of its political subdivisions, as are applicable to
15 such premises and equipment.
- 16 (7) That the licensee is employing teachers, supervisors or
17 administrators who have not been approved by the State ~~Board~~
18 Board, acting by and through the President of the Community
19 College System.
- 20 (8) That the licensee has failed to provide and maintain adequate
21 premises, equipment, materials or supplies, or has exceeded the
22 maximum enrollment for which the school or class was licensed.
- 23 (9) That the licensee has failed to provide and maintain adequate
24 standards of instruction or an adequate and qualified
25 administrative, supervisory or teaching staff."

26 Sec. 8. G.S. 115D-95 reads as rewritten:

27 "**§ 115D-95. Execution of bond required; filing and recording; actions upon bond.**

28 (a) Before the State Board of Community Colleges shall issue such license the
29 person, partnership, association of persons, or corporation shall execute a bond in the
30 sum of one thousand dollars (\$1,000), signed by a solvent guaranty company
31 authorized to do business in the State of North Carolina, or by two solvent individual
32 sureties, payable to the State of North Carolina, and approved as to solvency by the
33 clerk of the superior court of the county in which such school ~~or branch school~~ will
34 be located and conduct its business, conditioned that the principal in said bond will
35 carry out and comply with each and every contract, made and entered into by said

1 ~~school or branch~~ school, acting by and through its officers and agents with any
2 student who desires to enter such school ~~or branch school~~ and to take any courses
3 offered therein and will pay back to such student all amounts collected in tuition and
4 fees in case of failure on the part of the parties obtaining a license from the State
5 Board of Community Colleges to open and conduct a proprietary business school,
6 proprietary technical school, proprietary trade school, or a correspondence
7 school, to comply with its contracts to give the instructions contracted for, and for full
8 period evidenced by such contract. Such bond shall be filed with the clerk of the
9 superior court of the county in which the school ~~or branch school~~ executing the bond
10 is located, and shall be recorded by such clerk in a book provided for that purpose.

11 (b) The requirement herein specified for giving the aforesaid bond of one thousand
12 dollars (\$1,000) shall apply to all proprietary business, proprietary technical,
13 proprietary trade, or correspondence schools, ~~or any branches thereof~~ operating
14 in North Carolina, and the State Board of Community Colleges shall not issue any
15 license to any person, firm or corporation to operate any of the aforesaid schools
16 until said bond has been given and notice of the approval of same by the clerk of the
17 superior court has been filed with said Board of Community Colleges. Operator
18 bonds of one thousand dollars (\$1,000) each shall be required for each ~~branch of~~
19 such proprietary business, proprietary technical, proprietary trade, or correspondence
20 schools, ~~or any branch thereof~~ school, operated within the State by any person,
21 partnership or corporation.

22 (c) In any and all cases where the party receiving the license from the State Board
23 of Community Colleges fails to comply with any contract made and entered into with
24 any student, or with the parents or guardian of said student, then the State of North
25 Carolina upon the relation of said student, parent or guardian entering into the
26 contract shall have a cause of action against the principal and sureties on the bonds
27 herein provided for the full amount of payments made to such person, with six
28 percent (6%) interest from the date of payment of said amount. For a violation of its
29 contract with a student, or for other good cause, the State Board of Community
30 Colleges is authorized to revoke the license issued to the offending school."

31 Sec. 9. G.S. 115D-96 reads as rewritten:

32 "**§ 115D-96. Operating school without license or bond made misdemeanor.**

33 Any person, or each member of any association of persons or each officer of any
34 corporation who opens and conducts a proprietary business school, a proprietary
35 technical school, a proprietary trade ~~school~~ school, or a correspondence school, or

1 ~~branch school as defined in this Article,~~ without first having obtained the license
2 herein required, and without first having executed the bond required, shall be guilty
3 of a misdemeanor and be punishable by a fine of not less than one hundred dollars
4 (\$100.00), nor more than five hundred dollars (\$500.00) or 30 days imprisonment, or
5 both, at the discretion of the court, and each day said school continues to be open
6 and operated shall constitute a separate offense."

7 Sec. 10. G.S. 115D-97 reads as rewritten:

8 "**§ 115D-97. Contracts with unlicensed schools and evidences of indebtedness made**
9 **null and void.**

10 All contracts entered into by proprietary business, ~~trade proprietary technical,~~
11 proprietary trade, or correspondence schools, ~~or branch school, as defined in this~~
12 ~~Article,~~ with students or prospective students, and all promissory notes or other
13 evidence of indebtedness taken in lieu of cash payments by such schools shall be null
14 and void unless such schools are duly licensed as required by this Article."

15 Sec. 11. This act shall become effective October 1, 1990.

SUMMARY OF A BILL TO BE ENTITLED
AN ACT TO AMEND THE LAWS RELATING
TO THE REGULATION OF PROPRIETARY SCHOOLS.

This bill makes technical and clarifying changes to the law relating to the regulation of proprietary schools by the Department of Community Colleges, Article 8 of Chapter 115D of the General Statutes.

Changes to definitions

The bill makes several changes to the definition section of the law, G.S. 115D-87.

The bill changes the term "private business school", which is set out in G.S. 115D-87(3), to "proprietary business school". This is a clarifying change that reflects the fact that not all private business schools are subject to the law to which the definition applies. The bill makes four changes in the definition of "proprietary business school".

First of all, it deletes the part of definition that makes "school" synonymous with "proprietary business school". The current definition makes the terms interchangeable; using the terms interchangeable is confusing, however, since schools other than proprietary business schools are regulated under the same laws.

Second, it adds a requirement that a proprietary business school must be located within a single county. This resolves the question of whether a separate campus is a separate school or a branch school. Also, it is consistent with the requirement of G.S. 115D-95 that the clerk of the court of the county in which a school is located hold the bond for the school.

Third, it updates the definition of proprietary business school by removing a list of business courses such as typewriting, key punch, and penmanship. It replaces the list with a general description of the courses and subjects taught by business schools.

Fourth, it deletes from the definition of proprietary business schools, classes taught to five or fewer students. This exemption is moved to the list of exemptions from the

Article that appears in G.S. 115D-88. Moving the exemption makes the statute more understandable; it also makes the exemption apply to proprietary trade schools and proprietary technical schools and not just to proprietary business schools.

The bill also changes the term "private trade school", which is set out in G.S. 115D-87(4), to "proprietary trade school". This is also a clarifying change that reflects the fact that not all private trade schools are subject to the law to which the definition applies. The bill makes two additional changes in the definition of proprietary trade school. First of all, it adds the requirement that a proprietary trades school must be located within a single county. Second, it removes from the definition a reference to technical knowledge. Because proprietary trade schools and proprietary technical schools are very different, the concepts of proprietary trade schools and proprietary technical schools are separated.

The bill also amends the definition section of the law by creating a definition for a new term, proprietary technical schools. The definition, which is set out in G.S. 115D-87(5), contains three elements. A proprietary technical school must (i) be located within a single county, (ii) be privately owned and operated by an owner, partnership or corporation, and (iii) offer classes conducted for the purpose of teaching, for profit or for a tuition charge, any technical occupation or teaching any or several of the subjects needed to train youths or adults in the skills, technical knowledge and subjects, related information, and job judgment, necessary for success in one or more technical or related occupations.

