

**JOINT SELECT COMMITTEE ON  
STATE FUNDED STUDENT FINANCIAL AID**



**INTERIM REPORT TO THE  
2010 SESSION OF THE  
2009 GENERAL ASSEMBLY**

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STATE OF NORTH CAROLINA



JOINT SELECT COMMITTEE ON STATE FUNDED STUDENT FINANCIAL AID

April 27, 2010

TO THE MEMBERS OF THE 2010 SESSION OF THE 2009 GENERAL ASSEMBLY:

Attached for your consideration is the interim report of the Joint Select Committee on State Funded Student Financial Aid established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2009 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2009 General Assembly.

Respectfully submitted,

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Representative Ray Rapp, Chair

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Senator Richard Stevens, Chair

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## Authorizing Legislation/Membership

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**Marc Basnight**  
**President Pro**  
**Tempore,**  
**North Carolina Senate**



**Joe Hackney**  
**Speaker,**  
**North Carolina**  
**House of**  
**Representatives**

Raleigh, North Carolina 27601-1096

### Joint Select Committee on State Funded Student Financial Aid

**Section 1. The Joint Select Committee on State Funded Student Financial Aid** (hereinafter "Committee") is established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2009 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2009 General Assembly.

**Section 2.** The Committee consists of 12 members, 6 of whom are appointed by the President Pro Tempore of the Senate and 6 of whom are appointed by the Speaker of the House of Representatives. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each appoint a co-chair from among their respective appointees. A co-chair or other member of the Committee continues to serve until a successor is appointed. A vacancy shall be filled by the officer who made the original appointment. Members serve at the pleasure of the appointing officer. The State Treasurer, The University of North Carolina, the North Carolina Community College System, and the North Carolina State Education Assistance Authority shall cooperate with this study. The State's private colleges and universities and the North Carolina Independent Colleges and Universities are also encouraged to cooperate with the study.

President Pro Tempore Appointments	Speaker of the House Appointments
Senator Richard Stevens      Co-Chair	Representative Ray Rapp      Co-Chair
Senator Katie Dorsett	Representative Larry Bell
Senator Tony Foriest	Representative Hugh Blackwell
Senator Eddie Goodall	Representative Rick Glazier
Senator A.B. Swindell	Representative Cullie Tarleton
Senator Don Vaughn	Representative Joe Tolson

**Section 3.** The Committee shall study all of the following:

- (1) How best to use State funds to provide grants, loans, and scholarships to students for the purpose of attending undergraduate, graduate, and professional degree programs at institutions of higher education within North Carolina. As part of its study, the Committee shall also examine the availability and sustainability of existing State, federal, and private funding sources for student grants, loans, and scholarships.

- (2) How best to administer State funded student financial aid. As part of its study, the Committee shall review any action or pending action by the federal government regarding the federal funding that supports the administration of student financial aid in the State. The Committee shall also examine the sustainability and efficiency of the current governance structure for awarding student financial aid at the State level and the linkage of that governance structure to federal student loan programs and to student loan programs funded through escheats.
- (3) The current governance of the North Carolina State Education Assistance Authority (NCSEAA).
- (4) The feasibility of consolidating scholarship, loan, and grant programs for North Carolinians, including all programs for which eligibility is based on the Free Application for Federal Student Aid (FAFSA).
- (5) The feasibility of consolidating loans, grants, and scholarships available for teacher education students.
- (6) The qualifications for each loan, scholarship, and grant administered by the North Carolina State Education Assistance Authority, the purpose for which the aid is awarded, and any other criteria that make the scholarship and grant either similar to other scholarships in the same category or that make the scholarship unique from others in its category.
- (7) Marketing strategies for grants, loans, and scholarships and how to make the information more transparent, understandable, and accessible to the general public and to the students who may be interested in applying for financial aid.
- (8) Any other issues the Committee deems relevant to this study.

**Section 4.** The Committee shall meet upon the call of its House and Senate co-chairs. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

**Section 5.** The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02.

**Section 6.** Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5 and 138-6, as appropriate.

**Section 7.** The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. Individual expenses of five thousand dollars (\$5,000) or less, including per diem, travel, and subsistence expenses of members of the Committee, and clerical expenses shall be paid upon the authorization of a co-chair of the Committee. Individual expenses in excess of five thousand dollars (\$5,000) shall be paid upon the written approval of the President Pro Tempore of the Senate and the Speaker of the House of Representatives. All expenses of the Committee shall be paid from the Legislative Services Commission's Reserve for Studies.

**Section 8.** The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of

Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

**Section 9.** The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations.

**Section 10.** The Committee may make an interim report of its findings and recommendations, including any legislative recommendations, to the 2009 General Assembly, 2010 Regular Session, and shall submit a final report of its findings and recommendations, including any legislative recommendations, to the 2011 General Assembly. The Committee shall terminate upon filing its final report or upon the convening of the 2011 General Assembly, whichever is earlier.

Effective this the 28th day of October, 2009.



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Marc Basnight  
President Pro Tempore of the Senate



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Joe Hackney  
Speaker of the House of Representatives

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## SUMMARY OF STUDY COMMITTEE PROCEEDINGS

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(In addition to these summaries, the Committee Assistant maintains a notebook containing complete committee minutes for each meeting and all information presented to the committee. Committee proceedings will be archived in the Legislative Library.)

### **November 18, 2009**

Richard Bostic, Committee staff, provided an overview of the charge to the Committee. He walked the members through each of the eight items they were instructed to study.

Dr. Steve Brooks, Executive Director of the North Carolina State Education Assistance Authority (NCSEAA), provided an overview of need-based aid in North Carolina. The federal government is the largest single provider of need-based aid, particularly in the form of loans. An effort has been made to overlay state-aid programs in ways that would leverage the federal aid. He also pointed out that need-based state grants have grown from a total of \$51 million in 1999-2000 to \$343 million in 2009-2010.

Shirley Ort, Associate Provost and Director of Scholarships and Student Aid at the University of North Carolina at Chapel Hill, said that financial aid professionals make the whole process work by using multiple messages, such as CFNC.org, and multiple sources of funding, resulting in a singular aid package for students. In her view North Carolina is a model state because of its value of need-based aid, the leadership and efficiency of NCSEAA, and the tradition and service of CFNC.

