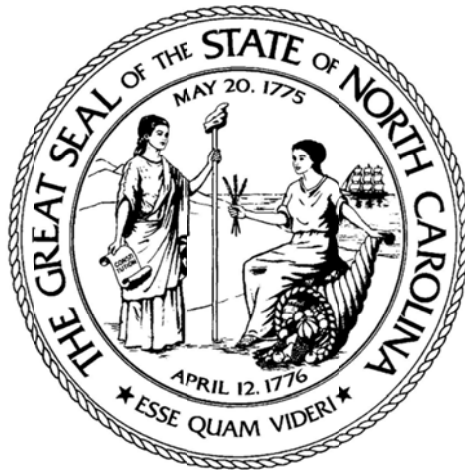


**JOINT SELECT COMMITTEE ON  
STATE FUNDED STUDENT FINANCIAL AID**



**FINAL REPORT TO THE  
2011 GENERAL ASSEMBLY**

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# STATE OF NORTH CAROLINA



## JOINT SELECT COMMITTEE ON STATE FUNDED STUDENT FINANCIAL AID

January 18, 2011

TO THE MEMBERS OF THE 2011 GENERAL ASSEMBLY:

Attached for your consideration is the final 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.

<b>President Pro Tempore Appointments</b>		<b>Speaker of the House Appointments</b>	
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.)

**October 19, 2010**

Dr. Steve Brooks, Executive Director of the North Carolina State Education Assistance Authority (NCSEAA), provided an update on the appointments to the Board of Directors of the NCSEAA pursuant to the new law that increased the number of board members from seven to nine. The appointments have been partially implemented.

Dr. Brooks then presented the report from the Work Group to Develop Recommendations and Options for Simplifying and Consolidating the Delivery of, Administration of, and Access to State-funded Aid for Students. The legislative charge to the Work Group included three major items for study which are given below along with their recommendation for each item.

***Issue one: Design a Unified Need-based Financial Aid Program***

**Recommendation:** Based on its analysis of the issues discussed below, the work group recommends that the General Assembly consolidate the funds awarded to community college and UNC students from the Education Lottery Scholarship (ELS), the UNC Need Based Grant (UNC-NBG), and the Community College Grant (CCG) programs into the *North Carolina College Access and Success Grant*. The Work Group identified no other programs that should be considered for consolidation at this time.

Mr. Brooks discussed the impact on students of the change to use the federal methodology and stated that the State Education Assistance Authority will provide the Work Group and the Committee a more in-depth analysis of the impact to current grant/future recipients at a later date.

***Issue Two: Forgivable Loan for Service Program***

**Recommendation:** The Work Group proposes that eight existing programs, as recommended by the Joint Select Committee, be consolidated into one new program, they named the *North Carolina Forgivable Education Loan for Service Program*. This new program is designed initially to provide forgivable loans to prospective teachers, nurses, and others in health professions – the target populations for the existing eight programs being recommended for consolidation. The Work Group identified no other similar programs that should be considered for consolidation at this time.

***Issue Three: Potential Abuses of Financial Aid System***

**Recommendation:** No action is necessary.



## **November 10, 2010**

Jennifer Willis, Director of Government Relations, North Carolina Community Colleges System Office, presented an update on the participation of the individual community colleges in the federal William D. Ford Direct Student Loan Program. Because of a General Assembly mandate that all 58 of the State's community colleges participate in the program beginning July 1, 2011, the community college financial aid administrators were surveyed in November 2010 about their readiness to participate in the program. Based on that information, the System Office and the U. S. Department of Education have planned a workshop in January 2011 to help the colleges better implement the program.

Dr. Steve Brooks, Executive Director, North Carolina State Education Assistance Authority, provided some additional information requested by Committee members about the impact of the consolidation of the funds awarded to community college and UNC students from the Education Lottery Scholarship (ELS), the UNC Need Based Grant (UNC-NBG), and the Community College Grant (CCG) programs into the *North Carolina College Access and Success Grant*. This was recommendation 1 of 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 presented at the October 19, 2010 meeting. The UNC Board of Governors and the State Board of Community Colleges can implement the program for academic year 2011-12 without any formal action of the General Assembly.

Dr. Brooks explained that the general impact on the community college campuses would be minimal but some new students would become eligible. In general, the UNC campuses that would gain under the new model are the campuses that have the lowest tuition and fees, have higher concentrations of Pell Grant recipients and have larger aggregate student loan indebtedness. The UNC campuses that would lose under the new model are the campuses with higher tuition and fees. Dr. Brooks emphasized that the table showing the UNC campus winners and losers was only an estimate and that a precise impact on the campuses would be available early next year with updated modeling using the most recent data from January 2011.

## **January 18, 2011**

Shawn Wischmeier, Chief Investment Officer, Office of State Treasurer updated the Committee on the current status of the Escheats Fund investments. Cochairman Stevens reviewed the draft of the final report and the Committee voted to approve the draft of the Final Report to the 2011 General Assembly. Cochairman Rapp made a motion that the Committee go on record supporting the legislation enacted during the 2010 Session that requires all community colleges to participate in the William D. Ford Direct Loan Program by July 1, 2011. The Committee adopted the motion.

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## FINDINGS AND RECOMMENDATIONS

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The Committee makes the following findings and recommendations to the 2011 General Assembly:

S.L. 2010-31, Section 9.2, directed the State Education Assistance Authority to lead a work group to study ways to simplify and consolidate the delivery of, administration of, and access to State-funded financial aid. The other members of the work group included representatives of The University of North Carolina, the North Carolina Community College System, the North Carolina Independent Colleges and Universities, Inc., and staff from the North Carolina General Assembly Fiscal Research Division.

The work group was directed to examine the current student financial aid programs and consolidate them into two categories of State-funded student aid programs: 1) a unified need-based financial aid program and 2) a “forgivable loans for service” program initially focused on consolidating existing programs for prospective teachers, nurses and other health professionals. The work group was also directed to identify any potential significant abuses of the financial aid system, especially by students who intentionally apply for and receive financial aid but intend to drop out of school after securing the financial aid.

The work group made the following recommendations in an October 12, 2010, report to the Joint Select Committee on State Funded Student Financial Aid:

### **1. Design a Unified Need-Based Financial Aid Program**

The work group recommended that the General Assembly should consolidate the funds for the North Carolina Education Lottery Scholarship program, The University of North Carolina Need-Based Grant program, and the North Carolina Community College Grant program into the North Carolina College Access and Success Grant program. The work group recommended that the new program be implemented for the 2011-2012 academic year.

### **2. Forgivable Loan for Service Program**

The work group recommended legislation to consolidate eight existing programs for prospective teachers, nurses, and other health professionals into a single new program, the North Carolina Forgivable Education Loan for Service Program initially targeted for those same professions.

### **3. Eliminate Potential Abuses of the Financial Aid System**

The work group found that there was not a significant number of instances where students enrolled in courses, received financial aid, and then dropped out of school.

The work group report is attached as Appendix A.

Based on the October 12, 2010 work group recommendations reported to the Joint Select Committee on State Funded Student Financial Aid, the Committee makes the following findings and recommendations to the 2011 General Assembly:

**1. Design a Unified Need-Based Financial Aid Program**

The Committee finds that the idea for a unified Need-Based Financial Aid program has merit but needs additional study so implementation should be delayed until the 2012-2013 academic year. The Committee recommends that the work group should specifically examine how to integrate a tuition differential into the payment schedule and report to the House and Senate Appropriations Committees by April 15, 2011. The Committee also recommends that the staff of the Fiscal Research Division should no longer serve on the work group.