Changes in exemptions

The bill clarifies G.S. 115D-88, the law regarding which exempts certain private, for-profit schools from regulation by the Department of Community Colleges. Changes or additions to this section of the law are as follows:

(1) G.S. 115D-88(2) currently exempts schools maintained or classes conducted by employers for their own employees where no fee or tuition is charged. This subdivision is amended to make it clear that it is the student who must not pay tuition; the school or class is exempt from regulation by the Department of Community Colleges whether or not the employer has to pay for for the school or class.

(2) G.S. 115D-88(4) exempts schools for which there is another legally existing licensing board. This subdivision is amended to make it clear the exemption applies if there is any other State entity, whether it is called a "board" or "agency" that either "licenses" or "approves" the school.

(3) G.S. 115D-88(4a) creates a new exemption for classes or schools that teach purchasers or uses how to use a specific piece of equipment.

(4) G.S. 115D-88(4b) takes the exemption that previously applied only to business schools with five or fewer students and makes it apply to all schools with less than five students. Under the current law, this exemption is part of the definition of business schools, G.S. 115D-87(3).

(5) G.S. 115D-88(4c) adds a new exemption for avocational, recreational, and self-improvement types of classes.

(6) G.S. 115D-88(5) is amended to clarify that high schools approved by any State agency are exempt from regulation by the Department of Community Colleges.

These changes to the exemption section of the law are consistent with the State Board's interpretation of the current law.

Changes to permit the State Board to act by and through the President of the Community College System

The bill changes the law to permit the State Board of Community Colleges to carry out some of its powers and duties by and through the President of the Community College System instead of by formal board action. The changes in the language permit

the State Board to act by and through the President to (i) require additional information from an applicant for a license (G.S. 115D-90(b)); (ii) investigate and consider an application for a license (G.S. 115D-90(c); (iii) prescribe what records a school must keep (G.S. 115D-90(c)(7); (iv) prescribe the form and manner of license renewal requests (G.S. 115D-91(b)); and (v) approve teachers, supervisors, and administrators (G.S. 115D-93(c)).

Changes to clarify and supplement authority of the Department of Community Colleges

The bill amends G.S. 115D-89(c) to give the State Board of Community Colleges, acting by and through the President of the Community College System, new authority - the authority to ask other State agencies to regulate a certain course of study. An applicant for State Board of Community Colleges license or approval would be required to get the approval of the other agency; if the applicant did not have the approval of the other agency, the State Board of Community Colleges would also turn down the applicant. (It is current State Board policy to ask other agencies to regulate certain courses of study and to require applicants to have the approval of the other agencies.)

Under the current law, the license granted to a school is not transferrable when the school is sold. The bill would give the President of the Community College System the power to issue a 90-day temporary license to a school upon its sale if the school held a valid, current license prior to the sale and if the President finds that the school is likely to qualify for a license after the sale. (G.S. 115D-91(d). This change would make it easier to coordinate the sale of a school and the approval of a license for the new owners.

The State Board's authority to charge fees is implicit under the current law. The bill would amend the law to make it explicit. It would require the State Board to establish reasonable fees for licenses, renewals, and approvals granted and for

inspections performed. (G.S. 115D-92). This language is broad enough to cover all fees currently charged by the State Board and to permit the State Board to increase the amount of fees in the future.

Technical changes

The purely technical changes in the bill are as follows:

(1) The word "pupil" is changed to "student" to reflect current usage by the schools, the State regulators, and the federal government. (G.S. 115D-87(1)).

(2) The title of the President is changed from "President of the Department of Community Colleges" to "President of the Community College System" to reflect prior statutory changes. (G.S. 115D-89(a) and (c), 115D-90(b) and (d), and 115D-93)).

(3) The references to "rules", "regulations", and "standards" are changed to "rules" to reflect the definition of "rules" in G.S. 150B-2(8a); the word "promulgated" is changed to "adopted" to simplify the language regarding the adoption of rules. (G.S. 115D-88(5), 115D-89(c), 115D-90(a), 115D-93(c)).

(4) A statutory reference that should have been changed as part of a 1987 recodification of the statutes is changed. (G.S. 115D-90(a)).

(5) The language of the statutes is changed to reflect the fact that the State Board of Community Colleges grants licenses and the President of the Community College System issues them; those terms are used interchangeably in the current law. (G.S. 115D-89(a), 115D-90(c), 115D-91(b)).

(6) The language of the statutes is changed to use the terms set out in the definition section of the law, as amended by the bill. The names of the types of schools, as amended, are "correspondence school", "proprietary business school" or "business school", "proprietary trade school" or "trade school", and "proprietary technical school", "technical school", "proprietary technical institute", or "technical institute". Because of the way the terms are defined, the use of the term "branch

school" is unnecessary. (G.S. 115D-88(5), 115D-89(a), (b), and (c), 115D-90(a), 115D-94(a) and (b), 115D-95, and 115D-96.)

(7) The term "licensing boards" is changed to include "licensing agencies". (G.S. 115D-88(5)).

(8) The language of the statute is amended to indicate that the State Board approves subjects as well as instruction and courses. (G.S. 115D-90(d)).

(9) The language of the statute is amended to clarify that the State Board can revoke a license if the applicant provides false or misleading information relating to licensure. The current law permits revocation only if the false or misleading information relates to approval. (G.S. 115D-93(c)).

(10) The language of the statutes is amended to clarify what an applicant must submit with an application for licensure or approval. (G.S. 115D-90(a), (c), and (d)).

APPENDIX K

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

H

D

89-LE-066C(3.1)

Short Title: Proprietary School Bond

(Public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED

2 AN ACT TO INCREASE THE BOND REQUIREMENTS FOR PROPRIETARY
3 SCHOOLS.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 115D-95 reads as rewritten:

6 "**§ 115D-95. Execution of bond required, filing and recording, actions upon bond.**

7 ~~(a) Before the State Board of Community Colleges shall issue such license the~~
8 ~~person, partnership, association of persons, or corporation shall execute a bond in the~~
9 ~~sum of one thousand dollars (\$1,000), signed by a solvent guaranty company~~
10 ~~authorized to do business in the State of North Carolina, or by two solvent individual~~
11 ~~sureties, payable to the State of North Carolina, and approved as to solvency by the~~
12 ~~clerk of the superior court of the county in which such school or branch school will~~
13 ~~be located and conduct its business, conditioned that the principal in said bond will~~
14 ~~carry out and comply with each and every contract, made and entered into by said~~
15 ~~school or branch school, acting by and through its officers and agents with any~~
16 ~~student who desires to enter such school or branch school and to take any courses~~
17 ~~offered therein and will pay back to such student all amounts collected in tuition and~~
18 ~~fees in case of failure on the part of the parties obtaining a license from the State~~
19 ~~Board of Community Colleges to open and conduct a business school, trade school or~~
20 ~~a correspondence school, to comply with its contracts to give the instructions~~

1 ~~contracted for, and for full period evidenced by such contract. Such bond shall be~~
2 ~~filed with the clerk of the superior court of the county in which the school or branch~~
3 ~~school executing the bond is located, and shall be recorded by such clerk in a book~~
4 ~~provided for that purpose.~~