### **December 8, 2009**

State Treasurer Janet Cowell stated that the Department of State Treasurer is responsible for managing the Escheat Fund and at present they are overspending by \$130 million a year. She said that every year the Department has about \$60 to \$70 million to use and they are spending over \$200 million so there is a large gap. She stated that at the current rates of withdrawal the fund will be down to zero by 2012.

Pam Wortham, Deputy State Treasurer of Financial Operations, gave a brief history and overview of the Escheats Fund. In her presentation she defined escheats, cited the constitutional authority for the use of the Escheat Fund, where the Escheat Fund has been used, unclaimed property facts, the history of the scholarships funded by the principle, the Escheat Fund balance verses the use of the principle, the Fund balance if no principle had been used, investment income with and without principle withdrawals, the impact of the Fund drawdown on investments, and Escheat Fund investments as of June 30, 2009.

Richard Bostic, Committee staff, presented three limited options for addressing the current situation with the Fund. Those options were to reduce Escheats spending and target grants to selected income groups; examine existing grants and waivers to determine if they can be eliminated and the funds moved to need-base aid; and lastly, increase tuition to replace the Escheats Fund.

Van Wilson, Associate Vice President of Academic and Student Services, NC Community Colleges System Office made two recommendations to the Committee: (1) sustain funding of the North Carolina Community College Grant Program at the current levels and (2) increase student services financial aid staff to manage grant, loan and scholarship programs.

Dr. Harold L. Martin, Sr., Chancellor of North Carolina A & T State University, discussed the UNC Need-Based Grant, the financial aid needs at NCAT&T, and referenced the 16 UNC campuses and financial aid data.



Dr. A. Hope Williams, President of the North Carolina Independent Colleges and Universities gave a history of North Carolina's Independent Colleges and Universities and the locations of the private institutions. Dr. Williams also explained the distribution of the sources of financial aid to the private institutions, and affirmed the importance of the independent administration structure of the North Carolina State Education Assistance Authority.

#### **January 20, 2010**

Dr. Myra Johnson, President of Isothermal Community College, said that she strongly believes each institution should be able to decide if they will participate in the federal loan program because they understand the needs of their students. If it became necessary for the college to participate in the federal loan program, Dr. Johnson said the college would have to increase personnel in the Financial Aid Office in order to handle the increased workload. Dr. Johnson said students at Isothermal have access to the Powers Scholarship Program, which is an endowment that allows the college to supplement students who do not qualify for Pell or state grant programs.

Dr. Deborah Lamm, President of Edgecombe Community College, presented the perspective of a college that participates in the federal lending program. Edgecombe Community College provides several federal funding vehicles to assist students, with the Pell Grant being the largest. Currently, Edgecombe Community College employs four full-time financial aid officers and one staff assistant but two additional financial aid officers are needed because of recent enrollment growth. She said greater budget flexibility would permit Edgecombe Community College to fill these staff positions. Dr. Lamm said that the cohort default rate is a concern and with the need for financial aid increasing, a climbing default rate is likely.

Celia Sims, Senior Policy Advisor for U. S. Senator Richard Burr, said that many of the complications seen in the financial aid process are a direct result of actions that were taken at the federal level, since most states have built their system off of the federal system. She said the other big driver of aid is increased cost of attendance, which has been outstripping the rate of inflation nationally.

Simone Hardeman, Staff Assistant for U.S. Senator Kay Hagan, provided an overview of the Pell Grant, Stafford Loan, and Federal PLUS. The Pell Grant is the largest source of federal grant aid; estimated to provide over \$25 billion in aid to over seven million students in the 2009-2010 school-year. The program is designed to provide the foundation of student aid. In 2009-2010, the Stafford Loan and Plus Loan provided \$83.2 billion in new loans to students and parents. The Stafford Loan is a low-interest loan with a maximum interest rate set by Congress. The PLUS Loan is a non-need based loan that is available for parents of a dependent student and the federal government does not pay the interest while the student is in school.

Ms. Sims also covered some federal education tax benefits. The Hope Credit, the Lifetime Credit, and the Higher Education Deduction were created to target middle class students who do not qualify for the Pell Grant but still face increasing higher education costs. The benefits cannot be used for room and board, and generally not for textbooks. The benefits come after the student pays his or her expenses.

#### **February 9, 2010**

Dr. Brooks gave an overview of the North Carolina Education Assistance Authority, the College Foundation, Inc. and the College Foundation of North Carolina.

Andrea Poole, Committee staff, presented a summary matrix, "North Carolina Higher Education Aid", which shows the total amount of funds expended on higher education in the state and the number of students participating in each program. Ms. Poole then presented "A Summary of North Carolina Higher Education Aid" that explained grants, tuition waivers, loans, scholarship loans, and other programs that provide tuition assistance.

Jo Ann Norris, Associate Executive Director of the Public School Forum, explained the funding for the North Carolina Teaching Fellows Program. She stated that the allocated funds do not cover the full cost of tuition.

Andrea Poole and Richard Bostic, Committee staff, presented Tuition Waivers, an analysis of the tuition waived in North Carolina in 2008-2009. Ms. Poole explained the Community College waivers totaling \$54.95 million and Mr. Bostic explained the UNC System waivers totaling \$76.2 million.

Dr. Steve Brooks, Executive Director of the North Carolina Education Assistance Authority, gave the Committee information on the Federal Student Loan Default Rates for 2005, 2006 and 2007; comparing College Foundation Loans and all loans.

### **March 5, 2010**

Jeff Davies, Chief of Staff for the University of North Carolina – General Administration, presented a proposal on modifications to the governance structure for the State Education Assistance Authority (SEAA). He discussed the current membership of the Board of Directors and the proposed recommendation for increasing the Board from seven members to nine members with an altered composition to ensure that four members have expertise in higher education and five members have financial expertise.

Dr. Steve Brooks, Executive Director of SEAA, came forward to provide his perspective. Dr. Hope Williams, President of the North Carolina Independent Colleges and Universities, recommended that the Committee allow flexibility and leave open the door for making revisions after seeing how the new structure works. Mr. Kennon Briggs, Executive Vice President and Chief of Staff for the North Carolina Community College System, expressed President Ralls' support of the expansion from seven to nine members of the board, as well as the mix of financial and educational expertise on the board.