**2. Forgivable Loan for Service Program**

The Committee recommends that the General Assembly enact the proposed legislation recommended by the work group to establish the Forgivable Education Loans for Service Program and the Forgivable Education Loans for Service Fund.  
(See **LEGISLATIVE PROPOSAL**)

**3. Eliminate Potential Abuses of the Financial Aid System**

Based on the data from the work group report that no significant abuse was found and the existing standards are adequate, the Committee finds that no action is necessary.

Legislative Proposal

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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D

BILL DRAFT 2011-LHz-2 [v.14] (08/26)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)  
1/23/2011 5:19:15 PM

Short Title: Establish Forgivable Loan Fund.

(Public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE FORGIVABLE EDUCATION LOANS FOR  
SERVICE PROGRAM AND THE FORGIVABLE EDUCATION LOANS FOR  
SERVICE FUND AS RECOMMENDED BY THE JOINT SELECT COMMITTEE  
ON STATE FUNDED STUDENT FINANCIAL AID.

The General Assembly of North Carolina enacts:

**SECTION 1.** Effective July 1, 2011, Part 1 of Article 23 of Chapter 116  
of the General Statutes is amended by adding a new section to read:

**"§ 116-209.45. Forgivable Education Loans for Service Program and Fund.**

(a) Policy.—The General Assembly finds that it is in the public interest to provide financial assistance in the form of forgivable loans for service to qualified students who are committed to working in the State in order to respond to critical employment shortages.

(b) Definitions.— The following definitions apply in this section:

(1) Eligible Institution. – Notwithstanding G.S. 116-201(b)(5) and G.S. 116-201(b)(6) and for purposes of this section only, an institution of higher education that is any of the following:

- a. A postsecondary constituent institution of The University of North Carolina as defined in G.S. 116-2(4).
- b. A community college as defined in G.S. 115D-2(2).
- c. A nonprofit postsecondary institution as defined in G.S. 116-22(1).
- d. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14).
- e. A school of nursing affiliated with a nonprofit postsecondary institution as defined in G.S. 116-22(1).
- f. Another public or nonprofit postsecondary institution offering a program of study not otherwise available in North Carolina that is deemed to be eligible under rules promulgated by the Authority.

## Legislative Proposal

1           (2)   Fund. – The Forgivable Education Loans for Service Fund.

2           (3)   Loan. – A forgivable loan made under the Program.

3           (4)   Program. – The Forgivable Education Loans for Service Program.

4           (c)   Establish Forgivable Education Loans for Service Program.—There is  
5 established the Forgivable Education Loans for Service Program to be administered by  
6 the Authority. The purpose of the program is to facilitate and promote the making,  
7 insuring, and collection of loans from the Forgivable Education Loans for Service Fund.  
8 The Program shall initially target future teachers, nurses, and allied health professionals.

9           (d)   Establish Forgivable Loans for Service Fund.--There is established the  
10 Forgivable Education Loans for Service Fund to be administered by the Authority. The  
11 purpose of the Fund is to provide financial assistance to qualified students to enable  
12 them to obtain the requisite education beyond the high school level to work in North  
13 Carolina in certain high-need professions as identified by the General Assembly, and to  
14 respond to current as well as future employment shortages in North Carolina.

15          (e)   Eligibility for Loans. –The Authority shall establish the criteria for initial and  
16 continuing eligibility to participate in the Program. All loan recipients shall be residents  
17 of North Carolina and shall attend an eligible institution.

18          The Authority shall adopt standards deemed appropriate by the Authority to ensure  
19 that only qualified, potential recipients receive a loan under the Program. The standards  
20 may include minimum grade point average and satisfactory academic progress.

21          (f) Loan Terms and Conditions.—The following terms and conditions shall apply to  
22 each loan made pursuant to this section:

23           (1)   Promissory Note. – All loans shall be evidenced by promissory notes  
24 made payable to the Authority.

25           (2)   Interest. – All promissory notes shall bear an interest rate established  
26 by the Authority that does not exceed ten percent and is in relation to  
27 the current interest rate for non-need-based Federal loans made  
28 pursuant to Title IV of the Higher Education Act of 1965, as amended.  
29 Interest shall accrue from the date of disbursement of the Loan funds.

30           (3)   Loan Amount. – The Authority shall establish the amount of the loan  
31 based on funds available and factors such as the recipient's educational  
32 program, enrollment status, and field of study.

33           (4)   Repayment. – The Authority shall establish the criteria for loan  
34 forgiveness for employment in a designated field in North Carolina.  
35 These criteria may provide for accelerated repayment and less than  
36 full-time employment options. The Authority shall collect cash  
37 repayments when service repayment is not completed. The Authority  
38 shall establish the terms for cash repayment, including a minimum  
39 monthly repayment amount and maximum period of time to complete  
40 repayment.

41           (5)   Death and Disability. – The Authority may forgive all or part of a loan  
42 if it determines that it is impossible for the recipient to repay the loan  
43 in cash or service because of the death or disability of the recipient.

44           (6)   Hardship. – The Authority may grant a forbearance, a deferment, or  
45 both in hardship circumstances when a good faith effort has been made  
46 to repay the loan in a timely manner.

## Legislative Proposal

1           (7) Other. – The Authority may establish other terms and conditions that  
2           are necessary or convenient to effectuate the program.

3           (g) Advisory Group.– The Authority shall appoint an advisory group composed of,  
4           at minimum, appropriate representatives from higher education institutions and health  
5           and labor departments, agencies or commissions to make recommendations to the  
6           Authority regarding the Authority's future apportionment and distribution of Program  
7           loans based on projected labor market shortages, higher education enrollment  
8           projections, and other relevant information.

9           (h) Use of Fund monies.– All funds appropriated to or otherwise received by the  
10          Authority to provide loans through the Program, all funds received as repayment of  
11          loans, and all interest earned on these funds shall be placed in the Fund. The Fund shall  
12          be used only for loans made pursuant to this section and for administrative costs of the  
13          Authority.

14          (i) Rulemaking Authority.– The Authority may adopt rules necessary to implement,  
15          administer, and enforce the provisions of this Section.

16          (j) Report to the General Assembly.– The Authority shall report no later than  
17          December 1, 2013, and annually thereafter to the Joint Legislative Education Oversight  
18          Committee regarding the Fund and loans awarded from the Fund."

19           **SECTION 2.(a)** G.S. 90-171.100 and 90-171.101 are repealed.

20           **SECTION 2.(b)** All financial obligations to any student awarded a  
21 scholarship loan from the Graduate Nurse Scholarship Program for Faculty Production  
22 Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education  
23 Loans for Service Fund established under G.S. 116-209.45 provided the student remains  
24 eligible under the provisions of the Graduate Nurse Scholarship Program for Faculty  
25 Production Fund. All contractual agreements between a student awarded a scholarship  
26 loan from the Graduate Nurse Scholarship Program for Faculty Production Fund before  
27 July 1, 2012, and the State Education Assistance Authority remain enforceable and the  
28 provisions of G.S. 90-171.100 and 90-171.101 that would be applicable but for this  
29 section shall remain applicable with regard to any scholarship loan awarded before July  
30 1, 2012

31           **SECTION 2.(c)** All assets and liabilities in the Graduate Nurse Scholarship  
32 Program for Faculty Production Fund shall be transferred to the Forgivable Education  
33 Loans for Service Fund established under G.S. 116-209.45.