5 ~~(b) The requirement herein specified for giving the aforesaid bond of one thousand~~
6 ~~dollars (\$1,000) shall apply to all business, trade or correspondence schools, or any~~
7 ~~branches thereof operating in North Carolina, and the State Board of Community~~
8 ~~Colleges shall not issue any license to any person, firm or corporation to operate any~~
9 ~~of the aforesaid schools until said bond has been given and notice of the approval of~~
10 ~~same by the clerk of the superior court has been filed with said Board of Community~~
11 ~~Colleges. Operator bonds of one thousand dollars (\$1,000) each shall be required for~~
12 ~~each branch of such business, trade, correspondence schools, or any branch thereof~~
13 ~~operated within the State by any person, partnership or corporation.~~

14 ~~(c) In any and all cases where the party receiving the license from the State Board~~
15 ~~of Community Colleges fails to comply with any contract made and entered into with~~
16 ~~any student, or with the parents or guardian of said student, then the State of North~~
17 ~~Carolina upon the relation of said student, parent or guardian entering into the~~
18 ~~contract shall have a cause of action against the principal and sureties on the bonds~~
19 ~~herein provided for the full amount of payments made to such person, with six~~
20 ~~percent (6%) interest from the date of payment of said amount. For a violation of its~~
21 ~~contract with a student, or for other good cause, the State Board of Community~~
22 ~~Colleges is authorized to revoke the license issued to the offending school.~~

23 **Bonds Required.**

24 (a) A guaranty bond is required for each school that is licensed to operate:
25 Provided, however, a school that is unable to secure a bond may, with the consent of
26 the State Board of Community Colleges, provide an alternative to a guaranty bond, as
27 provided in subsection (c) of this section.

28 The State Board may revoke the license of a school that fails to maintain a bond
29 or an alternative to a bond, pursuant to this section.

30 (b)(1) When application is made for a license or license renewal, the applicant
31 shall file a guaranty bond with the clerk of the superior court of the county in which
32 the school will be located. The bond shall be in favor of the students. The bond shall
33 be executed by the applicant as principal and by a bonding company authorized to
34 do business in this State. The bond shall be conditioned to provide indemnification to
35 any student, or his parent or guardian, who has suffered a loss of tuition or any fees

1 by reason of the failure of the school to offer or complete student instruction,
2 academic services, or other goods and services related to course enrollment for any
3 reason, including the suspension, revocation, or nonrenewal of a school's license,
4 bankruptcy, foreclosure, or the school ceasing to operate.

5 (2) The bond shall be in an amount determined by the State Board of Community
6 Colleges to be adequate to provide indemnification to any student, or his parent or
7 guardian, under the terms of the bond. The bond amount for a school shall be at least
8 equal to the maximum amount of prepaid tuition held at any time during the last
9 fiscal year by the school. The bond amount shall also be at least ten thousand dollars
10 (\$10,000).

11 Each application for a license shall include a letter signed by an authorized
12 representative of the school showing in detail the calculations made and the method
13 of computing the amount of the bond, pursuant to this subdivision and the rules of
14 the State Board. If the State Board finds that the calculations made and the method
15 of computing the amount of the bond are inaccurate or that the amount of the bond
16 is otherwise inadequate to provide indemnification under the terms of the bond, the
17 State Board may require the applicant to provide an additional bond.

18 (3) The bond shall remain in force and effect until cancelled by the guarantor. The
19 guarantor may cancel the bond upon 30 days notice to the State Board of Community
20 Colleges. Cancellation of the bond shall not affect any liability incurred or accrued
21 prior to the termination of the notice period.

22 (c) An applicant that is unable to secure a bond may seek a waiver of the guaranty
23 bond from the State Board of Community Colleges and approval of one of the
24 guaranty bond alternatives set forth in this subsection. With the approval of the State
25 Board, an applicant may file with the clerk of the superior court of the county in
26 which the school will be located, in lieu of a bond:

27 (1) An assignment of a savings account in an amount equal to the bond required
28 (i) which is in a form acceptable to the State Board of Community Colleges; (ii)
29 which is executed by the applicant; and (iii) which is executed by a state or federal
30 savings and loan association, state bank, or national bank, that is doing business in
31 North Carolina and whose accounts are insured by a federal depositors corporation;
32 and (iv) for which access to the account in favor of the State of North Carolina is
33 subject to the same conditions as for a bond in subsection (b) of this section.

34 (2) A certificate of deposit (i) which is executed by a state or federal savings and
35 loan association, state bank, or national bank, which is doing business in North

1 Carolina and whose accounts are insured by a federal depositors corporation; and (ii)
2 which is either payable to the State of North Carolina, unrestrictively endorsed to the
3 State Board of Community Colleges; in the case of a negotiable certificate of deposit,
4 is unrestrictively endorsed to the State Board of Community Colleges; or in the case
5 of a nonnegotiable certificate of deposit, is assigned to the State Board of Community
6 Colleges in a form satisfactory to the State Board; and (iii) for which access to the
7 certificate of deposit in favor of the State of North Carolina is subject to the same
8 conditions as for a bond in subsection (b) of this section."

9 Sec. 2. G.S. 116-15 reads as rewritten:

10 **"§ 116-15. Licensing of certain nonpublic post-secondary educational institutions.**

11 The General Assembly of North Carolina in recognition of the importance of
12 higher education and of the particular significance attached to the personal
13 credentials accessible through higher education and in consonance with statutory law
14 of this State making unlawful any 'unfair or deceptive acts or practices in the conduct
15 of any trade or commerce,' hereby declares it the policy of this State that all
16 institutions conducting post-secondary degree activity in this State that are not subject
17 to Chapter 115 or 115D of the General Statutes, nor some other section of Chapter
18 116 of the General Statutes shall be subject to licensure under this section except as
19 the institution or a particular activity of the institution may be exempt from licensure
20 by one or another provision of this section.

21 (a) Definitions. -- As used in this section the following terms are defined as set
22 forth in this subsection:

23 (1) 'Post-secondary degree'. A credential conferring on the recipient thereof the
24 title of 'Associate', 'Bachelor', 'Master', or 'Doctor', or an equivalent title, signifying
25 educational attainment based on (i) study, (ii) a substitute for study in the form of
26 equivalent experience or achievement testing, or (iii) a combination of the foregoing;
27 provided, that 'post-secondary degree' shall not include any honorary degree or other
28 so-called 'unearned' degree.

29 (2) 'Institution'. Any sole proprietorship, group, partnership, venture, society,
30 company, corporation, school, college, or university that engages in, purports to
31 engage in, or intends to engage in any type of post-secondary degree activity.

32 (3) 'Post-secondary degree activity'. Any of the following is 'post-secondary degree
33 activity':

34 (i) Awarding a post-secondary degree.

1 (ii) Conducting or offering study, experience, or testing for an individual or
2 certifying prior successful completion by an individual of study, experience, or
3 testing, under the representation that the individual successfully completing the study,
4 experience, or testing will be awarded therefor, at least in part, a post-secondary
5 degree.

6 (4) 'Publicly registered name'. The name of any sole proprietorship, group,
7 partnership, venture, society, company, corporation, school, college, or institution that
8 appears as the subject of any Articles of Incorporation, Articles of Amendment, or
9 Certificate of Authority to Transact Business or to Conduct Affairs, properly filed
10 with the Secretary of State of North Carolina and currently in force.

11 (5) 'Board'. The Board of Governors of The University of North Carolina.