Kennon Briggs, Executive Vice President and Chief of Staff for the NC Community College System, was recognized to present two recommendations on community college funding flexibility. The first recommendation was to allow the transfer of \$32 million from instruction to enrollment to provide more student services, especially in the area of financial aid. The second recommendation was to incentivize college participation in federal Stafford Loan programs.

Jo Ann Norris, Associate Executive Director of the Public School Forum of North Carolina, presented on the Teaching Fellows scholarship amount as a percentage of the cost of attendance. The original scholarship amount was \$5,000, which covered the full cost of attendance at the time. Even though the amount of the scholarship has been increased to \$6,500, she said that it now covers less than 50 percent of the full cost of attendance at all UNC schools.

Dr. F. Jack Henderson III, President of Brookstone College, was recognized to speak on behalf of the North Carolina Association of Career Colleges and Schools (Association). He asked that the Committee try to find a way to provide state-funded aid for students to use to cover expenses at proprietary schools.

Jenna Robinson, Campus Outreach Coordinator for the John W. Pope Center for Higher Education Policy (Pope Center), was recognized to provide the organization's recommended revisions to the state financial aid system. She presented a proposal that would tie the amount of state-aid for students to their SAT scores.

### **April 13, 2010**

Andrea Poole, Committee staff, explained data on the projections for the Escheat Fund balance. Ms. Poole stressed that \$200 million is the low point for the Fund and if nothing is done to keep the fund balance above \$200 million then the Fund will be out of money for student financial aid in 2012.

Jeff Davies, Chief of Staff at the University of North Carolina, General Administration, presented recommendations on consolidating and simplifying financial aid. Mr. Davies submitted a letter to the Committee from UNC President Erskine Bowles and the President of the NC Community Colleges, Scott Ralls, with two recommendations. The first was to combine the UNC Need- based Grant, NC Community College Grant and the NC Education Lottery Scholarship and form one combined aid program for needy students. The second was to consolidate the eight career-based programs into one program for ease of understanding and administration and label the programs “forgivable loans for service”.

Kennon Briggs, Executive Vice President and Chief of Staff, NC Community College System, supported the recommendations Mr. Davies presented and stated that the Community College System wants to serve the best interests of the students by reducing the complexity of financial aid.

Dr. A. Hope Williams, President of the North Carolina Independent Colleges & Universities, favored simplification and the consolidation of the career programs. She stated that the NC Independent Colleges want to be included in any groups appointed to work on consolidation.

Steve Brooks, Executive Director of the NC State Education Assistance Authority (SEAA), commented on how to make the consolidation and simplification of financial aid work under the proposed plan.

Ran Coble, Executive Director of the North Carolina Center for Public Policy Research, presented why financial aid is so important, summarized public opinion polls on financial aid, identified six trends in financial policy aid, stated goals to keep in mind as policy recommendations are made, and showed how NC compares to other states - what NC has done well and where it has come up short. He concluded by presenting 11 recommendations to improve financial aid policy.

#### **April 27, 2010**

Emily Johnson and Sara Kamprath, Committee staff, reviewed the Committee's draft report to the 2010 Session of the 2009 General Assembly. The Committee discussed and then voted to approve the draft report as amended.

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## FINDINGS AND RECOMMENDATIONS

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The Committee makes the following findings and recommendations to the 2010 Session of the 2009 General Assembly:

### **1. Modify the Membership and Composition of the Board of Directors of the State Education Assistance Authority**

The State Education Assistance Authority (SEAA) was created in 1965 to administer a system of financial assistance that promotes access to higher education for the citizens of North Carolina. The Governor appoints a seven-member board of directors to govern the activities of the SEAA.

In 2009, the SEAA handled assets that totaled \$5.1 billion; \$389 million in revenues, including \$225 million in State funding for financial aid; and \$441 million in expenditures.

The Committee recommends that the General Assembly enact legislation to modify the membership and composition of the Board of Directors of the North Carolina State Education Assistance Authority as follows:

- Increase the membership of the Board from seven members to nine members.
- Change the composition of the Board as follows:
  - Provide that the Governor shall continue to appoint seven members but require that two of those members have expertise in finance, three of those members have expertise in secondary or higher education, one of the members must be a public member with an interest in higher education, and one of the members must be a chief financial officer from one of the member institutions of the North Carolina Independent Colleges and Universities upon recommendation to the Governor by that organization.
  - Provide that the chief financial officer of The University of North Carolina shall serve as an ex officio member of the Board.
  - Provide that the chief financial officer of the North Carolina Community College System shall serve as an ex officio member of the Board.
- Change the method for removing a member of the Board.

(See **LEGISLATIVE PROPOSAL I**)

### **2. Realign the Community College Formula Funding for Financial Aid Services**

Unprecedented enrollment growth at the community colleges has increased demand for financial aid and other student services. The State Board of Community Colleges estimates that the enrollment growth for the current academic year is 31,139 students or a 14.4% increase. Community college student services staff have experienced increased workloads because of the enrollment growth, increases in the number of students seeking financial aid and changes in federal financial aid requirements.

The Committee recommends that the General Assembly enact legislation to direct the State Board of Community Colleges to realign its formula funding to increase the allocation for financial aid services to students and decrease the allocation for curriculum and continuing education instruction by a commensurate amount.

(See **LEGISLATIVE PROPOSAL II**)

### **3. Require Community Colleges to Participate in the William D. Ford Federal Direct Loan Program**

Many North Carolina community college students are not able to apply for or receive federal financial aid that may be available to assist them with their educational costs because only 21 of the 58 community colleges offer federal student loans. A student at a community college is eligible to apply and be considered for a loan through the William D. Ford Federal Direct Loan Program only if the community college in which the student is enrolled participates in that federal loan program. North Carolina is one of 4 states where more than 40% of community college students can't get federal student loans. Although many community colleges do not participate because of a fear of being sanctioned by the federal government for a high default rate, an analysis of the default rates shows that no community college in North Carolina is in danger of being sanctioned.

The Committee recommends that the General Assembly enact legislation to require all community colleges to participate in the William D. Ford Federal Direct Loan Program by July 1, 2011.

(See **LEGISLATIVE PROPOSAL II**)

### **4. Establish a Working Group to Study How to Simplify and Consolidate Existing State Funded Financial Aid Programs**

The State provides many options in financial aid to help students pay to attend college. However, potential recipients are often confused by the different requirements of the various programs. The Presidents of The University of North Carolina and the North Carolina Community College System believe that the consolidation of some selected financial aid programs is possible and proposes two consolidated programs: a unified need-based financial aid program and a loans for service program. The two consolidated programs will allow for simpler direct marketing to students and easier administration by the SEAA.

