

## **SURETY FAQs**

The following Frequently Asked Questions (FAQs) are taken primarily from actual questions asked by schools. We will update this list as needed. "THECB" refers to the Texas Higher Education Coordinating Board. If your question is not contained below or you still have a question or concern, you may email your question to [paul.shuler@thehb.state.tx.us](mailto:paul.shuler@thehb.state.tx.us).

### Topic: Using the Spreadsheet to Calculate Surety Amount

- Our school charges the same tuition for all programs, do we still need to calculate based on program versus school?
  - If all programs have identical tuition and fees, state this in the Program Name field and then you may use one program line for all programs.
- What should we use for the number of students on the admin costs and tuition and fees tabs?
  - The largest number of full-time equivalent (FTE) students enrolled in a degree program projected for a full term in the upcoming year (January 16 to January 15 or July 16 to July 15). Full-time "equivalent" includes part-time students. For FTE calculation use the [IPEDS Full-Time Equivalent \(FTE\) Calculation found here](#). Note: must be able to supply supporting documentation for projected numbers, if requested by THECB.
- Is the number of students on the admin costs and tuition and fees tabs looking for the total number of active students as of the date the calculation is performed?
  - No, the number of students is the largest number of full-time equivalent (FTE) students projected for a full term in the upcoming year.
- Do we include nonstudent (scholarships, grants, etc.) payment in tuition and fees calculation?
  - Yes, calculation is based on gross tuition and fees.
- Under the 'tuition and fees' tab, what would the *fees* consist of?
  - Any charges above and beyond tuition the student is responsible for paying; for example: student activity fees, lab fees, parking fees, equipment rental, etc.
- Is "unearned, prepaid tuition" the amount of tuition charged for the assigned time period (term) or is it the amount that the student has paid (or had disbursed) thus far?
  - It is the amount charged for the assigned time period (term).

- We are a religious institution. In calculating the value of a surety bond, do we include the tuition connected to religious instruction degrees in the calculations?
  - Only programs that prepare students for jobs in secular fields are required in the calculations. Indicate in the surety calculation template if you are only including non-religious instruction degree students. Please be aware that only including non-religious instruction degree students may mean only non-religious instruction degree students would be allowed to make a claim for tuition and fees paid (for last uncompleted term) if the school closes or other catastrophic event that causes THECB to make a claim on the surety instrument to reimburse students.
- Most of our students pay tuition monthly. Does that make a difference in how the surety requirements are applied?
  - No. The critical component is how tuition and fees are charged. Assuming they are charged by term (e.g., semester), then what timeframe students pay does not change the formula.
- Would submission of the FRCS Calculation documentation as well as a copy of our most recent independent audited financial statements and auditor's report satisfy the surety requirement?
  - No. These may indicate financial soundness, but do not provide a surety specific to student reimbursement.
- Our school has multiple starts per year, so for the period of time section do we choose the term start with the greatest number of enrollments?
  - Yes, enrollments and length. In other words, the term where the most tuition and fees would be billed.
- Our institution does not have students pre-pay for tuition and most of our students do not take a traditional full course load, so for the maximum tuition section, should we just take an average of what students have paid for the period of time that has been identified?
  - You may use full-time equivalent (FTE) and justify why enrollment numbers are different than numbers (based on FTE) used in the calculation. Also, tuition and fee amounts used are not based on pre-pay amounts, but amount charged for the assigned time period (term). For FTE calculation use the [IPEDS Full-Time Equivalent \(FTE\) Calculation found here](#). Note: must be able to supply supporting documentation for projected numbers, if requested by THECB.
- What letter is being referred to on the calculation worksheet (last tab) in “\* Include this workbook with the required letter ...”
  - The “letter” is referring to a letter explaining how the calculations were done. It might include the FTE explanation or what the length of term is if not a semester, etc. It is the justification for the calculation results.
- Does the fact that we have a composite score of 3.0 make a difference?
  - Although we applaud schools that earn a composite score of 3.0, a composite score does not affect the bond calculation or requirement.

- Should the tuition and fees tab include only the degree programs offered by each campus (diploma programs should be excluded)?
  - Only degree programs are required.
- In the calculation worksheet, should the number of students in the THECBadmincosts tab equal total of students on the Tuitionandfees tab?
  - Yes.
- The provided Excel spreadsheet doesn't allow for the inclusion of 'tuition and fee receipts'. Could you provide a little clarification on how we can incorporate 'tuition and fee receipts' into the calculation and what would serve as acceptable documentation?
  - It may be easier to understand the statement as "in addition to", instead of "when combined". The intent is for the bond to cover the expenses and billed tuition and fees above and beyond the tuition and fees collected. This is why tuition and fee receipts are not included in the calculation worksheet.
- Since we have not enrolled students yet, we do not know how many students will be taking the courses so how should we calculate the surety amount?
  - When an exact number cannot be determined, we are looking for an educated estimate, preferably based on factual data. Be sure to provide your rationale for the estimate you provide to us.
- If we are basing the FTE on the projected numbers, would this mean the first term starting after reporting date? Or would it be based on starting with the next calendar year January 1?
  - Use the term between reporting due dates: January 16 to January 15 or July 16 to July 15 with the most tuition and fees charged.
- We have 2 terms within each semester and two semesters make an academic year. Do we base our projected amounts on a semester basis, a term (half a semester) or an academic year?
  - Whether you use "term" or "semester" depends on how you bill/earn tuition. Consider how a drop or withdrawal is calculated for your institution. Are the calculations based on term or semester? That would be the answer.