12 (b) Required License. -- No institution subject to this section shall undertake
13 post-secondary degree activity in this State, whether through itself or through an
14 agent, unless the institution is licensed as provided in this section to conduct
15 post-secondary degree activity or is exempt from licensure under this section as
16 hereinafter provided.

17 (c) Exemption from Licensure. -- Any institution that has been continuously
18 conducting post-secondary degree activity in this State under the same publicly
19 registered name or series of publicly registered names since July 1, 1972, shall be
20 exempt from the provisions for licensure under this section upon presentation to the
21 Board of information acceptable to the Board to substantiate such post-secondary
22 degree activity and public registration of the institution's names. Any institution that,
23 pursuant to a predecessor statute to this subsection, had presented to the Board proof
24 of activity and registration such that the Board granted exemption from licensure,
25 shall continue to enjoy such exemption without further action by the Board.

26 (d) Exemption of Institutions Relative to Religious Education. -- Notwithstanding
27 any other provision of this section, no institution shall be subject to licensure under
28 this section with respect to post-secondary degree activity based upon a program of
29 study, equivalent experience, or achievement testing the institutionally planned
30 objective of which is the attainment of a degree in theology, divinity, or religious
31 education or in any other program of study, equivalent experience, or achievement
32 testing that is designed by the institution primarily for career preparation in a
33 religious vocation. This exemption shall be extended to any institution with respect to
34 each program of study, equivalent experience, and achievement test that the

1 institution demonstrates to the satisfaction of the Board should be exempt under this
2 subsection.

3 (e) Post-secondary Degree Activity within the Military. -- To the extent that an
4 institution undertakes post-secondary degree activity on the premises of military posts
5 or reservations located in this State for military personnel stationed on active duty
6 there, or their dependents, the institution shall be exempt from the licensure
7 requirements of this section.

8 (f) Standards for Licensure.-- To receive a license to conduct post-secondary
9 degree activity in this State, an institution shall satisfy the Board that the institution
10 has met the following standards:

11 (1) That the institution is State-chartered. If chartered by a state or sovereignty
12 other than North Carolina, the institution shall also obtain a Certificate of Authority
13 to Transact Business or to Conduct Affairs in North Carolina issued by the Secretary
14 of State of North Carolina;

15 (2) That the institution has been conducting post-secondary degree activity in a
16 state or sovereignty other than North Carolina during consecutive, regular-term,
17 academic semesters, exclusive of summer sessions, for at least the two years
18 immediately prior to submitting an application for licensure under this section, or has
19 been conducting with enrolled students, for a like period in this State or some other
20 state or sovereignty, post-secondary educational activity not related to a
21 post-secondary degree; provided, that an institution may be temporarily relieved of
22 this standard under the conditions set forth in subsection (i), below;

23 (3) That the substance of each course or program of study, equivalent experience,
24 or achievement test is such as may reasonably and adequately achieve the stated
25 objective for which the study, experience, or test is offered or to be certified as
26 successfully completed;

27 (4) That the institution has adequate space, equipment, instructional materials, and
28 personnel available to it to provide education of good quality;

29 (5) That the education, experience, and other qualifications of directors,
30 administrators, supervisors, and instructors are such as may reasonably insure that the
31 students will receive, or will be reliably certified to have received, education
32 consistent with the stated objectives of any course or program of study, equivalent
33 experience, or achievement test offered by the institution;

34 (6) That the institution provides students and other interested persons with a
35 catalog or brochure containing information describing the substance, objectives, and

1 duration of the study, equivalent experience, and achievement testing offered, a
2 schedule of related tuition, fees, and all other necessary charges and expenses,
3 cancellation and refund policies, and such other material facts concerning the
4 institution and the program or course of study, equivalent experience, and
5 achievement testing as are reasonably likely to affect the decision of the student to
6 enroll therein, together with any other disclosures that may be specified by the Board;
7 and that such information is provided to prospective students prior to enrollment;

8 (7) That upon satisfactory completion of study, equivalent experience, or
9 achievement test, the student is given appropriate educational credentials by the
10 institution, indicating that the relevant study, equivalent experience, or achievement
11 testing has been satisfactorily completed by the students;

12 (8) That records are maintained by the institution adequate to reflect the
13 application of relevant performance or grading standards to each enrolled student;

14 (9) That the institution is maintained and operated in compliance with all
15 pertinent ordinances and laws, including rules and regulations adopted pursuant
16 thereto, relative to the safety and health of all persons upon the premises of the
17 institution;

18 (10) That the institution is financially sound and capable of fulfilling its
19 commitments to ~~students~~; students and that the institution has provided a bond as
20 provided in subsection (f1) of this section;

21 (11) That the institution, through itself or those with whom it may contract, does
22 not engage in promotion, sales, collection, credit, or other practices of any type which
23 are false, deceptive, misleading, or unfair;

24 (12) That the chief executive officer, trustees, directors, owners, administrators,
25 supervisors, staff, instructors, and employees of the institution have no record of
26 unprofessional conduct or incompetence that would reasonably call into question the
27 overall quality of the institution;

28 (13) That the student housing owned, maintained, or approved by the institution, if
29 any, is appropriate, safe, and adequate;

30 (14) That the institution has a fair and equitable cancellation and refund policy;
31 and

32 (15) That no person or agency with whom the institution contracts has a record of
33 unprofessional conduct or incompetence that would reasonably call into question the
34 overall quality of the institution.

1 (f1)(1) A guaranty bond is required for each institution that is licensed. The Board
2 may revoke the license of an institution that fails to maintain a bond pursuant to this
3 subsection.

4 If the institution has provided a bond pursuant to G.S. 115D-95, the Board may
5 waive the bond requirement under this subsection. The Board may not waive the
6 bond requirement under this subsection if the applicant has provided an alternative
7 to a guaranty bond under G.S. 115D-95(c).

8 (2) When application is made for a license or license renewal, the applicant shall
9 file a guaranty bond with the clerk of the superior court of the county in which the
10 institution will be located. The bond shall be in favor of the students. The bond shall
11 be executed by the applicant as principal and by a bonding company authorized to
12 do business in this State. The bond shall be conditioned to provide indemnification to
13 any student, or his parent or guardian, who has suffered a loss of tuition or any fees
14 by reason of the failure of the institution to offer or complete student instruction,
15 academic services, or other goods and services related to course enrollment for any
16 reason, including the suspension, revocation, or nonrenewal of an institution's license,
17 bankruptcy, foreclosure, or the institution ceasing to operate.

18 The bond shall be in an amount determined by the Board to be adequate to
19 provide indemnification to any student, or his parent or guardian, under the terms of
20 the bond. The bond amount for an institution shall be at least equal to the maximum
21 amount of prepaid tuition held at any time during the last fiscal year by the
22 institution. The bond amount shall also be at least ten thousand dollars (\$10,000).

23 Each application for a license shall include a letter signed by an authorized
24 representative of the institution showing in detail the calculations made and the
25 method of computing the amount of the bond, pursuant to this subdivision and the
26 rules of the Board. If the Board finds that the calculations made and the method of
27 computing the amount of the bond are inaccurate or that the amount of the bond is
28 otherwise inadequate to provide indemnification under the terms of the bond, the
29 Board may require the applicant to provide an additional bond.

