

SENATE BILL NO. 114—COMMITTEE ON HUMAN
RESOURCES AND FACILITIES

(ON BEHALF OF DEPARTMENT OF EDUCATION—
POSTSECONDARY EDUCATION)

FEBRUARY 13, 2001

Referred to Committee on Human Resources and Facilities

SUMMARY—Revises provisions governing bonding requirements of certain postsecondary educational institutions. (BDR 34-399)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to postsecondary education; authorizing the commission on postsecondary education to establish the amount of the bond required for certain postsecondary educational institutions; expanding the conditions under which a bond is required; revising other provisions governing the bonding requirements of postsecondary educational institutions; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 394.480 is hereby amended to read as follows:
2 394.480 1. ~~Each postsecondary~~ *Notwithstanding the provisions of*
3 *NRS 100.065 to the contrary, each:*
4 (a) *Postsecondary* educational institution initially licensed on or after
5 July 1, 1995, ~~each postsecondary~~ *shall file with the administrator a*
6 *surety bond in the amount of \$10,000 or in a greater amount determined*
7 *by the commission for the period of the initial license to operate,*
8 *including any provisional period, or for a period that the commission*
9 *determines is appropriate.*
10 (b) *Postsecondary* educational institution or other entity not licensed in
11 this state which is authorized to employ one or more agents in this state,
12 ~~and each licensed~~ *shall file with the administrator a surety bond in the*
13 *amount of \$10,000 or in a greater amount determined by the commission*
14 *for the period of the agent's permit or for a period that the commission*
15 *determines is appropriate.*



1 (c) *Licensed* postsecondary educational institution ~~which is adding a~~
2 ~~facility at a new location~~ *that poses a financial risk to the students who*
3 *are enrolled in the institution, as determined by the commission upon*
4 *application for renewal of a license,* shall file with the administrator a
5 surety bond in the amount of \$10,000 ~~[- Except when a surety is released,~~
6 ~~the surety bond must cover:~~
7 ~~— (a) The period of the initial license to operate, including any provisional~~
8 ~~period;~~
9 ~~— (b) The period of the agent's permit; or~~
10 ~~— (c) A] or in a greater amount determined by the commission for the~~
11 *period of the renewal or for a period that the commission determines is*
12 *appropriate.*
13 (d) *Licensed postsecondary educational institution that files for a*
14 *change of ownership, shall file with the administrator a surety bond in*
15 *the amount of \$10,000 or in a greater amount determined by the*
16 *commission for the period ending 2 years after the* ~~completion of the~~
17 ~~facility at the new location,~~
18 ~~as appropriate.~~
19 ~~2. A] approval of the change of ownership or for a period that the~~
20 *commission determines is appropriate.*
21 *The commission may at any time require a postsecondary educational*
22 *institution to file a new or supplementary bond in an amount and for a*
23 *period determined appropriate by the commission if the commission*
24 *determines that the institution poses a financial risk to the students who*
25 *are enrolled in the institution or that the current bond filed by the*
26 *institution is insufficient to cover all claims, accrued or contingent,*
27 *against the institution.*
28 2. *Notwithstanding the provisions of NRS 100.065 to the contrary, a*
29 *licensed postsecondary educational institution shall file with the*
30 *administrator a surety bond in the amount of \$100,000 or 25 percent of the*
31 *annual income of the institution received from tuition as reported in its*
32 *annual report to the commission, whichever is greater, if:*
33 (a) The institution participates in a program *of student assistance*
34 *pursuant to the provisions of* ~~Subchapter IV of Chapter 28 of Title 20 of~~
35 ~~the United States Code (42 U.S.C. §§ 1070 et seq. ; D-)]~~ and
36 (b) In any year, the default rate of the institution published by the
37 Secretary of Education pursuant to those provisions exceeds the maximum
38 allowable default rate prescribed by federal law or by the Secretary of
39 Education pursuant to federal law.
40 Except when a surety is released, the bond must cover a period ending 2
41 years after the date on which the default rate of the institution is published
42 as exceeding the maximum allowable rate.
43 3. The bond required of a postsecondary educational institution
44 pursuant to subsections 1 and 2 must be executed by the *entity that owns*
45 *the institution* ~~for other entity~~ as principal , ~~and~~ by a surety company as
46 surety ~~[-]~~ *and by a licensed insurance agent residing in this state.* The
47 bond must be payable to the State of Nevada and must be conditioned to
48 provide indemnification to any student, enrollee or his parent or guardian,
49 determined by the commission to have suffered damage as a result of any



1 act by the postsecondary educational institution that is a violation of NRS
2 394.383 to 394.560, inclusive. The bonding company shall provide
3 indemnification upon receipt of written notice of the determination by the
4 commission. The bond may be continuous, but regardless of the duration of
5 the bond the aggregate liability of the surety does not exceed the penal sum
6 of the bond.

7 4. A surety on any bond filed pursuant to this section may be released
8 after the surety gives 30 days' written notice to the administrator, but the
9 release does not discharge or otherwise affect any claim filed by a student,
10 enrollee or his parent or guardian for damage resulting from any act of the
11 postsecondary educational institution or agent alleged to have occurred
12 while the bond was in effect, or for an institution's ceasing operations
13 during the term for which tuition had been paid while the bond was in
14 force.

15 5. A license or an agent's permit is suspended by operation of law
16 when the institution or agent is no longer covered by a surety bond as
17 required by this section. The administrator shall give the institution or
18 agent, or both, at least 20 days' written notice before the release of the
19 surety, to the effect that the license or permit will be suspended by
20 operation of law until another surety bond is filed in the same manner and
21 amount as the bond being terminated.

22 6. If any student is entitled to a refund from an institution pursuant to
23 any provision of NRS 394.383 to 394.560, inclusive, the surety shall
24 provide indemnification.

25 **Sec. 2.** This act becomes effective upon passage and approval.