The Committee recommends that the General Assembly enact legislation to create a work group to develop recommendations and options for simplifying and consolidating the delivery of, administration of, and access to State-funded financial aid for students.

(See **LEGISLATIVE PROPOSAL III**)

### **5. Increase the Amount of the Teaching Fellows Scholarship Award**

The Teaching Fellows Program provides a four-year scholarship loan of six thousand five hundred dollars (\$6,500) per year to North Carolina high school seniors interested in preparing to teach in the public schools. Although tuition, room and board, required fees, and other costs have risen, the amount of the award has remained at \$6,500 per year since 1998. Between 1998-1999 and 2008-2009, the average percentage of the cost of attendance covered by the \$6,500 award has declined from 79.63% to 44.82% for recipients attending a UNC constituent institution and has declined from 37.92% to 19.32% for recipients attending a private college or university.

The Committee recommends that the General Assembly consider increasing the amount of the Teaching Fellows scholarship loan award as soon as funds become available, with the goal of covering the full amount of the cost of attendance.

## **6. Escheat Fund**

The interest from the Escheat Fund is transferred annually to the State Education Assistance Authority to be used for financial aid for students in the UNC and Community College systems. Beginning in FY 2003-04, the General Assembly authorized spending from the Escheat Fund principal, which has grown from \$5,178,324 in FY 2003-04 to \$186,388,301 in FY 2009-10. Based on estimates from the State Treasurer and the Fiscal Research Division, if spending from Escheat Fund principal continues at the FY 2009-10 pace, then the Fund will be depleted in 2014. The State Treasurer has advised that the Escheat Fund principal fund balance should be maintained at \$200 million in order to ensure payment of escheat property owners, to avoid penalties for withdrawing from private equity and real estate funds before their maturity dates, and to maintain a reasonable interest rate and investment risk in the escheat fund portfolio.

The Committee supports the use of the Escheat Fund principal and interest for need-based financial aid programs for the 2010-2011 fiscal year at the current level as set out in Section 9.1 of S.L. 2009-451 and encourages the State Education Assistance Authority not to reduce the principal fund balance below the sum of \$200 million.

## **7. Corporate Champions Education Assistance Program**

Almost  $\frac{3}{4}$  of the students applying to UNC constituent institutions are seeking financial aid and the need for financial assistance to attend college is not going to go away. Because the Escheat Fund is no longer a reliable source to provide need-based financial aid the General Assembly needs to find another source of funding for need-based financial aid.

The Committee recommends that the General Assembly consider appropriating \$200,000 to create a Corporate Champions Education Assistance Program to raise up to \$500 million from corporations in the State to be used for need-based financial aid. Any payments and interest shall be established as a trust fund and the State Treasurer shall be the custodian of the assets.

## **8. Additional areas of study**

The Committee finds that there are additional issues related to student financial aid that the Committee did not have adequate time to address.

The Committee recommends, in addition to the other items listed for study in the authorization letter, that the following items be studied in the interim following the 2010 Regular Session of the 2009 General Assembly:

- Escheat Fund
- Changes enacted by Congress with regard to federally funded student financial aid and how that affects the State Education Assistance Authority
- The ongoing administration of the existing student loan portfolio
- Further consolidation options regarding State funded student loans, grants, and scholarships
- 529 College Savings Plan
- How financial aid is allocated among the various institutions and the relationship of providing financial aid and student outcomes, especially graduation rates

LEGISLATIVE PROPOSAL I

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

S/H

D

BILL DRAFT 2009-LHz-259A\* [v.9] (04/05)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)  
4/30/2010 3:39:41 PM

Short Title: Amend SEAA Board Membership.

(Public)

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Sponsors:

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Referred to:

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A BILL TO BE ENTITLED

1 AN ACT TO AMEND THE NUMBER AND COMPOSITION OF THE  
2 MEMBERSHIP OF THE BOARD OF DIRECTORS OF THE STATE  
3 EDUCATION ASSISTANCE AUTHORITY, AS RECOMMENDED BY THE  
4 JOINT SELECT COMMITTEE ON STATE FUNDED STUDENT FINANCIAL  
5 AID.  
6

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 116-203 reads as rewritten:

9 "**§ 116-203. Authority created as subdivision of State; appointment, terms and**  
10 **removal of board of directors; officers; quorum; expenses and**  
11 **compensation of directors.**

12 (a) Authority created. – There is ~~hereby~~ created and constituted a political  
13 subdivision of the State to be known as the "State Education Assistance Authority." The  
14 exercise by the Authority of the powers conferred by this Article shall be deemed and  
15 held to be the performance of an essential governmental function.

16 ~~The Authority shall be governed by a board of directors consisting of seven~~  
17 ~~members, each of whom shall be appointed by the Governor. Two of the first members~~  
18 ~~of the board appointed by the Governor shall be appointed for terms of one year, two for~~  
19 ~~terms of two years, two for terms of three years, and one for a term of four years from~~  
20 ~~the date of their appointment; and thereafter the members of the board shall be~~  
21 ~~appointed for terms of four years. Vacancies in the membership of the board shall be~~  
22 ~~filled by appointment of the Governor for the unexpired portion of the term. Members~~  
23 ~~of the board shall be subject to removal from office in like manner as are State, county,~~  
24 ~~town and district officers. Immediately after such appointment, the directors shall enter~~  
25 ~~upon the performance of their duties. The board shall annually elect one of its members~~  
26 ~~as chairman and another as vice chairman, and shall also elect annually a secretary, or a~~  
27 ~~secretary treasurer, who may or may not be a member of the board. The chairman, or in~~

## LEGISLATIVE PROPOSAL I

1 ~~his absence, the vice chairman, shall preside at all meetings of the board. In the absence~~  
2 ~~of both the chairman and vice chairman, the board shall appoint a chairman pro~~  
3 ~~tempore, who shall preside at such meetings. Four directors shall constitute a quorum~~  
4 ~~for the transaction of the business of the Authority, and no vacancy in the membership~~  
5 ~~of the board shall impair the right of a quorum to exercise all the rights and perform all~~  
6 ~~the duties of the Authority. The favorable vote of at least a majority of the members of~~  
7 ~~the board present at any meeting is required for the adoption of any resolution or motion~~  
8 ~~or for other official action. The members of the board are entitled to the travel expenses,~~  
9 ~~subsistence allowances and compensation provided in G.S. 138-5. These expenses and~~  
10 ~~compensation shall be paid from funds provided under this Article, or as otherwise~~  
11 ~~provided.~~