30 The bond shall remain in force and effect until cancelled by the guarantor. The
31 guarantor may cancel the bond upon 30 days notice to the Board. Cancellation of the
32 bond shall not affect any liability incurred or accrued prior to the termination of the
33 notice period.

34 (g) Review of Licensure. -- Any institution that acquires licensure under this
35 section shall be subject to review by the Board to determine that the institution

1 continues to meet the standard for licensure of subsection (f), above. Review of such
2 licensure by the Board shall always occur if the institution is legally reconstituted, or
3 if ownership of a preponderance of all the assets of the institution changes pursuant
4 to a single transaction or agreement or a recognizable sequence of transactions or
5 agreements, or if two years has elapsed since licensure of the institution was granted
6 by the Board.

7 Notwithstanding the foregoing paragraph, if an institution has continued to be
8 licensed under this section and continuously conducted post-secondary degree activity
9 in this State under the same publicly registered name or series of publicly registered
10 names since July 1, 1979, or for six consecutive years, whichever is the shorter period,
11 and is accredited by an accrediting commission recognized by the Council on
12 Post-Secondary Accreditation, such institution shall be subject to licensure review by
13 the Board every six years to determine that the institution continues to meet the
14 standard for licensure of subsection (f), above. However, should such an institution
15 cease to maintain the specified accreditation, become legally reconstituted, have
16 ownership of a preponderance of all its assets transferred pursuant to a single
17 transaction or agreement or a recognizable sequence of transactions or agreements to
18 a person or organization not licensed under this section, or fail to meet the standard
19 for licensure of subsection (f), above, then the institution shall be subject to licensure
20 review by the Board every two years until a license to conduct post-secondary degree
21 activity and the requisite accreditation have been restored for six consecutive years.

22 (h) Denial and Revocation of Licensure. -- Any institution seeking licensure under
23 the provisions of this section that fails to meet the licensure requirements of this
24 section shall be denied a license to conduct post-secondary degree activity in this
25 State. Any institution holding a license to conduct post-secondary degree activity in
26 this State that is found by the Board of Governors not to satisfy the licensure
27 requirements of this section shall have its license to conduct post-secondary degree
28 activity in this State revoked by the Board; provided, that the Board of Governors
29 may continue in force the license of an institution deemed by the Board to be making
30 substantial and expeditious progress toward remedying its licensure deficiencies.

31 (i) Regulatory Authority in the Board. -- The Board shall have authority to
32 establish such rules, regulations, and procedures as it may deem necessary or
33 appropriate to effect the provisions of this section. Such rules, regulations, and
34 procedures may include provision for the granting of an interim permit to conduct

1 post-secondary degree activity in this State to an institution seeking licensure but
2 lacking the two-year period of activity prescribed by subsection (f)(2), above.

3 (j) Enforcement Authority in the Attorney General. -- The Board shall call to the
4 attention of the Attorney General, for such action as he may deem appropriate, any
5 institution failing to comply with the requirements of this section.

6 (k) Severability. -- The provisions of this section are severable, and, if any
7 provision of this section is declared unconstitutional or invalid by the courts, such
8 declaration shall not affect the validity of the section as a whole or any provision
9 other than the provision so declared to be unconstitutional or invalid."

10 Sec. 3. G.S. 86A-22 reads as rewritten:

11 "**§ 86A-22. Licensing and regulating barber schools and colleges.**

12 The North Carolina State Board of Barber Examiners may approve barber schools
13 or colleges in the State, and may prescribe rules and regulations for their operation.
14 No barber school or college shall be approved by the Board unless the school or
15 college meets all of the following requirements:

16 (1) Each school shall provide a course of instruction of at least 1528 hours.

17 (2) Each school shall have at least two instructors. Each instructor must hold a
18 valid instructor's certificate issued by the Board.

19 (3) An application for a student's permit and a doctor's certificate, on forms
20 prescribed by the Board, must be filed with the Board before the student enters
21 school. No student may enroll without having obtained a student's permit.

22 (4) Each student enrolled shall be given a complete course of instruction on the
23 following subjects: hair cutting; shaving; shampooing, and the application of creams
24 and lotions; care and preparation of tools and implements; scientific massaging and
25 manipulating the muscles of the scalp, face, and neck; sanitation and hygiene;
26 shedding and regrowth of hair; elementary chemistry relating to sterilization and
27 antiseptics; instruction on common skin and scalp diseases to the extent that they may
28 be recognized; pharmacology as it relates to preparations commonly used in
29 barbershops; instruction in the use of electrical appliances and the effects of the use
30 of these on the human skin; structure of the skin and hair; nerve points of the face;
31 the application of hair dyes and bleaches; permanent waving; marcelling or hair
32 pressing; frosting and streaking; and the statutes and regulations relating to the
33 practice of barbering in North Carolina. The Board shall specify the minimum
34 number of hours of instruction for each subject required by this subsection.

1 (5) Each school shall file an up-to-date list of its students with the Board at least
2 once a month. If a student withdraws or transfers, the school shall file a report with
3 the Board stating the courses and hours completed by the withdrawing or transferring
4 student. The school shall also file with the Board a list of students who have
5 completed the amount of work necessary to meet the licensing requirements.

6 (6) Each school shall comply with the sanitary requirements of G.S. 86A-15.

7 (7)a. Each school shall provide a guaranty bond unless the school has already
8 provided a bond or an alternative to a bond under G.S. 115D-95.

9 The North Carolina State Board of Barber Examiners may revoke the approval of
10 a school that fails to maintain a bond or an alternative to a bond pursuant to this
11 subdivision or G.S. 115D-95.

12 b. When application is made for approval or renewal of approval, the applicant
13 shall file a guaranty bond with the clerk of the superior court of the county in which
14 the school will be located. The bond shall be in favor of the students. The bond shall
15 be executed by the applicant as principal and by a bonding company authorized to
16 do business in this State. The bond shall be conditioned to provide indemnification to
17 any student, or his parent or guardian, who has suffered a loss of tuition or any fees
18 by reason of the failure of the school to offer or complete student instruction,
19 academic services, or other goods and services related to course enrollment for any
20 reason, including the suspension, revocation, or nonrenewal of a school's approval,
21 bankruptcy, foreclosure, or the school ceasing to operate.

22 The bond shall be in an amount determined by the Board to be adequate to
23 provide indemnification to any student, or his parent or guardian, under the terms of
24 the bond. The bond amount for a school shall be at least equal to the maximum
25 amount of prepaid tuition held at any time during the last fiscal year by the school.
26 The bond amount shall also be at least ten thousand dollars (\$10,000).

27 Each application for approval shall include a letter signed by an authorized
28 representative of the school showing in detail the calculations made and the method
29 of computing the amount of the bond pursuant to this subpart and the rules of the
30 Board. If the Board finds that the calculations made and the method of computing
31 the amount of the bond are inaccurate or that the amount of the bond is otherwise
32 inadequate to provide indemnification under the terms of the bond, the Board may
33 require the applicant to provide an additional bond.

34 The bond shall remain in force and effect until cancelled by the guarantor. The
35 guarantor may cancel the bond upon 30 days notice to the Board. Cancellation of the

1 bond shall not affect any liability incurred or accrued prior to the termination of the
2 notice period.