34           **SECTION 3.(a)** G.S. 90-171.60, 90-171.61 and 90-171.62 are repealed.

35           **SECTION 3.(b)** All financial obligations to any student awarded a  
36 scholarship loan from the Nursing Scholars Program Fund and the Masters Nursing  
37 Scholars Program Fund before July 1, 2012, shall be fulfilled with funds from the  
38 Forgivable Education Loans for Service Fund established under G.S. 116-209.45  
39 provided the student remains eligible under the provisions of the Nursing Scholars  
40 Program Fund and the Masters Nursing Scholars Program Fund. All contractual  
41 agreements between a student awarded a scholarship loan from the Nursing Scholars  
42 Program Fund and the Masters Nursing Scholars Program Fund before July 1, 2012, and  
43 the State Education Assistance Authority remain enforceable and the provisions of  
44 G.S. 90-29 171.60, 90-171.61 and 90-171.62 that would be applicable but for this  
45 section shall remain applicable with regard to any scholarship loan awarded before July  
46 1, 2012.

## Legislative Proposal

1           **SECTION 3.(c)** All assets and liabilities in the Nursing Scholars Program  
2 Fund and the Masters Nursing Scholars Program Fund shall be transferred to the  
3 Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

4           **SECTION 4.(a)** G.S. 90-171.65 is repealed.

5           **SECTION 4.(b)** All financial obligations to any student awarded a  
6 scholarship loan from the Nurse Education Scholarship Loan Fund before July 1, 2012,  
7 shall be fulfilled with funds from the Forgivable Education Loans for Service Fund  
8 established under G.S. 116-209.45 provided the student remains eligible under the  
9 provisions of the Nurse Education Scholarship Loan Fund. All contractual agreements  
10 between a student awarded a scholarship loan from the Nurse Education Scholarship  
11 Loan Fund before July 1, 2012, and the State Education Assistance Authority remain  
12 enforceable and the provisions of G.S. 90-171.65 that would be applicable but for this  
13 section shall remain applicable with regard to any scholarship loan awarded before July  
14 1, 2012.

15           **SECTION 4.(c)** All assets and liabilities in the Nurse Education  
16 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for  
17 Service Fund established under G.S. 116-209.45.

18           **SECTION 5.(a)** G.S. 116-40.10 is repealed.

19           **SECTION 5.(b)** All financial obligations to any student awarded a  
20 scholarship loan from the Board of Governors' Dental Scholarship Loan Fund before  
21 July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for  
22 Service Fund established under G.S. 116-209.45 provided the student remains eligible  
23 under the provisions of the Board of Governors' Dental Scholarship Loan Fund. All  
24 contractual agreements between a student awarded a scholarship loan from the Board  
25 of Governors' Dental Scholarship Loan Fund before July 1, 2012, and the State  
26 Education Assistance Authority remain enforceable and the provisions of  
27 G.S. 116-40.10 that would be applicable but for this section shall remain applicable with  
28 regard to any scholarship loan awarded before July 1, 2012.

29           **SECTION 5.(c)** All assets and liabilities in the Board of Governors' Dental  
30 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for  
31 Service Fund established under G.S. 116-209.45.

32           **SECTION 6.(a)** G.S. 116-40.9 is repealed.

33           **SECTION 6.(b)** All financial obligations to any student awarded a  
34 scholarship loan from the Board of Governors' Medical Scholarship Loan Fund before  
35 July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for  
36 Service Fund established under G.S. 116-209.45 provided the student remains eligible  
37 under the provisions of the Board of Governors' Medical Scholarship Loan Fund. All  
38 contractual agreements between a student awarded a scholarship loan from the Board  
39 of Governors' Medical Scholarship Loan Fund before July 1, 2012, and the State  
40 Education Assistance Authority remain enforceable and the provisions of G.S. 116-40.9  
41 that would be applicable but for this section shall remain applicable with regard to any  
42 scholarship loan awarded before July 1, 2012.

43           **SECTION 6.(c)** All assets and liabilities in the Board of Governors' Medical  
44 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for  
45 Service Fund established under G.S. 116-209.45.

46           **SECTION 7.(a)** G.S. 116-209.33 and 116-209.34 are repealed.

## Legislative Proposal

1           **SECTION 7.(b)** All financial obligations to any student awarded a  
2 scholarship loan from the Prospective Teachers Scholarship Loan Fund before July 1,  
3 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service  
4 Fund established under G.S. 116-209.45 provided the student remains eligible under  
5 the provisions of the Prospective Teachers Scholarship Loan Fund. All contractual  
6 agreements between a student awarded a scholarship loan from the Prospective  
7 Teachers Scholarship Loan Fund before July 1, 2012, and the State Education  
8 Assistance Authority remain enforceable and the provisions of G.S. 116-209.33 and  
9 116-209.34 that would be applicable but for this section shall remain applicable with  
10 regard to any scholarship loan awarded before July 1, 2012.

11           **SECTION 7.(c)** All assets and liabilities in the Prospective Teachers  
12 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for  
13 Service Fund established under G.S. 116-209.45.

14           **SECTION 8.** G.S. 116-209.35 is repealed.

15           **SECTION 9.(a)** G.S. 116-209.30 is repealed.

16           **SECTION 9.(b)** All contractual agreements between a student awarded a  
17 scholarship loan from the Social Workers' Education Loan Fund before July 1, 2012,  
18 and the State Education Assistance Authority remain enforceable and the provisions of  
19 G.S. 116-209.30 that would be applicable but for this section shall remain applicable  
20 with regard to any scholarship loan awarded before July 1, 2012.

21           **SECTION 9.(c)** All assets and liabilities in the Social Workers' Education  
22 Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund  
23 established under G.S. 116-209.45.

24           **SECTION 10.(a)** All financial obligations to any student awarded a  
25 scholarship loan from the Student Loan Program for Health, Science and Mathematics  
26 Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education  
27 Loans for Service Fund established under G.S. 116-209.45 provided the student remains  
28 eligible under the provisions of the Student Loan Program for Health, Science and  
29 Mathematics Fund. All contractual agreements between a student awarded a scholarship  
30 loan from the Student Loan Program for Health, Science and Mathematics Fund before  
31 July 1, 2012, and the State Education Assistance Authority regarding the loan remain  
32 enforceable.

33           **SECTION 10.(b)** All assets and liabilities in the Student Loan Program for  
34 Health, Science and Mathematics Fund shall be transferred to the Forgivable Education  
35 Loans for Service Fund established under G.S. 116-209.45.

36           **SECTION 11.** All assets and liabilities in the Future Teachers of North  
37 Carolina Fund shall be transferred to the Forgivable Education Loans for Service Fund  
38 established under G.S. 116-209.45.

39           **SECTION 12.** All assets and liabilities in the Physical Education  
40 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for  
41 Service Fund established under G.S. 116-209.45.

42           **SECTION 13.** All assets and liabilities in the Optometry Scholarship Loan  
43 Fund shall be transferred to the Forgivable Education Loans for Service Fund  
44 established under G.S. 116-209.45.

45           **SECTION 14.** Except as otherwise provided herein, this act becomes  
46 effective July 1, 2012.