12 (b) Membership. – The Authority shall be governed by a board of directors  
13 consisting of nine members, seven of whom shall be appointed by the Governor and two  
14 of whom shall be ex officio. The members shall be as follows:

15 (1) Seven members appointed by the Governor, three of whom shall have  
16 expertise in secondary or higher education, two of whom shall have  
17 expertise in finance, one of whom shall be a member of the public at  
18 large with an interest in higher education, and one of whom shall be a  
19 chief financial officer from a college or university that is a member of  
20 North Carolina Independent Colleges and Universities, Inc., appointed  
21 upon the recommendation of North Carolina Independent Colleges and  
22 Universities, Inc.

23 (2) The chief financial officer of The University of North Carolina shall  
24 serve as an ex officio member.

25 (3) The chief financial officer of the North Carolina Community College  
26 System shall serve as an ex officio member.

27 (c) Terms. – Members appointed by the Governor shall serve for a term of four  
28 years and until their successors are appointed and duly qualified. Immediately after  
29 appointment, the directors shall enter upon the performance of their duties.

30 (d) Vacancies. – A vacancy in an appointment made by the Governor shall be  
31 filled by the Governor in the same manner as the original appointment for the remainder  
32 of the unexpired term.

33 (e) Removal. – The Governor may remove any member of the board of directors  
34 appointed by the Governor for misfeasance, malfeasance, or nonfeasance.

35 (f) Officers. – The board shall annually elect one of its members as chair and  
36 another as vice-chair, and shall also elect annually a secretary, or a secretary-treasurer,  
37 who may or may not be a member of the board. The chair, or in the chair's absence, the  
38 vice-chair, shall preside at all meetings of the board. In the absence of both the chair and  
39 vice-chair, the board shall appoint a chair pro tempore, who shall preside at such  
40 meetings.

41 (g) Quorum. – Five directors shall constitute a quorum for the transaction of the  
42 business of the Authority, and no vacancy in the membership of the board shall impair  
43 the right of a quorum to exercise all the rights and perform all the duties of the  
44 Authority. The favorable vote of at least a majority of the members of the board present



**LEGISLATIVE PROPOSAL I**

1 at any meeting is required for the adoption of any resolution or motion or for other  
2 official action.

3 (h) Expenses. – The members of the board shall receive per diem and allowances  
4 as provided in G.S. 138-5 and G.S. 138-6. These expenses and compensation shall be  
5 paid from funds provided under this Article, or as otherwise provided."

6 **SECTION 2.** Notwithstanding G.S. 116-203, as enacted by Section 1 of this  
7 act, members serving on the board of directors of the North Carolina State Education  
8 Assistance Authority on the effective date of this act may complete the terms for which  
9 they were appointed. When the term of any of the seven members appointed by the  
10 Governor expires, the vacancy shall be filled as follows:

- 11 (1) Of the members appointed by the Governor whose terms expired on January 15,  
12 2010, the Governor shall appoint one member who has expertise in secondary or  
13 higher education and one member who is a chief financial officer from a college  
14 or university that is a member of the North Carolina Independent Colleges and  
15 Universities, Inc., upon the recommendation of that organization. The terms of  
16 these two members shall be deemed to have begun on January 15, 2010.
- 17 (2) Of the members appointed by the Governor whose terms expire on January 15,  
18 2011, the Governor shall appoint one member who has expertise in secondary or  
19 higher education and one member from the public at large who has an interest in  
20 higher education.
- 21 (3) Of the members appointed by the Governor whose terms expire on January 15,  
22 2012, the Governor shall appoint one member who has expertise in secondary or  
23 higher education and one member who has expertise in finance.
- 24 (4) When the member appointed by the Governor whose term expires on January  
25 15, 2013 completes that term, the Governor shall appoint a member who has  
26 expertise in finance.

27 Members described in this section shall serve for the terms for which they  
28 were appointed and until their successors are appointed and qualified.

29 **SECTION 3.** This act is effective when it becomes law.  
30

## EXPLANATION

Legislative Proposal 2009-LHz-259A (Amend SEAA Board Membership)

### A BILL TO BE ENTITLED

AN ACT TO AMEND THE NUMBER AND COMPOSITION OF THE MEMBERSHIP OF THE BOARD OF DIRECTORS OF THE STATE EDUCATION ASSISTANCE AUTHORITY, AS RECOMMENDED BY THE JOINT SELECT COMMITTEE ON STATE FUNDED STUDENT FINANCIAL AID.

**Current Law and Background:** G.S. 116-203 currently provides that the Board of Directors of the State Education Assistance Authority shall be composed of seven members, all of whom shall be appointed by the Governor to serve four-year terms. There are no specific criteria or categories of membership; however, of the seven members currently serving on the board, two have expertise in finance and five have expertise in education. With regard to the expiration of the terms of members currently serving on the board, there are two terms that expired on January 15, 2010, two terms expire on January 15, 2011, two terms expire on January 15, 2012, and one term expires on January 15, 2013. The vacancies for the terms that expired on January 15, 2010, have not yet been filled; therefore, the two members who were appointed to those slots continue to serve until successors for those slots are appointed.

**Analysis:** The legislative proposal amends G.S. 116-203 to increase the number of members of the Board of Directors of the State Education Assistance Authority from seven to nine, modifies the composition of the membership of the Board, and provides a new method for removal of appointed members. A section by section analysis of the legislative proposal follows:

#### **Section 1.**

- Increases the number of members on the Board of Directors of the State Education Assistance Authority from seven to nine.
- Changes the composition of the membership of the Board by providing that while the Governor shall continue to appoint seven members, two must have expertise in finance, three must have expertise in secondary or higher education, one must be a public member with an interest in higher education, and one must be a chief financial officer from an independent college or university that is a member institution of North Carolina Independent Colleges and Universities, Inc., (NCICU), appointed upon recommendation of that organization. A gubernatorial appointment continues to be for a four year term or until a successor is appointed and duly qualified.
- Further changes the composition of the Board membership by adding two ex officio members: one who is the chief financial officer of The University of North Carolina and one who is the chief financial officer of the North Carolina Community College System.
- Also changes the method for removing appointed members from the Board. Current law provides that "members shall be subject to removal from office in like manner as are State, county, town, and district officers." However, current law provides no further detail as to which State, county, town, or district officers are to be the model for removal. The legislative proposal deletes that language and provides instead that the Governor may remove any appointee from the Board for misfeasance, malfeasance, or

nonfeasance. (Malfeasance is the commission of an act that is wholly wrongful and unlawful; misfeasance is the improper performance of an act that a person may lawfully do; and nonfeasance is the omission of an act that a person ought to do.)