3 c. An applicant that is unable to secure a bond may seek a waiver of the guaranty
4 bond from the Board and approval of one of the guaranty bond alternatives set forth
5 in this subpart. With the approval of the Board, an applicant may file with the clerk
6 of the superior court of the county in which the school will be located, in lieu of a
7 bond:

8 1. An assignment of a savings account in an amount equal to the bond required (i)
9 which is in a form acceptable to the Board; (ii) which is executed by the applicant;
10 and (iii) which is executed by a state or federal savings and loan association, state
11 bank, or national bank, that is doing business in North Carolina and whose accounts
12 are insured by a federal depositors corporation; and (iv) for which access to the
13 account in favor of the State of North Carolina is subject to the same conditions as
14 for a bond in subpart b. above.

15 2. A certificate of deposit (i) which is executed by a state or federal savings and
16 loan association, state bank, or national bank, which is doing business in North
17 Carolina and whose accounts are insured by a federal depositors corporation; and (ii)
18 which is either payable to the State of North Carolina, unrestrictively endorsed to the
19 Board; in the case of a negotiable certificate of deposit, is unrestrictively endorsed to
20 the Board; or in the case of a nonnegotiable certificate of deposit, is assigned to the
21 Board in a form satisfactory to the Board; and (iii) for which access to the certificate
22 of deposit in favor of the State of North Carolina is subject to the same conditions as
23 for a bond in subpart b. above."

24 Sec. 4. Chapter 88 of the General Statutes is amended by adding a new
25 section to read:

26 "**§ 88-23.1. Bond required for cosmetic art schools.**

27 (a) Each cosmetic art school shall provide a guaranty bond unless the school has
28 already provided a bond or an alternative to a bond under G.S. 115D-95.

29 The Board of Cosmetic Art may refuse to renew or may suspend or revoke the
30 approval of a school that fails to maintain a bond or an alternative to a bond
31 pursuant to this section or G.S. 115D-95.

32 (b)(1) When application is made for an approval or approval renewal, the
33 applicant shall file a guaranty bond with the clerk of the superior court of the county
34 in which the school will be located. The bond shall be in favor of the students. The
35 bond shall be executed by the applicant as principal and by a bonding company

1 authorized to do business in this State. The bond shall be conditioned to provide
2 indemnification to any student, or his parent or guardian, who has suffered loss of
3 tuition or any fees by reason of the failure of the school to offer or complete student
4 instruction, academic services, or other goods and services related to course
5 enrollment for any reason, including but not limited to the suspension, revocation, or
6 nonrenewal of a school's approval, bankruptcy, foreclosure, or the school ceasing to
7 operate.

8 (2) The bond shall be in an amount determined by the Board of Cosmetic Art to
9 be adequate to provide indemnification to any student, or his parent or guardian,
10 under the terms of the bond. The bond amount for a school shall be at least equal to
11 the maximum amount of prepaid tuition held at any time during the last fiscal year
12 by the school. The bond amount shall also be at least ten thousand dollars (\$10,000).

13 Each application for a license shall include a letter signed by an authorized
14 representative of the school showing in detail the calculations made and the method
15 of computing the amount of the bond, pursuant to this subdivision and the rules of
16 the Board. If the Board finds that the calculations made and the method of
17 computing the amount of the bond are inaccurate or that the amount of the bond is
18 otherwise inadequate to provide indemnification under the terms of the bond, the
19 Board may require the applicant to provide an additional bond.

20 (3) The bond shall remain in force and effect until cancelled by the guarantor. The
21 guarantor may cancel the bond upon 30 days notice to the Board of Cosmetic Art.
22 Cancellation of the bond shall not affect any liability incurred or accrued prior to the
23 termination of the notice period.

24 (c) An applicant that is unable to secure a bond may seek a waiver of the guaranty
25 bond from the Board of Cosmetic Art and approval of one of the guaranty bond
26 alternatives set forth in this subsection. With the approval of the Board, an applicant
27 may file with the clerk of the superior court of the county in which the school will be
28 located, in lieu of a bond:

29 (1) An assignment of a savings account in an amount equal to the bond required
30 (i) which is in a form acceptable to the Board of Cosmetic Art; (ii) which is executed
31 by the applicant; and (iii) which is executed by a state or federal savings and loan
32 association, state bank, or national bank, that is doing business in North Carolina and
33 whose accounts are insured by a federal depositors corporation; and (iv) for which
34 access to the account in favor of the State of North Carolina is subject to the same
35 conditions as for a bond in subsection (b) of this section.

1 (2) A certificate of deposit (i) which is executed by a state or federal savings and
2 loan association, state bank, or national bank, which is doing business in North
3 Carolina and whose accounts are insured by a federal depositors corporation; and (ii)
4 which is either payable to the State of North Carolina, unrestrictively endorsed to the
5 Board of Cosmetic Art; in the case of a negotiable certificate of deposit, is
6 unrestrictively endorsed to the Board of Cosmetic Art; or in the case of a
7 nonnegotiable certificate of deposit, is assigned to the Board of Cosmetic Art in a
8 form satisfactory to the Board; and (iii) for which access to the certificate of deposit
9 in favor of the State of North Carolina is subject to the same conditions as for a bond
10 in subsection (b) of this section."

11 Sec. 5. G.S. 90-171.55 reads as rewritten:

12 **"§ 90-171.55. Nurses Aides Registry.**

13 (a) The Board of Nursing, established pursuant to G.S. 90-171.21, shall establish a
14 Nurses Aides Registry for persons functioning as nurses aides regardless of title. The
15 Board shall consider those Level I nurses aides employed in State licensed or
16 Medicare/Medicaid certified nursing facilities who meet applicable State and federal
17 registry requirements as adopted by the North Carolina Medical Care Commission as
18 having fulfilled the training and registry requirements of the Board, except for the fee
19 requirements prescribed by this section. The Board may charge an annual fee of five
20 dollars (\$5.00) for each registry applicant. The Board shall adopt rules to ensure that
21 whenever possible, the fee is collected through the employer or prospective employer
22 of the registry applicant. Fees collected may be used by the Board in administering
23 the registry. The Board's authority granted by this Article shall not conflict with the
24 authority of the Medical Care Commission.

25 (b)(1) Each nurses aide training program, except for those operated by (i)
26 institutions under the Board of Governors of The University of North Carolina, (ii)
27 institutions of the North Carolina Community College System, (iii) public high
28 schools, and (iv) hospital authorities acting pursuant to G.S. 131E-23(31), shall
29 provide a guaranty bond unless the program has already provided a bond or an
30 alternative to a bond under G.S. 115D-95. The Board of Nursing may revoke the
31 approval of a program that fails to maintain a bond or an alternative to a bond
32 pursuant to this subsection or G.S. 115D-95.

33 (2) When application is made for approval or renewal of approval, the applicant
34 shall file a guaranty bond with the clerk of the superior court of the county in which
35 the program will be located. The bond shall be in favor of the students. The bond

1 shall be executed by the applicant as principal and by a bonding company authorized
2 to do business in this State. The bond shall be conditioned to provide indemnification
3 to any student, or his parent or guardian, who has suffered a loss of tuition or any
4 fees by reason of the failure of the program to offer or complete student instruction,
5 academic services, or other goods and services related to course enrollment for any
6 reason, including the suspension, revocation, or nonrenewal of a program's approval,
7 bankruptcy, foreclosure, or the program ceasing to operate.