Appendix A

Report to the

Joint Select Committee on State Funded Student Financial Aid

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

October 12, 2010

## Appendix A

### **Members of the Work Group**

#### **North Carolina Community College System**

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Lisa Koretoff, Director of Financial Aid, Guilford Technical Community College  
Candace Cooper, Director of Financial Aid, Mitchell Community College  
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#### **University of North Carolina**

Bruce Mallette, Senior Associate Vice President for Academic and Student Affairs, UNC General Administration  
Emily Bliss, Director of Financial Aid, UNC Wilmington  
Sharon Oliver, Director of Financial Aid, North Carolina Central University  
Shirley Ort, Associate Provost and Director of Scholarships & Student Aid, UNC Chapel Hill

#### **North Carolina Independent Colleges and Universities**

Timothy A. McDowell, Vice President of Government Relations and Public Information, NCICU  
Eric Brandon, Director of Enrollment Services, Lenoir Rhyne University  
Nadine Ford, Director of Financial Aid, St. Augustine's College  
Teresa Williams, Director of Student Financial Planning, Wingate University

#### **State Education Assistance Authority and College Foundation, Inc.**

Steven E. Brooks, Executive Director  
Elizabeth V. McDuffie, Director, Grants, Training and Outreach  
William A. Cox, Deputy Director, Grants, Training and Outreach  
Trae Brookins, Grant, Scholarship and CFI Payment Plan Services Manager, College Foundation, Inc.

#### **North Carolina General Assembly**

Richard Bostic, Principal Fiscal Analyst, Education Team, Fiscal Research Division  
Andrea Poole, Senior Fiscal Analyst, Education Team, Fiscal Research Division

The work group gratefully acknowledges the work of Emily Johnson, Legislative Drafting Division, North Carolina General Assembly, and of Diane Miller, Associate Counsel, State Education Assistance Authority.

## Appendix 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

Report to the

Joint Select Committee on State Funded Student Financial Aid

October 12, 2010

Section 9.2 of the Appropriations Act (S.L. 2010-31) adopted by the 2010 North Carolina General Assembly directed the establishment of a “work group to study jointly the simplification and consolidation of State-funded financial aid for students.” The Act specified that the State Education Assistance Authority (SEAA) serve as the lead agency for this work group and that it would include the University of North Carolina (UNC), the North Carolina Community College System (NCCCS), and the Fiscal Research Division of the General Assembly. Additionally, the Act invited the North Carolina Independent Colleges and Universities, Inc. to participate in the work group.

The purpose of the work group’s study was “to develop recommendations and options for simplifying and consolidating the delivery of, administration of, and access to State-funded financial aid for students.” The legislative charge to the work group included three major items: designing a unified need-based financial aid program, designing a consolidated forgivable loan for service program, and identifying any potential significant abuses of the financial aid system in North Carolina.

The resulting 18-member work group was composed of two representatives of the Fiscal Research Division of the General Assembly, and four representatives appointed by the University of North Carolina, the North Carolina Community College System, North Carolina Independent Colleges and Universities, and the State Education Assistance Authority/College Foundation, Inc. A list of members of the group is printed inside the cover page of this report.

The work group met six times between June and September of this year and is pleased to issue this report to the General Assembly.

## Appendix A

### Recommendations of the Work Group

#### *Issue one: Design a Unified Need-based Financial Aid Program*

**Recommendation:** Based on its analysis of the issues discussed below, the work group recommends that the General Assembly consolidate the funds awarded to community college and UNC students from the Education Lottery Scholarship (ELS), the UNC Need Based Grant (UNC-NBG), and the Community College Grant (CCG) programs into the *North Carolina College Access and Success Grant*. The work group identified no other programs that should be considered for consolidation at this time.

#### **Sector-specific or Consolidated Programs**

The work group considered the relative advantages and disadvantages of sector-specific programs and a consolidated approach for the public institutions. For example, the enrollment patterns at the University and the Community College campuses vary widely in terms of age and dependency on parental assistance; traditional sector-specific programs have allowed for the tailoring of payments to students that are reflective of the types of students each sector serves.

A combined program, on the other hand, could facilitate better coordination and planning of the needs for financing public higher education in North Carolina and be easier to explain to prospective students and their families. Additionally, as the number of students attending schools in both sectors increases, a combined program would be student- rather than sector-focused or institution-focused. Ultimately the work group concluded the advantages of a consolidated program outweighed the sector-specific tailoring capabilities.

#### **Target Populations and Methodologies**

The work group explored multiple aspects of the current programs considered for consolidation, identifying the target populations and reviewing the income distribution of all applicants for need based aid in North Carolina.

Currently, the CCG and the ELS are based on the federal needs analysis methodology, while the UNC-NBG is based on its own separate eligibility and award formula. There are differences between the calculations under the two formulas and thus in the characteristics of their intended recipients. The federal EFC calculation is made under the eligibility formula for federal student aid as enacted by the U.S. Congress and modified by that body from time to time. The separate formula for UNC-NBG was designed for the grant at its inception in 1999. The UNC system indicated a desire to move to the federal methodology and use the federal calculation of “Expected Family Contribution” (EFC) as the basis for the consolidated program.

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### **Impact to Students**

This change to the federal methodology for UNC recipients will simplify communications with students by using the same measurement of family ability to pay that is used by many other need-based aid programs, including the Community College Grant and the ELS. However, this simplification will also result in changes to State grant amounts for many current recipients. Assuming that funding remains level and the characteristics of these students remain approximately the same, this change in methodology will result in:

- Current non-recipients who will receive future funding,
- Current recipients who will receive more funding in the future,
- Current recipients who will receive less funding in the future, and
- Current recipients who will not receive funding in the future.

The work group believes this redistribution of funds as a result of the methodological change is a short-term issue that will be partially addressed by campus efforts with their own financial aid resources. The group notes, however, there is significant variability among campuses in terms of their own resources that can be used for this purpose. Examples of such UNC financial aid resources are funds from the campus-initiated tuition increase, the 2010-11 supplemental tuition increase, foundations, etc.)

While not included as a part of this report, SEAA will provide the workgroup and the joint committee a more in-depth analysis of the impact to current grant/future recipients at a later date. Preliminary analysis indicates that when modeling grant awards and Pell grants in the current model vs. the proposed model, five UNC campuses will see a decrease in their aggregate grant funds; whereas eleven UNC campuses will see an increase in their grant funds. (Pell Grant predictions are subject to federal appropriations changes). If the General Assembly believes the magnitude of the redistribution of grant dollars by UNC campus should be phased-in, then the workgroup can reconvene to model such an implementation.

### **Grant Payment Schedules**

The work group modeled parallel payment schedules for the UNC and Community College recipients, based upon federal “Expected Family Contribution” (EFC), with consideration of numerous factors, including:

1. *Differences in the costs of attendance* between the two sectors. The group agreed on payment schedules for grants that generally reflected differences in the cost of attendance between the sectors (not by costs of institution in a sector), primarily reflecting the difference in tuition and fees. This differential will be reviewed on an annual basis by NCCCS, UNC, and SEAA for any need for adjustment.
2. *Distribution of aid awards by income and federal EFC*, including the programs targeted for consolidation and also Pell Grant and federal tax credits. The group looked at total aid awarded from centralized external sources (examining federal Pell Grant and higher education tax credits and the impact of State aid on the tax credits), comparing total benefits from these sources for the intended target population of state funding. It discussed the variability of awards under the existing programs and the proposed consolidated programs, the impact of such variability on current recipients in the separate programs, and the capacity of campuses to use their own resources to address the impact of the change in the formula on students, if they so choose.