#### Topic: Surety Instrument Templates

- Are the surety instrument templates the same for Certificate of Authorization and Certificate of Authority institutions?
  - Yes.
- Are we required to submit the new Excel workbook template as a surety instrument? Or, is that just provided as one of the options?
  - The Excel Surety instrument calculation worksheet is not a surety instrument. It is the calculation means to determine the amount of surety needed. A completed Excel Surety instrument calculation worksheet is a required document for the annual report, beginning January 2019.

- Our surety company is concerned about the use of “continuous” in the surety requirements. Can a surety company ever seek release from the surety?
  - Yes, we are looking at new language for situations where a surety instrument renews (for example, annually) versus running continuously and indefinitely. Our intent is for a school to continuously maintain a surety instrument, not that it has to be the same instrument or company for each subsequent surety instrument submitted. The intent is to have continuous coverage, but the instrument may change over time. An institution may submit a surety instrument which allows the surety company to provide 60 day or more written notice to be released, with an understanding the school has to find a replacement surety instrument to ensure no break in surety coverage.
- Do we have to use one of the surety instrument templates provided by THECB?
  - In the future, the answer will be “yes.” During 2019’s annual reporting, an institution may use a different template as long as it meets THECB requirements. We will review each template used for meeting THECB requirements and notify the institution if we have questions or concerns.
- Are we supposed to fill all of these templates out to include in our Compliance Report or just the Surety Bond Template?
  - The surety instrument calculation worksheet, plus at least one surety instrument document, are required. The surety instrument templates are examples that we recommend, but are willing to consider similar documents. Surety does not have to take only one form. An institution could have multiple surety instruments to meet their requirement. Each surety instrument is required to meet THECB’s requirements and meet the calculated required amount as determined by the surety calculation worksheet.

Topic: General Surety Questions

- I did not receive notice of the surety requirement. Was a notice sent out?
  - Yes, in March 2018. In addition, the surety requirement was discussed during the 2017 and 2018 Career Colleges and Schools of Texas (CCST) Meet the Regulators sessions. The Annual Compliance Report notification letter sent November 15, 2018, to all Certificate of Authorization institutions also included information regarding the surety requirement.
- Where can I find instructions and templates for surety instruments?
  - The following link goes to the Resources page on our THECB website: [Surety Resources for Schools](#)
- Our Institution has 2 locations in Texas, will 1 bond encompassing both locations suffice or do we need 2 separate bonds?
  - One surety instrument for both locations is OK, but each location must be explicitly identified as covered in the instrument and the calculation should include student numbers inclusive of all locations.

- Does THECB have preferred providers?
  - No. THECB staff cannot recommend a surety provider.
- What does a surety bond cost?
  - There are many factors that go into the cost of a surety bond. Contact a surety bond company to determine what those factors are and how they may affect your school's surety instrument and cost.
- Do the surety funds need to be held in Travis County, Texas?
  - Yes.
- Who is allowed to withdraw funds for the benefit of students?
  - Only THECB. This must be stated clearly on the face of the surety instrument.
- Can there be more than one "surety instrument" that total the amount needed?
  - Yes.
- There is a minimum surety amount. Is there a maximum?
  - No
- Does the actual surety have to be for the exact amount or not?
  - The calculation is a minimum amount; therefore, it can be rounded, but would need to be rounded up. For example, a calculation total of \$199,611 could be rounded to \$200,000.
- The surety instrument template states the surety must be a "federally insured bank." We are planning to use an insurance company. Is that OK and, if so, can we change the template?
  - The surety company does not have to be a federally insured bank but has to meet appropriate federal guidelines for the financial industry. The surety instrument templates are examples that we recommend but are willing to consider similar documents. Surety does not have to take only one form. Each surety instrument is required to meet THECB's requirements.
- Where do we mail the surety instrument document to?
  - Texas Higher Education Coordinating Board  
PO Box 12788  
Austin, TX 78711-2788
  - Overnight packages cannot be sent to PO Boxes; send overnight packages to:  
Texas Higher Education Coordinating Board  
1200 E. Anderson Lane  
Austin, TX 78752
- Is this requirement applicable to our institution, which is a private, non-profit organization?
  - Yes, the surety requirement applies to all Texas Certificate of Authorization and Certificate of Authority schools.

- Does the surety requirement apply to (religious) seminaries?
  - Non-religious discipline degree programs are required to be covered by the surety instrument. Note: for guidance on religious versus non-religious programs see [Guidelines: is a degree program religious instruction?](#) . Religious institutions having religious-only and non-religious discipline programs have the option of including religious-only programs in the calculations. The primary intent of the surety is to protect students. In a case where the institution does not include religious programs in the surety calculations, only the secular program students would be allowed to make a claim for tuition and fees paid (for last uncompleted term) if the school closes or other catastrophic event that causes THECB to make a claim on the surety instrument to reimburse students.
- We are an institution not located in Texas, but we have clinicals in Texas. Do we still need a Texas surety instrument?
  - An Out-of-State institution operating under a Certificate of Authorization in order to have clinicals in Texas is required to have surety coverage for students in Texas. However, such institutions may provide proof of surety coverage originating in another state that includes clinical students in Texas.
  - Out-of-state Public institutions only offering Field-based Education in Texas may provide documentation that the institution is publicly-funded by the state in which the institution is located and instructions so that the Coordinating Board can make a claim in case of a Qualifying Event.

For quick reference, here are direct links to THECB Rules 7.7 and 7.8:

[Certificate of Authorization §7.7 Institutions Accredited by Board-Recognized Accreditors](#)

[Certificate of Authority §7.8 Institutions Not Accredited by Board-Recognized Accreditor](#)