8 The bond shall be in an amount determined by the Board to be adequate to
9 provide indemnification to any student, or his parent or guardian, under the terms of
10 the bond. The bond amount for a program shall be at least equal to the maximum
11 amount of prepaid tuition held at any time during the last fiscal year by the program.
12 The bond amount shall also be at least ten thousand dollars (\$10,000).

13 Each application for a license shall include a letter signed by an authorized
14 representative of the program showing in detail the calculations made and the
15 method of computing the amount of the bond pursuant to this subdivision and the
16 rules of the Board. If the Board finds that the calculations made and the method of
17 computing the amount of the bond are inaccurate or that the amount of the bond is
18 otherwise inadequate to provide indemnification under the terms of the bond, the
19 Board may require the applicant to provide an additional bond.

20 The bond shall remain in force and effect until cancelled by the guarantor. The
21 guarantor may cancel the bond upon 30 days notice to the Board. Cancellation of the
22 bond shall not affect any liability incurred or accrued prior to the termination of the
23 notice period.

24 (3) An applicant that is unable to secure a bond may seek a waiver of the guaranty
25 bond from the Board and approval of one of the guaranty bond alternatives set forth
26 in this subdivision. With the approval of the Board, an applicant may file with the
27 clerk of the superior court of the county in which the program will be located, in lieu
28 of a bond:

29 a. An assignment of a savings account in an amount equal to the bond required (i)
30 which is in a form acceptable to the Board; (ii) which is executed by the applicant;
31 and (iii) which is executed by a state or federal savings and loan association, state
32 bank, or national bank, that is doing business in North Carolina and whose accounts
33 are insured by a federal depositors corporation; and (iv) for which access to the
34 account in favor of the State of North Carolina is subject to the same conditions as
35 for a bond in subdivision (2) of this subsection.

1 b. A certificate of deposit (i) which is executed by a state or federal savings and
2 loan association, state bank, or national bank, which is doing business in North
3 Carolina and whose accounts are insured by a federal depositors corporation; and (ii)
4 which is either payable to the State or North Carolina, unrestrictively endorsed to the
5 Board; in the case of a negotiable certificate of deposit, is unrestrictively endorsed to
6 the Board; or in the case of a nonnegotiable certificate of deposit, is assigned to the
7 Board in a form satisfactory to the Board; and (iii) for which access to the certificate
8 of deposit in favor of the State of North Carolina is subject to the same conditions as
9 for a bond in subdivision (2) of this subsection."

10 Sec. 6. This act shall become effective October 1, 1990.

SUMMARY OF A BILL TO BE ENTITLED
AN ACT TO INCREASE THE BOND REQUIREMENT
FOR PROPRIETARY SCHOOLS.

This bill would increase the bond requirements for most proprietary schools. The law under which the Department of Community Colleges regulates proprietary schools requires only a a \$1,000 bond. The laws under which occupational licensing boards regulate proprietary schools do not mention a bond requirement although some boards have acted under their rule making authority to require bonds.

Under this bill, the bond requirements in the guidelines established by the Board of Governors of The University of North Carolina for proprietary schools it licenses are used as a model for the bond requirements for all State boards and agencies that regulate proprietary schools.

Bond Requirement for Schools Licensed by the Department of Community Colleges

This bill would completely rewrite the bond requirement for proprietary schools licensed by the Department of Community Colleges. It would require every school that is licensed to have a bond. Schools that are unable to secure a bond would, with the consent of the State Board of Community Colleges, provide an alternative to a bond. The State Board of Community Colleges would have the authority to revoke the license of a school that failed to maintain a bond.

Under the bill, when application is made to the Department of Community Colleges for a license or license renewal, the applicant must file a guaranty bond with the clerk of the Superior Court of the county in which the school will be located.

The bond would protect students only to the extent of tuition or fees lost by the student, or his parent or guardian, as a result of the school's failure to offer complete student instruction, academic services, or other goods or services related to course

enrollment. The bond would not cover claims relating to losses other than losses of tuition or fees.

The bond must be in an amount determined by the State Board of Community Colleges to be adequate to provide indemnification to any student, or his parent or guardian, under the terms of the bond. The bond amount would be at least equal to the maximum amount of prepaid tuition held at any time during the last fiscal year by the school. In no case could the bond amount be less than \$10,000.

Each application for a license would include a letter signed by an authorized representative of the school showing in detail the calculations made and the method of computing the amount of the bond. If the State Board found that the calculations made or the method of computing the amount of the bond were inaccurate or that the amount of the bond were otherwise inadequate to protect students, it could require an additional bond.

An applicant that is unable to secure a bond could seek a waiver of the guaranty bond from the State Board of Community Colleges and approval of one of the guaranty bond alternatives set forth in the bill. The alternatives would be the assignment of a savings account in an amount equal to the bond required or a certificate of deposit.

Bond Requirement for Schools Licensed by the Board of Governors of The University of North Carolina

This bill would set out in the statutes regarding licensure of proprietary schools by the Board of Governors, requirements very similar to those already in the Board of Governors guidelines for proprietary schools. These requirements are also very similar to those the bill would establish for schools licensed by the Department of Community Colleges. The Board of Governors' bond requirements would differ from those the bill sets out for the Department of Community Colleges only in that the Board of Governors' statutes would not permit schools to provide alternatives to guaranty bonds.

Under the bill, the Board of Governors could waive the bond requirement for a school that had already provided a bond under the Department of Community College statutes.

Bond Requirement for Schools Licensed by Agencies and Boards other than the State Board of Community Colleges and the Board of Governors of The University of North Carolina

Under the bill, schools regulated by the Board of Barber Examiners, the Board of Cosmetic Art, and the Board of Nursing, would have the same bond requirements as schools regulated by the State Board of Community Colleges. Schools that have already provided a bond under the Community College statutes would not have to provide an additional bond.

MEMORANDUM-

TO: Legislative Research Commission Study Committee on
Proprietary Schools

FROM: Randy Miller, Assistant Attorney General, Consumer
Protection Section

RE: Results of meeting between Proprietary Schools regulatory,
support and enforcement agencies and Proprietary Schools
representatives concerning recommendations on increased
bonding requirements for Proprietary Schools.

Date: March 19, 1990

Pursuant to the instructions of the Study Committee a meeting was held on March 12, 1990, at the College Foundation, Inc., Raleigh, N.C. to work out any differences with the recommendation concerning bonding requirements that was presented to the Committee on February 27, 1990. The participants in this meeting included the following individuals:

Ms. Vicky Goudi, N.C. Board of Cosmetic Arts
Mr. Jack Besser, Kings College, Charlotte, N.C.
Mr. Ray Mitchell, Mitchell's Hair Styling Academy
Mr. Wayne Thompson, Phillip's Jr. College - Hardbarger
Ms. Teresa Curtis, N.C. Board of Barber Examiners
Mr. Costas Melissaris, Hairstyling Institute of Charlotte
Dr. John F. Corey, UNC Board of Governors
Ms. Bernell Dickinson, State Approving Agency
Ms. Joyce Smyrski, N.C. Board of Nursing
Mr. Stan C. Broadway, N.C. Education Assistance Authority
Mr. Randy L. Miller, Consumer Protection Section, Attorney
General's Office

The major topics of discussion centered on the issues of method of bond calculation, items covered by the bond and alternatives to a surety bond.