## Appendix A

3. *The proportionality of allocations* between the two sectors. The group agreed on a payment schedule that preserves current sector proportionality of funding for year one of the consolidated program. In future years, the two system Presidents would approach the General Assembly together for funding for the consolidated grant program<sup>1</sup>. The systems' staff will review past awards and trends with the SEAA to determine whether any adjustments in the proportionality of funds are recommended for the next year. The group noted that financial aid application timing for students in the two sectors differs dramatically. For UNC, application priority deadlines are typically in March or April before fall enrollment; for community colleges much of the application activity takes place in July, August, and even afterwards as students approach the "open door" admissions process. For this reason, SEAA, UNC, and NCCCS will determine an appropriate flow of funds to serve students based on filing trends in both sectors.
4. *Ability to track recipients and amounts of lottery dollars*. It is important that the public understand the use of Education Lottery funds to support scholarships for needy students and that grant recipients know the source of their funding. The work group believes these goals can be accomplished in the combined program outlined on the next page.

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<sup>1</sup> The committee also recommends that the General Assembly make any legislative and budgetary changes necessary to appropriate funds as one consolidated program.

## Appendix A

### Summary of Program Design

<b>Student Perspective:</b>	The entire program, including lottery funds, is offered to public system students as the <i>North Carolina College Access and Success Grant</i> . Students at other lottery-funding-eligible institutions are offered lottery funds under the existing Education Lottery Scholarship.
<b>Payment Schedule:</b>	<p>UNC and Community College system students will have parallel payment schedules based on differences in cost of attendance between the two sectors. Lottery amounts are integrated into the payment schedule in the appropriate EFC ranges as set forth in the lottery statute. Payment schedules at current funding levels (2010-11) are attached as <b>Appendix A</b>. In addition,</p> <ul style="list-style-type: none"><li>• The maximum EFC allowable for grants is set at \$15,000, with grants going only to students with <i>total family income</i> below \$90,000 regardless of EFC.<sup>2</sup></li><li>• The work group anticipates that eligible EFC ranges may be adjusted in future years by SEAA, UNC, and NCCCS to accommodate essentially the same target populations, as costs of education, family income, and federal grant and tax credit support change.</li><li>• The work group adopted the following recommendations for years in which available funding may differ from current levels:<ul style="list-style-type: none"><li>○ When funding is greater than the current levels, the payment schedules should be adjusted first to anticipate full awards for enrollment throughout the year, including for students who start their programs in the spring semester and then to reduce the dependency of the eligible students on loans.</li><li>○ When funding is less than the current levels, the payment schedules should be adjusted to protect students with lower EFCs from the cutbacks, reducing or eliminating awards at the higher eligible EFC levels as needed to attain the most equitable results.</li></ul></li></ul>
<b>Notification of Lottery Funds Awarded:</b>	<p>Public campuses would inform each recipient of the North Carolina College Access and Success Grant that “<i>The North Carolina Education Lottery provides significant financial support for the North Carolina College Access and Success Grant that you have been awarded.</i>” SEAA would require the display of this message to be prominently included with financial aid awards of the new grant, under its rule-making authority for the Education Lottery Scholarship.</p> <p>Additionally, to help ensure public understanding of the role of the lottery scholarship revenue, publicity and written descriptions of the new program would include a statement that “<i>The North Carolina Education Lottery provides significant financial support for the North Carolina College Access and Success Grant.</i>”</p> <p>Other campuses participating in the Education Lottery Scholarship would continue to award the Education Lottery Scholarship by name, as is done currently. Using the same formula, SEAA will track public campus recipients of Education Lottery Scholarship funding.</p>

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<sup>2</sup> Total Family Income is defined as the higher of federal Adjusted Gross Income or income earned from work, plus untaxed income, of the parents of a dependent student or the student and spouse in the case of independent students.

## Appendix A

**End of Year Reporting:** At the end of the year SEAA will retain the ability to provide to policymakers and the public its customary separate and detailed report of the expenditures of lottery revenues, for the actual students for whose awards they were applied under the guidelines for the Education Lottery Scholarship.

### **Implementation Timetable**

Because the 2011-2012 academic year's financial aid application and notification cycle begins in January 2011, any decision to implement the program for 2011-2012 must be made before the upcoming session of the General Assembly. Because of the way the current programs intended for consolidation are now structured this can be accomplished administratively, with the concurrence of the Joint Select Committee. The alternative would be to maintain current separate programs for 2011-2012 and to await General Assembly action for the following academic year.

In order to get the simplified and consolidated program started as soon as possible, the work group recommends that the program begin with the financial aid award and disbursement cycle in Spring 2011 for the 2011-2012 academic year. To this end, the following specific steps must be taken before implementation, if this decision for immediate implementation is acceptable to the Joint Select Committee:

1. The workgroup's recommended changes would be presented to the UNC Board of Governors and the State Board of Community Colleges for approval.
2. UNC will ask each of its campuses to revisit the principles used by the campus for packaging aid from all sources in light of the newly consolidated program, and to revisit their packaging philosophy annually thereafter.
3. Under its rules, SEAA will provide guidance to campuses regarding the Education Lottery Scholarship to permit the awarding and disbursement of the ELS funds to community college and UNC students in the name of the North Carolina College Access and Success Grant;
4. SEAA and College Foundation, Inc., would also undertake the following activities, beginning immediately:
  - a. modify and test the computer systems at College Foundation, Inc. to assure timely and accurate delivery of aid to students;
  - b. train financial aid administrators and school counselors on the changes to ensure understanding and accurate administration of the funds;
  - c. assist campuses upon request as they reconsider their aid packaging policies.

The work group notes that adoption of the new program in 2011-12 leaves no margin for error in its implementation by SEAA and the campuses in carrying out all the activities listed above. Campuses and SEAA pledge their best efforts to make the new program work successfully for 2011-2012, if that is the implementation schedule chosen.

Despite these concerns, immediate implementation would deliver the simplified aid approach a year earlier than can be the case if the General Assembly desires to take action prior to the launch of any consolidated program. It is for that reason that the work group recommends implementation for 2011-2012.

If the General Assembly makes any changes to the program as proposed, the work group recommends that those changes be made effective for the 2012-13 academic year. The work group believes that mid-cycle modifications are difficult administratively and are confusing for students and families and thus should be avoided if possible.



## Appendix A

### *Issue Two: Forgivable Loan for Service Program*

**Recommendation:** The work group proposes that eight existing programs, as recommended by the Joint Select Committee, be consolidated into one new program, the *North Carolina Forgivable Education Loan for Service Program*. This new program is designed initially to provide forgivable loans to prospective teachers, nurses, and others in health professions – the target populations for the existing eight programs being recommended for consolidation. The work group identified no other similar programs that should be considered for consolidation at this time.