- The remainder of the section makes conforming changes.

**Section 2.**

- Provides that members currently on the Board may complete the terms for which they were appointed. Also provides that gubernatorial appointments for successors to current members must satisfy the membership criteria and categories set out in the act.

**Section 3.**

- Provides that the legislative proposal is effective when it becomes law.

**LEGISLATIVE PROPOSAL II**

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**S/H**

**D**

**BILL DRAFT 2009-LHz-262\* [v.12] (04/08)**

**(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)  
4/22/2010 5:07:44 PM**

Short Title: Comm. Coll/Realign Fund Formula/Fed Loans .

(Public)

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Sponsors:

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Referred to:

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A BILL TO BE ENTITLED

1  
2 AN ACT TO DIRECT THE STATE BOARD OF COMMUNITY COLLEGES TO  
3 REALIGN ITS FORMULA FUNDING BY INCREASING THE ALLOCATION  
4 FOR FINANCIAL AID SERVICES TO STUDENTS AND DECREASING THE  
5 ALLOCATION FOR CURRICULUM AND CONTINUING EDUCATION  
6 INSTRUCTION AND TO REQUIRE THAT ALL COMMUNITY COLLEGES  
7 PARTICIPATE IN THE WILLIAM D. FORD FEDERAL DIRECT LOAN  
8 PROGRAM BY JULY 1, 2011, AS RECOMMENDED BY THE JOINT SELECT  
9 COMMITTEE ON STATE FUNDED STUDENT FINANCIAL AID.

10       Whereas, during this time of recession a number of the State's citizens are  
11 enrolling in the community college system to expand their education and learn new  
12 skills with the hope of increasing their opportunity for employment in today's difficult  
13 job market; and

14       Whereas, many of these students need financial aid to assist them with these  
15 educational costs; and

16       Whereas, financial aid may be available to many of these students as loans  
17 through the William D. Ford Federal Direct Loan Program, but a student is eligible to  
18 apply for and be considered for one of the federal loans only if the community college  
19 in which the student enrolls participates in that federal loan program; and

20       Whereas, 37 of the State's community colleges currently do not participate in  
21 the federal loan program which means that students attending those colleges are  
22 ineligible to apply for or receive federal loans that may be available to assist with the  
23 student's educational costs; and

24       Whereas, community college student services staff are already experiencing a  
25 significant increase in workload due to (i) enrollment growth at community colleges, (ii)  
26 increases in the proportion of students seeking financial aid, and (iii) changes in federal  
27 financial aid regulations, particularly those enacted by the Higher Education  
28 Opportunity Act; and

## LEGISLATIVE PROPOSAL II

1           Whereas, a requirement that all community colleges participate in the federal  
2 loan program will add to this workload, as community colleges must provide more  
3 intensive student advising, validate eligibility requirements, execute the award process,  
4 and track participating students; Now, therefore,  
5 The General Assembly of North Carolina enacts:

6           **SECTION 1.** The State Board of Community Colleges shall permanently  
7 realign its formula funding by increasing the amount allocated in the funding formula  
8 for students' services by fifty million dollars (\$50,000,000) and by reducing the amount  
9 in the funding formula for curriculum and continuing education instruction by a  
10 commensurate amount. The revised formula shall ensure that community colleges have  
11 the adequate funds and resources necessary to administer and provide financial aid  
12 services to students.

13           **SECTION 2.** G.S. 115D-40.1 reads as rewritten:

14 **"§ 115D-40.1. Financial Assistance for Community College Students.**

15           (a) Need-Based Assistance Program. – It is the intent of the General Assembly  
16 that the Community College System make these financial aid funds available to the  
17 neediest students who are not eligible for other financial aid programs that fully cover  
18 the required educational expenses of these students. The State Board may use some of  
19 these funds as short-term loans to students who anticipate receiving the federal HOPE  
20 or Lifetime Learning Tax Credits.

21           (b) Targeted Assistance. – Notwithstanding subsection (a) of this section, the  
22 State Board may allocate no more than ten percent (10%) of the funds appropriated for  
23 Financial Assistance for Community College Students to:

24           (1) Students who do not qualify for need-based assistance but who enroll  
25           in low-enrollment programs that prepare students for high-demand  
26           occupations, and

27           (2) Students with disabilities who have been referred by the Division of  
28           Vocational Rehabilitation and are enrolled in a community college.

29           (c) Administration of Program. – The State Board shall adopt rules and policies  
30 for the disbursement of the financial assistance provided in subsections (a) and (b) of  
31 this section. Degree, diploma, and certificate students must complete a Free Application  
32 for Federal Student Aid (FAFSA) to be eligible for financial assistance. The State Board  
33 may contract with the State Education Assistance Authority for administration of these  
34 financial assistance funds. These funds shall not revert at the end of each fiscal year but  
35 shall remain available until expended for need-based financial assistance.

36           ~~The State Board shall ensure that at least one counselor is available at each college~~  
37 ~~to inform students about federal programs and funds available to assist community~~  
38 ~~college students including, but not limited to, Pell Grants and HOPE and Lifetime~~  
39 ~~Learning Tax Credits and to actively encourage students to utilize these federal~~  
40 ~~programs and funds.~~ The interest earned on the funds provided in subsections (a) and  
41 (b) of this section may be used to support the costs of administering the Community  
42 College Grant Program.

43           (d) Participation in federal loan programs. – All community colleges shall  
44 participate in the William D. Ford Federal Direct Loan Program. The State Board shall

## LEGISLATIVE PROPOSAL II

1 ensure that at least one counselor is available at each college to inform students about  
2 federal programs and funds available to assist community college students including,  
3 but not limited to, Pell Grants, HOPE and Lifetime Learning Tax Credits, and the  
4 William D. Federal Direct Loan Program, and to actively encourage students to utilize  
5 these federal programs and funds."