A consensus was reached on these matters. It is felt that the bond calculation should follow the guidelines already established by the UNC Board of Governors for degree granting programs. The method of calculation utilized by the UNC Board of Governors is based upon prepaid tuition. A financial statement from a certified public accountant should be required in the calculation of the prepaid tuition amounts. The school shall bear the responsibility to insure that their bond shall always remain at an amount sufficient to cover their prepaid tuition for any quarter or semester.

The surety bond coverage should protect students only to the extent of tuition or fees loss by a student (also parent or

guardian) as a result of the failure of the school to offer or complete student instruction, academic services, or other goods or services related to course enrollment for any reason, including but not limited to the suspension, revocation, nonrenewal or a school's license, bankruptcy, foreclosure or the school ceasing to operate.

This language would exempt the bond coverage for such claims relating to the failure to receive a "quality" education, or loss due to loss of employment position or opportunity because the school could not award the degree promised or other similar claims made against the bond.

The surety bond would be a "primary bond" for all proprietary schools. If a school had another bond for purposes of accreditation or another educational program that bond could not stand in lieu of the bond required by the State of North Carolina. However, schools might be able to use the bond required by the State to satisfy any other bonding requirements they might have. As a primary bond each and every school would be required to obtain the bond as a precondition for a new or continuing license.

A school might seek a waiver of the bond by application to the respective governing state board "for good cause shown" and seek to use one of the alternatives to a surety bond. "Good cause" might be the inability of a school to obtain a surety bond at a reasonable cost. The option to use an alternative to a surety bond shall be at the discretion of the respective governing state board.

The revised proposal on bonding incorporates the positions stated above for your consideration.

Revised suggested language for Proprietary School Bonds:

3. Increase bond requirements that will provide meaningful relief to students with either a grievance or should a school go out of business. The level of required bond should take into account the size of student enrollment and total tuition paid by students. Present bond required of \$1,000, for non-degree institutions, is inadequate for current operations with the type of exposure students may face if a school should close or operate illegally.

COMMENTS: Ms. Dickinson has proposed a minimum \$10,000 bond under amendments to Article 8 at 115D-95(a)

Bonds. (1) Schools located within this state shall file as part of their application for a license evidence of a savings account, deposit, certificate of deposit or a bond as set forth in this section covering said school. A bond shall be required for each branch or campus that a school is licensed to operate. Schools located outside this state shall file evidence of a savings account, deposit, certificate of deposit on deposit with a North Carolina financial institution or bond as set forth in this section covering said school's agents.

(2) At the time application is made for a license or license renewal, the respective governing state board shall require an applicant to file with the clerk of the Superior Court of the county in which such school or branch school will be located a surety bond in favor of the State of North Carolina in such sum as determined pursuant to this section. Each application for a license shall include a proposal for the bond or alternative in the form of a letter signed by an authorized representative of the school showing in detail the calculations made pursuant to this section, and explaining the method used for computing the amount of the bond or alternative.

(3) The bond shall be executed by the applicant as principal and by a surety company authorized to do business in this state. The bond shall be conditioned to provide indemnification to any student or enrollee or his parent or guardian who has suffered loss of tuition or any fees by reason of the failure of the school to offer or complete student instruction, academic services, or other goods and services related to course enrollment for any reason, including but not limited to the suspension, revocation, nonrenewal of a school's license, bankruptcy, foreclosure or the school ceasing to operate.

(4) The aggregate liability of the surety thereon shall in no event exceed the penal sum of the bond regardless of the number of years the bond is in force. The bond shall be continuous unless said surety is released as set forth in this section.

(5) Surety Bond Alternatives An applicant may seek a waiver of the surety bond from the respective governing state board and approval of one of the surety bond alternatives set forth in this section. (a) In lieu of a surety bond, an applicant may file with the clerk of the Superior Court of the county in which such school or branch school will be located an assignment of a savings account in an amount equal to the bond required which (1) is in a form acceptable to the respective governing state board; (2) is executed by the applicant; and (3) is executed by a state or federal savings and loan association, state bank or national bank which is doing business in North Carolina and whose accounts are insured by a federal depositors corporation; and (4) access to the account in favor of the State

of North Carolina is subject to the same conditions as for a bond in section 3 above.

(b) In lieu of a surety bond, an applicant may file with the clerk of the Superior Court of the county in which such school or branch school will be located a certificate of deposit which (1) is executed by a state or federal savings and loan association, state bank or national bank which is doing business in North Carolina and whose accounts are insured by a federal depositors corporation; and is either: (2) payable to the State of North Carolina; or (3) in the case of a negotiable certificate of deposit, is unrestrictively endorsed to the governing state board; or (4) in the case of a nonnegotiable certificate of deposit, is assigned to the governing state board by assignment in a form satisfactory to the governing state board; and (5) access to the certificate of deposit in favor of the State of North Carolina is subject to the same conditions as for a bond in section 3 above.

(6) The amount of the bond shall be established by each respective governing body, but in no case be less than ten thousand dollars. The bond shall be at least equal to or higher than the maximum amount of prepaid tuition held at any time during the last fiscal year by the school.

:rmschool4

APPENDIX L

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

H

D

89-LE-071(3.26)

Short Title: Proprietary Sch. Law Funds.

(Public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF
3 COMMUNITY COLLEGES FOR PROPRIETARY SCHOOL LAW
4 ENFORCEMENT.

5 The General Assembly of North Carolina enacts:

6 Section 1. There is appropriated from the General Fund to the
7 Department of Community Colleges the sum of \$50,000 for the 1990-91 fiscal year for
8 a professional staff member, clerical support, and administrative costs, of proprietary
9 school law enforcement.

10 Sec. 2. This act shall become effective July 1, 1990.

SUMMARY OF A BILL TO BE ENTITLED
AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF
COMMUNITY COLLEGES FOR PROPRIETARY SCHOOL LAW ENFORCEMENT.

This bill would appropriate \$50,000 to the Department of Community Colleges for the 1990-91 fiscal year for proprietary school law enforcement. These funds would be used to provide one full-time professional staff member, one full-time secretary, and the administrative costs of the Proprietary Education Office.

The total costs of the Proprietary Education Office under the proposal would be \$75,000. Since \$20,000 from the General Fund and \$5,000 from receipts are already in the budget for the 1990-91 fiscal year, only \$50,000 would be required to fund the proposal.

A breakdown of how the funds appropriated to the Proprietary Education Office would be spent for the 1990-91 fiscal year may be found in page L-3 of this appendix.

NORTH CAROLINA DEPARTMENT OF COMMUNITY COLLEGES
BUDGET ESTIMATES FOR PROPRIETARY EDUCATION OFFICE

1. PERSONNEL

1 full-time professional	30,000
fringe benefits @ 25%	7,500
1 full-time secretary	18,000
fringe benefits @ 25%	4,500
	60,000

2. OFFICE

Supplies/Materials	400
Postage/Printing	2,420
Telephone	1,650
	4,470

3. DUES

30

4. TRAVEL

A. Monitor	
42 existing @ 150 mi x 1 visit	6,300
8 new @ 150 mi x 1 visit	1,200
B. Agency-Sponsored Workshops	500
C. Advisory Committee (appointees per proposed law revision)	1,000
D. CONFERENCES	1,500

10,500

TOTAL 75,000

EXISTING RECEIPTS

General Assembly	20,000
License Fees	5,000

TOTAL 25,000