Programs recommended for consolidation are:

- a. Nurse Educators of Tomorrow
- b. Nurse Scholars Program
- c. Nurse Education Scholarship Loan Program
- d. Board of Governors Medical Scholarship Loans
- e. Board of Governors Dental Scholarship Loans
- f. Health, Science and Mathematics Student Loan Program
- g. Prospective Teacher Scholarship Program
- h. Teacher Assistant Scholarship Program

Combining these eight programs into one centralized program would simplify the application process for students and should enhance understanding by students. It is the recommendation of the work group that the General Assembly, when it considers any future forgivable loan programs for service, do so by adding a particular profession to this single program for ease of application and administration, rather than adding separate programs.

Full implementation is recommended for the 2012-2013 academic year, with publicity to begin in fall, 2011 and loan offers to students to begin in spring, 2012 for academic terms beginning on or after July 1st of that year. This implementation calendar will permit advance rulemaking, adequate publicity and training, and required modification of computer systems to ensure a smooth transition.

Legislation during the upcoming session is required to make these recommended changes; proposed legislative language is attached as **Appendix B** to this report.

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### *Issue Three: Potential Abuses of Financial Aid System*

**Recommendation:** *No action is necessary.*

The work group was charged with determining “whether there are, and if so how to address, any significant abuses of the financial aid system, particularly by persons who intentionally apply for and receive financial aid but who intend to drop of school after securing financial aid funds.”

This work group does not believe that there is a significant issue with students who deliberately enroll, receive financial aid funds, and then drop out of school. It is difficult, of course, to measure the *intent* of students who may drop out of school, and the work group cannot be absolutely certain that this inappropriate behavior does not arise from time to time. When that occurs, it can easily cause anecdotal information to be transmitted as though it were measurable data, because anyone observing such behavior is understandably outraged. Nevertheless, based on much experience in financial aid offices, the work group believes that incidents of such intentional behavior are rare and isolated.

Additionally, there are a number of safeguards currently in place to help prevent such abuses. These are based on federal regulations and State programs “piggyback” on them to minimize any misuse of financial aid funds. Among these safeguards are:

1. **Students do not receive financial aid if they have not entered and attended at least one day of class prior to the census date.**<sup>3</sup> Federal regulations require a student to enter and attend one day of class to “earn” their financial aid funds.
2. **An evaluation of students who earn all “Fs” during a given semester.** Federal regulations require that any federal financial aid recipient who earns all "Fs" during a semester be evaluated.
3. **Students must "earn" their financial aid.** Federal regulations require that students "earn" their financial aid by remaining enrolled through the 60% point of a term; students who withdraw prior to the 60% point of a term have a federal calculation performed based on the number of days attended. If this results in charges owed to the school or a repayment to the Department of Education, students may not be allowed to receive financial aid for a subsequent term until satisfactory payment arrangements are established. Further, a student's academic transcript will not be released to the student or to another college until the debt is satisfied with the school.
4. **Students must make satisfactory academic progress.** Students are subject to making “satisfactory academic progress,” which requires both

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<sup>3</sup> At UNC System schools, the census date is the end of the 10<sup>th</sup> day of class for each semester. At community colleges, the census date is the 10% mark of each class section.

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quantitative (number of credit hours earned) and qualitative (grade point average) measures of progress toward graduation before a subsequent semester of financial aid can be disbursed. Satisfactory academic progress must be evaluated at least once per academic year, and thus it would effectively preclude repeated opportunity to intentionally obtain aid funds after doing so on one occasion, especially when combined with the required investigation of cases where a student earns no grade other than “F” during a semester.

To examine the extent to which students do in fact drop out in two consecutive semesters shortly after receiving aid, the three members of the work group representing community college campuses conducted research on their own populations. The results of that research indicate that this is not a significant problem. Of the three colleges evaluated:

- Zero financial aid recipients were identified as dropping out in two consecutive semesters at Mitchell Community College,
- 0.06% of financial aid recipients were identified as dropping out in two consecutive semesters at Randolph Community College, and
- 0.3% of financial aid recipients were identified as dropping out in two consecutive semesters at Guilford Technical Community College.

## Appendix A

### Recommended Payment Schedule for North Carolina College Access and Success Grant

APPENDIX A Combined Schedule  EFC Range	Potential 2011-2012 Awards							
	UNC Campuses				NCCCS Campuses			
	11-12 NC CAS Grant (UNC amounts)	10-11 Tax Credit (Estimated from 6800 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for UNC Student	11-12 NC CAS Grant (CC amounts)	10-11 Tax Credit (Estimated from 2500 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for CC Student
\$00000 to \$00000	\$1,600	\$0	\$5,550	\$7,150	\$0	\$0	\$5,550	\$5,550
\$00001 to \$00100	\$1,600	\$0	\$5,500	\$7,100	\$0	\$0	\$5,500	\$5,500
\$00101 to \$00200	\$1,600	\$0	\$5,400	\$7,000	\$0	\$0	\$5,400	\$5,400
\$00201 to \$00300	\$1,600	\$0	\$5,300	\$6,900	\$0	\$0	\$5,300	\$5,300
\$00301 to \$00400	\$1,600	\$0	\$5,200	\$6,800	\$0	\$0	\$5,200	\$5,200
\$00401 to \$00500	\$1,700	\$0	\$5,100	\$6,800	\$0	\$0	\$5,100	\$5,100
\$00501 to \$00600	\$1,800	\$0	\$5,000	\$6,800	\$0	\$0	\$5,000	\$5,000
\$00601 to \$00700	\$1,900	\$0	\$4,900	\$6,800	\$0	\$0	\$4,900	\$4,900
\$00701 to \$00800	\$2,000	\$0	\$4,800	\$6,800	\$0	\$0	\$4,800	\$4,800
\$00801 to \$00900	\$2,100	\$0	\$4,700	\$6,800	\$0	\$0	\$4,700	\$4,700
\$00901 to \$01000	\$2,200	\$0	\$4,600	\$6,800	\$0	\$0	\$4,600	\$4,600
\$01001 to \$01100	\$2,300	\$0	\$4,500	\$6,800	\$0	\$0	\$4,500	\$4,500
\$01101 to \$01200	\$2,400	\$0	\$4,400	\$6,800	\$0	\$0	\$4,400	\$4,400
\$01201 to \$01300	\$2,500	\$0	\$4,300	\$6,800	\$0	\$0	\$4,300	\$4,300
\$01301 to \$01400	\$2,600	\$0	\$4,200	\$6,800	\$0	\$0	\$4,200	\$4,200
\$01401 to \$01500	\$2,700	\$0	\$4,100	\$6,800	\$100	\$0	\$4,100	\$4,200
\$01501 to \$01600	\$2,800	\$0	\$4,000	\$6,800	\$200	\$0	\$4,000	\$4,200
\$01601 to \$01700	\$2,900	\$0	\$3,900	\$6,800	\$300	\$0	\$3,900	\$4,200
\$01701 to \$01800	\$3,000	\$0	\$3,800	\$6,800	\$400	\$0	\$3,800	\$4,200
\$01801 to \$01900	\$3,100	\$0	\$3,700	\$6,800	\$500	\$0	\$3,700	\$4,200
\$01901 to \$02000	\$3,200	\$0	\$3,600	\$6,800	\$600	\$0	\$3,600	\$4,200
\$02001 to \$02100	\$3,300	\$0	\$3,500	\$6,800	\$700	\$0	\$3,500	\$4,200
\$02101 to \$02200	\$3,400	\$0	\$3,400	\$6,800	\$800	\$0	\$3,400	\$4,200
\$02201 to \$02300	\$3,500	\$0	\$3,300	\$6,800	\$900	\$0	\$3,300	\$4,200
\$02301 to \$02400	\$3,600	\$0	\$3,200	\$6,800	\$1,000	\$0	\$3,200	\$4,200
\$02401 to \$02500	\$3,700	\$0	\$3,100	\$6,800	\$1,100	\$0	\$3,100	\$4,200
\$02501 to \$02600	\$3,800	\$0	\$3,000	\$6,800	\$1,200	\$0	\$3,000	\$4,200
\$02601 to \$02700	\$3,900	\$0	\$2,900	\$6,800	\$1,300	\$0	\$2,900	\$4,200
\$02701 to \$02800	\$4,000	\$0	\$2,800	\$6,800	\$1,400	\$0	\$2,800	\$4,200
\$02801 to \$02900	\$4,100	\$0	\$2,700	\$6,800	\$1,500	\$0	\$2,700	\$4,200
\$02901 to \$03000	\$4,200	\$0	\$2,600	\$6,800	\$1,600	\$0	\$2,600	\$4,200
\$03001 to \$03100	\$4,300	\$0	\$2,500	\$6,800	\$1,700	\$0	\$2,500	\$4,200
\$03101 to \$03200	\$4,400	\$0	\$2,400	\$6,800	\$1,800	\$0	\$2,400	\$4,200
\$03201 to \$03300	\$4,500	\$0	\$2,300	\$6,800	\$1,900	\$0	\$2,300	\$4,200
\$03301 to \$03400	\$4,600	\$0	\$2,200	\$6,800	\$2,000	\$0	\$2,200	\$4,200