6           **SECTION 3.** Section 2 of this act becomes effective July 1, 2011. The  
7 remainder of this act becomes effective July 1, 2010.

## **EXPLANATION**

Legislative Proposal 2009-LHz-262(Comm. Coll/Realign Fund Formula/Fed Loans)

### **A BILL TO BE ENTITLED**

**AN ACT TO DIRECT THE STATE BOARD OF COMMUNITY COLLEGES TO REALIGN ITS FORMULA FUNDING BY INCREASING THE ALLOCATION FOR FINANCIAL AID SERVICES TO STUDENTS AND DECREASING THE ALLOCATION FOR CURRICULUM AND CONTINUING EDUCATION INSTRUCTION AND TO REQUIRE THAT ALL COMMUNITY COLLEGES PARTICIPATE IN THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM BY JULY 1, 2011, AS RECOMMENDED BY THE JOINT SELECT COMMITTEE ON STATE FUNDED STUDENT FINANCIAL AID.**

The legislative proposal directs the State Board of Community Colleges to realign its formula funding permanently by increasing the allocation for student financial aid services and decreasing the allocation for curriculum and education instruction.

The legislative proposal also requires all of the State's community colleges to participate in the William D. Ford Federal Direct Loan Program by July 1, 2011. Currently, 37 of the State's community colleges do not participate in the federal loan program. Under federal law, a student is eligible to apply for a loan through the William D. Ford Federal Direct Loan Program only if the student attends a college that participates in that federal loan program.

A section by section analysis of the legislative proposal follows:

#### **Section 1.**

- Directs the State Board of Community Colleges to realign permanently its formula funding by increasing by fifty million dollars the amount allocated in the funding formula for students' services and decreasing the amount allocated in the funding formula for curriculum and continuing education by fifty million dollars.

#### **Section 2.**

- Amends G.S. 115D-40.1 to require that all of the State's community colleges participate in the William D. Ford Federal Direct Loan Program. Also, makes conforming changes.

#### **Section 3.**

- Provides that the formula funding realignment becomes effective July 1, 2010, and so will apply in the 2010-2011 fiscal year. Provides that the requirement that all community colleges participate in the William D. Ford Federal Loan Program becomes effective July 1, 2011.

**LEGISLATIVE PROPOSAL III**

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**S/H**

**D**

**BILL DRAFT 2009-LHz-265\* [v.18] (04/09)**

**(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)  
4/22/2010 4:03:48 PM**

Short Title: Consolidate Student Financial Aid/Work Group .

(Public)

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Sponsors:

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Referred to:

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A BILL TO BE ENTITLED

1  
2 AN ACT TO ESTABLISH A WORK GROUP TO DEVELOP  
3 RECOMMENDATIONS AND OPTIONS FOR SIMPLIFYING AND  
4 CONSOLIDATING THE DELIVERY OF, ADMINISTRATION OF, AND  
5 ACCESS TO STATE FUNDED FINANCIAL AID FOR STUDENTS, AS  
6 RECOMMENDED BY THE JOINT SELECT COMMITTEE ON STATE  
7 FUNDED STUDENT FINANCIAL AID.

8 The General Assembly of North Carolina enacts:

9 **SECTION 1.(a)** The State Education Assistance Authority, The University  
10 of North Carolina, the North Carolina Community College System, and the Fiscal  
11 Research Division of the General Assembly shall establish a work group to study jointly  
12 the simplification and consolidation of State funded financial aid for students. North  
13 Carolina Independent Colleges and Universities, Inc., shall also be included as a joint  
14 member of the work group if it chooses to participate in the study. The State Education  
15 Assistance Authority shall be the lead agency for the work group and study.

16 **SECTION 1.(b)** The purpose of the study is to develop recommendations  
17 and options for simplifying and consolidating the delivery of, administration of, and  
18 access to State-funded financial aid for students. In conducting the study, the work  
19 group shall consider the State's current student financial aid programs and how to  
20 consolidate those program into two categories of State-funded student aid programs:  
21 one program that consolidates the State's major need-based programs and one program  
22 that consolidates many of the State's scholarship and forgivable loan programs currently  
23 available to students who plan to earn degrees and pursue careers in certain professional  
24 areas. More specifically the work group shall do the following:

- 25 (1) Design a unified need-based financial aid program that combines at a  
26 minimum the following three programs into a single need-based  
27 financial aid program: The University of North Carolina Need-based  
28 Grant program, the North Carolina Community College Grant



**LEGISLATIVE PROPOSAL III**

1 program, and the North Carolina Education Lottery Scholarship  
2 program established under Article 35A of Chapter 115C of the General  
3 Statutes. Currently each of these programs has its own award criteria,  
4 formulas, target populations, and funding sources (Escheat Fund,  
5 General Fund, and Lottery Funds). As part of its study the work group  
6 shall determine what the appropriate parameters may be for such a  
7 unified program by using models that take into account income,  
8 expected family contribution, college expenses, type of college  
9 attended, and any other factors the work group deems relevant. In  
10 designing the program, the work group shall address the issue of  
11 proportionality of funding and shall take into account all of the  
12 following in its consideration of that issue: the proportionality of  
13 funding that currently exists among The University of North Carolina,  
14 the North Carolina Community College System, and the North  
15 Carolina private colleges and universities; funding sources; accounting  
16 for student enrollment change; monetary differences between certain  
17 categories of students and whether based on those monetary  
18 differences student financial aid should be based on cost of attendance  
19 or tuition and fees. The work group may also consider whether it is  
20 appropriate to redefine “need” for purposes of student financial aid and  
21 to develop a common formula for the distribution of financial aid and  
22 the consequences of any proposed modifications if the decision is  
23 made to redefine “need” and develop a common formula. The  
24 program shall be designed to: (i) distribute funds in a manner that is  
25 consistent with legislative intent, but more easily understood by  
26 potential students, and (ii) retain the ability to track lottery funds.