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APPENDIX A Combined Schedule  EFC Range	UNC Campuses				NCCCS Campuses			
	11-12 NC CAS Grant (UNC amounts)	10-11 Tax Credit (Estimated from 6800 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for UNC Student	11-12 NC CAS Grant (CC amounts)	10-11 Tax Credit (Estimated from 2500 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for CC Student
\$03401 to \$03500	\$4,700	\$0	\$2,100	\$6,800	\$2,100	\$0	\$2,100	\$4,200
\$03501 to \$03600	\$4,800	\$0	\$2,000	\$6,800	\$2,200	\$0	\$2,000	\$4,200
\$03601 to \$03700	\$4,900	\$0	\$1,900	\$6,800	\$2,300	\$0	\$1,900	\$4,200
\$03701 to \$03800	\$5,000	\$0	\$1,800	\$6,800	\$2,400	\$0	\$1,800	\$4,200
\$03801 to \$03900	\$5,100	\$0	\$1,700	\$6,800	\$2,500	\$0	\$1,700	\$4,200
\$03901 to \$04000	\$5,200	\$0	\$1,600	\$6,800	\$2,600	\$0	\$1,600	\$4,200
\$04001 to \$04100	\$5,300	\$0	\$1,500	\$6,800	\$2,700	\$0	\$1,500	\$4,200
\$04101 to \$04200	\$5,400	\$0	\$1,400	\$6,800	\$2,800	\$0	\$1,400	\$4,200
\$04201 to \$04300	\$5,500	\$0	\$1,300	\$6,800	\$2,900	\$0	\$1,300	\$4,200
\$04301 to \$04400	\$5,600	\$0	\$1,200	\$6,800	\$3,000	\$0	\$1,200	\$4,200
\$04401 to \$04500	\$5,624	\$0	\$1,176	\$6,800	\$3,024	\$0	\$1,176	\$4,200
\$04501 to \$04600	\$5,624	\$0	\$1,176	\$6,800	\$3,024	\$0	\$1,176	\$4,200
\$04601 to \$04700	\$5,624	\$0	\$1,176	\$6,800	\$3,024	\$0	\$1,176	\$4,200
\$04701 to \$04800	\$6,000	\$0	\$800	\$6,800	\$3,400	\$0	\$800	\$4,200
\$04801 to \$04900	\$6,100	\$0	\$700	\$6,800	\$3,500	\$0	\$700	\$4,200
\$04901 to \$05000	\$6,200	\$0	\$600	\$6,800	\$3,600	\$0	\$600	\$4,200
\$05001 to \$05100	\$6,245	\$0	\$555	\$6,800	\$3,645	\$0	\$555	\$4,200
\$05101 to \$05200	\$6,245	\$0	\$555	\$6,800	\$3,645	\$0	\$555	\$4,200
\$05201 to \$05273	\$6,245	\$0	\$555	\$6,800	\$3,645	\$0	\$555	\$4,200
\$05274 to \$05300	\$3,300	\$2,375	\$0	\$5,675	\$500	\$2,000	\$0	\$2,500
\$05301 to \$05400	\$3,200	\$2,400	\$0	\$5,600	\$500	\$2,000	\$0	\$2,500
\$05401 to \$05500	\$3,100	\$2,425	\$0	\$5,525	\$500	\$2,000	\$0	\$2,500
\$05501 to \$05600	\$3,000	\$2,450	\$0	\$5,450	\$500	\$2,000	\$0	\$2,500
\$05601 to \$05700	\$2,900	\$2,475	\$0	\$5,375	\$500	\$2,000	\$0	\$2,500
\$05701 to \$05800	\$2,800	\$2,500	\$0	\$5,300	\$500	\$2,000	\$0	\$2,500
\$05801 to \$05900	\$2,700	\$2,500	\$0	\$5,200	\$500	\$2,000	\$0	\$2,500
\$05901 to \$06000	\$2,600	\$2,500	\$0	\$5,100	\$500	\$2,000	\$0	\$2,500
\$06001 to \$06100	\$2,500	\$2,500	\$0	\$5,000	\$500	\$2,000	\$0	\$2,500
\$06101 to \$06200	\$2,500	\$2,500	\$0	\$5,000	\$500	\$2,000	\$0	\$2,500
\$06201 to \$06300	\$2,500	\$2,500	\$0	\$5,000	\$500	\$2,000	\$0	\$2,500
\$06301 to \$06400	\$2,500	\$2,500	\$0	\$5,000	\$500	\$2,000	\$0	\$2,500
\$06401 to \$06500	\$2,500	\$2,500	\$0	\$5,000	\$500	\$2,000	\$0	\$2,500
\$06501 to \$06600	\$2,500	\$2,500	\$0	\$5,000	\$0	\$2,125	\$0	\$2,125
\$06601 to \$06700	\$2,500	\$2,500	\$0	\$5,000	\$0	\$2,125	\$0	\$2,125
\$06701 to \$06800	\$2,500	\$2,500	\$0	\$5,000	\$0	\$2,125	\$0	\$2,125
\$06801 to \$06900	\$2,500	\$2,500	\$0	\$5,000	\$0	\$2,125	\$0	\$2,125