- 27 (2) Design a “forgivable loans for service” program that combines at a  
28 minimum the following existing programs into one consolidated  
29 program that focuses on loans for services: the Nurse Educators of  
30 Tomorrow; Nurse Scholars Program; Nurse Education Scholarship  
31 Loan Program; Board of Governors Medical Scholarship Loans; Board  
32 of Governors Dental Scholarship Loans; Health, Science and  
33 Mathematics Student Loan Program; Prospective Teacher Scholarship  
34 Loan Program; and the Teacher Assistant Scholarship Program. This  
35 single consolidated program shall initially focus on two high area  
36 needs: teaching and health professions (including nursing, allied  
37 health and medical, dental and pharmacy careers). In designing this  
38 program, the work group may consider the current allocation of funds  
39 among the various scholarship and forgivable loan programs, whether  
40 it would be appropriate to allow the reallocation and award of funds  
41 not distributed as forgivable loans in a specific service area to be  
42 awarded as forgivable loans in a different service area, and, if so, what  
43 procedure and methodology would be appropriate to trigger the

### LEGISLATIVE PROPOSAL III

1                   reallocation of funds and provide for the distribution of those funds as  
2                   awards in a different service area.

3                   **SECTION 1.(c)** In addition to the considerations set out in subsection (b) of  
4 this section, the work group shall also consider all of the following: the time period  
5 required to phase out student loans from any of the programs affected by the program  
6 consolidation; how federal funding may affect student financial aid services; how to  
7 deal with current recipients of funds from programs affected by the consolidation; how  
8 to deal with recipients who are paying back loans made through programs affected by  
9 the consolidation; whether the State Education Assistance Authority should be  
10 authorized to extend the repayment period for forgivable loans in hardship  
11 circumstances when a good faith effort has been made to repay the loan in a timely  
12 manner, and if so, what the appropriate procedure may be for making that determination  
13 and extending the repayment period. The work group may also consider any other  
14 issues it deems relevant to this study.

15                   **SECTION 1.(d)** The work group shall present its proposed program designs  
16 and report its findings and recommendations to the Joint Select Committee on State  
17 Funded Student Financial Aid by October 1, 2010. In its report the work group shall  
18 also identify options that may vary from the proposed program designs but that are  
19 alternatives that the work group determines may also be workable and consistent with  
20 the legislative intent of this study. The work group shall also include in the report any  
21 legislative changes that may be needed to implement the program designs and work  
22 group recommendations.

23                   **SECTION 2.** This act is effective when it becomes law.  
24

## EXPLANATION

Legislative Proposal 2009-LHz-265(Consolidate Student Financial Aid/Work Group)

### A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A WORK GROUP TO DEVELOP RECOMMENDATIONS AND OPTIONS FOR SIMPLIFYING AND CONSOLIDATING THE DELIVERY OF, ADMINISTRATION OF, AND ACCESS TO STATE FUNDED FINANCIAL AID FOR STUDENTS, AS RECOMMENDED BY THE JOINT SELECT COMMITTEE ON STATE FUNDED STUDENT AID.

The legislative proposal establishes a work group to develop recommendations and options for simplifying the delivery of, administration of, and access to State funded financial aid for students. The legislative proposal directs the work group to consider consolidation of the State's current student financial aid programs into two categories of programs: one that addresses the State's major need-based programs and one that addresses many of the State's scholarship and forgivable loan programs. The legislative proposal outlines a number of factors that may be considered in designing the programs but requires that the design of the programs comply with legislative intent and also requires that the design of the consolidated need-based program retain the ability to track lottery funds. The working group must report to the Joint Select Committee on State Funded Student Financial Aid by October 1, 2010, with its findings, recommendations, program designs, alternative options, and any recommended legislative changes. The legislative proposal is effective when it becomes law.

A section by section analysis of the legislative proposal follows:

#### **Section 1(a). (Working Group Created)**

- Creates a work group composed of representatives from the State Education Assistance Authority (SEAA), The University of North Carolina, the North Carolina Community College System, the North Carolina Independent Colleges and Universities and the Fiscal Research Division of the General Assembly. Designates SEAA as the lead agency for the study.

#### **Section 1(b) (Working Group Charge)**

- Charges the work group to develop recommendations and options for simplifying and consolidating the delivery of, administration of, and access to State-funded financial aid for students. Directs the work group to consider the State's current student financial aid programs and to consider how to consolidate those programs into two categories of State-funded student aid programs: one that consolidates at a minimum the State's major need-based programs into a single need-based financial aid program and one that consolidates many of the State's scholarship and forgivable loan programs into a unified forgivable loans for service program.
- Provides that in designing a unified need-based program, the work group shall combine at a minimum the following three programs: The University of North Carolina Need-based Grant Program, the North Carolina Community College Grant Program, and the North Carolina Education Lottery Scholarship Program. Directs the work group to model various factors in designing a unified need-based program and to consider the

issue of proportionality of funding when designing the program. Authorizes the work group to consider appropriateness of redefining "need" and the development of a common formula for the distribution of student financial aid. Further provides that the program must be designed to distribute funds in a manner consistent with legislative intent but more easily understood by students and must also retain the ability to track lottery funds.

- Provides that in designing a forgivable loans for service program, the work group shall consider at a minimum combining the following programs: the Nurse Educators of Tomorrow; Nurse Scholars Program; Nurse Education Scholarship Loan Program; Board of Governors Medical Scholarship Loans; Board of Governors Dental Scholarship Loans; Health, Science and Mathematics Student Loan Program; Prospective Teacher Scholarship Loan Program; and the Teacher Assistant Scholarship Program. Further provides that the forgivable loans for service program shall initially focus on two high area needs: teaching and health professions (including nursing, allied health and medical, dental and pharmacy careers). Provides that the work group may consider the current allocation of funds among these programs and possible reallocation of any funds not awarded in a specific area to another service area for distribution as awards within the appropriate budget year and academic year.

**Section 1(c) (Additional Items for Consideration)**

- Authorizes the work group to consider several other items related to the study. Those items include the time period required to phase out student loans from any program affected by the consolidation; what type of assistance may be required to help current recipients of scholarship loans transition into a consolidated forgivable loan program; how federal funding may affect student financial aid services; possible authorization of SEAA to extend the loan repayment period for forgivable loans in certain hardship circumstances, and any other issue deemed relevant.

**Section 1(d) (Reporting Requirement)**

- Directs the work group to present its findings, recommendations, program designs, various options, and any proposed legislative changes to the Joint Select Committee on State Funded Student Financial Aid by October 1, 2010.

**Section 2. (Effective Date)**

- Provides that the legislative proposal is effective when it becomes law.