**Appendix A**

APPENDIX A Combined Schedule  EFC Range	UNC Campuses				NCCCS Campuses			
	11-12 NC CAS Grant (UNC amounts)	10-11 Tax Credit (Estimated from 6800 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for UNC Student	11-12 NC CAS Grant (CC amounts)	10-11 Tax Credit (Estimated from 2500 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for CC Student
\$06901 to \$07000	\$2,500	\$2,500	\$0	\$5,000	\$0	\$2,125	\$0	\$2,125
\$07001 to \$07100	\$2,400	\$2,500	\$0	\$4,900	\$0	\$2,125	\$0	\$2,125
\$07101 to \$07200	\$2,400	\$2,500	\$0	\$4,900	\$0	\$2,125	\$0	\$2,125
\$07201 to \$07300	\$2,400	\$2,500	\$0	\$4,900	\$0	\$2,125	\$0	\$2,125
\$07301 to \$07400	\$2,400	\$2,500	\$0	\$4,900	\$0	\$2,125	\$0	\$2,125
\$07401 to \$07500	\$2,400	\$2,500	\$0	\$4,900	\$0	\$2,125	\$0	\$2,125
\$07501 to \$07600	\$2,300	\$2,500	\$0	\$4,800	\$0	\$2,125	\$0	\$2,125
\$07601 to \$07700	\$2,300	\$2,500	\$0	\$4,800	\$0	\$2,125	\$0	\$2,125
\$07701 to \$07800	\$2,300	\$2,500	\$0	\$4,800	\$0	\$2,125	\$0	\$2,125
\$07801 to \$07900	\$2,300	\$2,500	\$0	\$4,800	\$0	\$2,125	\$0	\$2,125
\$07901 to \$08000	\$2,300	\$2,500	\$0	\$4,800	\$0	\$2,125	\$0	\$2,125
\$08001 to \$08100	\$2,200	\$2,500	\$0	\$4,700	\$0	\$2,125	\$0	\$2,125
\$08101 to \$08200	\$2,200	\$2,500	\$0	\$4,700	\$0	\$2,125	\$0	\$2,125
\$08201 to \$08300	\$2,200	\$2,500	\$0	\$4,700	\$0	\$2,125	\$0	\$2,125
\$08301 to \$08400	\$2,200	\$2,500	\$0	\$4,700	\$0	\$2,125	\$0	\$2,125
\$08401 to \$08500	\$2,200	\$2,500	\$0	\$4,700	\$0	\$2,125	\$0	\$2,125
\$08501 to \$08600	\$2,100	\$2,500	\$0	\$4,600	\$0	\$2,125	\$0	\$2,125
\$08601 to \$08700	\$2,100	\$2,500	\$0	\$4,600	\$0	\$2,125	\$0	\$2,125
\$08701 to \$08800	\$2,100	\$2,500	\$0	\$4,600	\$0	\$2,125	\$0	\$2,125
\$08801 to \$08900	\$2,100	\$2,500	\$0	\$4,600	\$0	\$2,125	\$0	\$2,125
\$08901 to \$09000	\$2,100	\$2,500	\$0	\$4,600	\$0	\$2,125	\$0	\$2,125
\$09001 to \$09100	\$2,000	\$2,500	\$0	\$4,500	\$0	\$2,125	\$0	\$2,125
\$09101 to \$09200	\$2,000	\$2,500	\$0	\$4,500	\$0	\$2,125	\$0	\$2,125
\$09201 to \$09300	\$2,000	\$2,500	\$0	\$4,500	\$0	\$2,125	\$0	\$2,125
\$09301 to \$09400	\$2,000	\$2,500	\$0	\$4,500	\$0	\$2,125	\$0	\$2,125
\$09401 to \$09500	\$2,000	\$2,500	\$0	\$4,500	\$0	\$2,125	\$0	\$2,125
\$09501 to \$09600	\$1,900	\$2,500	\$0	\$4,400	\$0	\$2,125	\$0	\$2,125
\$09601 to \$09700	\$1,900	\$2,500	\$0	\$4,400	\$0	\$2,125	\$0	\$2,125
\$09701 to \$09800	\$1,900	\$2,500	\$0	\$4,400	\$0	\$2,125	\$0	\$2,125
\$09801 to \$09900	\$1,900	\$2,500	\$0	\$4,400	\$0	\$2,125	\$0	\$2,125
\$09901 to \$10000	\$1,900	\$2,500	\$0	\$4,400	\$0	\$2,125	\$0	\$2,125
\$10001 to \$10100	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125
\$10101 to \$10200	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125
\$10201 to \$10300	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125
\$10301 to \$10400	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125
\$10401 to \$10500	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125

**Appendix A**

APPENDIX A Combined Schedule	Potential 2011-2012 Awards								
	UNC Campuses				NCCCS Campuses				
EFC Range	11-12 NC CAS Grant (UNC amounts)	10-11 Tax Credit (Estimated from 6800 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for UNC Student	11-12 NC CAS Grant (CC amounts)	10-11 Tax Credit (Estimated from 2500 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for CC Student	
\$10501 to \$10600	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125	
\$10601 to \$10700	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125	
\$10701 to \$10800	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125	
\$10801 to \$10900	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125	
\$10901 to \$11000	\$1,500	\$2,500	\$0	\$4,000	\$0	\$2,125	\$0	\$2,125	
\$11001 to \$11100	\$1,250	\$2,500	\$0	\$3,750	\$0	\$2,125	\$0	\$2,125	
\$11101 to \$11200	\$1,250	\$2,500	\$0	\$3,750	\$0	\$2,125	\$0	\$2,125	
\$11201 to \$11300	\$1,250	\$2,500	\$0	\$3,750	\$0	\$2,125	\$0	\$2,125	
\$11301 to \$11400	\$1,250	\$2,500	\$0	\$3,750	\$0	\$2,125	\$0	\$2,125	
\$11401 to \$11500	\$1,250	\$2,500	\$0	\$3,750	\$0	\$2,125	\$0	\$2,125	
\$11501 to \$11600	\$1,000	\$2,500	\$0	\$3,500	\$0	\$2,125	\$0	\$2,125	
\$11601 to \$11700	\$1,000	\$2,500	\$0	\$3,500	\$0	\$2,125	\$0	\$2,125	
\$11701 to \$11800	\$1,000	\$2,500	\$0	\$3,500	\$0	\$2,125	\$0	\$2,125	
\$11801 to \$11900	\$1,000	\$2,500	\$0	\$3,500	\$0	\$2,125	\$0	\$2,125	
\$11901 to \$12000	\$1,000	\$2,500	\$0	\$3,500	\$0	\$2,125	\$0	\$2,125	
\$12001 to \$12100	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12101 to \$12200	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12201 to \$12300	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12301 to \$12400	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12401 to \$12500	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12501 to \$12600	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12601 to \$12700	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12701 to \$12800	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12801 to \$12900	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$12901 to \$13000	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13001 to \$13100	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13101 to \$13200	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13201 to \$13300	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13301 to \$13400	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13401 to \$13500	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13501 to \$13600	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13601 to \$13700	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13701 to \$13800	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13801 to \$13900	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$13901 to \$14000	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14001 to \$14100	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	

Appendix A

APPENDIX A Combined Schedule	Potential 2011-2012 Awards								
	UNC Campuses				NCCCS Campuses				
EFC Range	11-12 NC CAS Grant (UNC amounts)	10-11 Tax Credit (Estimated from 6800 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for UNC Student	11-12 NC CAS Grant (CC amounts)	10-11 Tax Credit (Estimated from 2500 cost)	10-11 Pell Grant	Combined Aid/Estimated Tax Credits for CC Student	
\$14101 to \$14200	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14201 to \$14300	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14301 to \$14400	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14401 to \$14500	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14501 to \$14600	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14601 to \$14700	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14701 to \$14800	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14801 to \$14900	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$14901 to \$15000	\$800	\$2,500	\$0	\$3,300	\$0	\$2,125	\$0	\$2,125	
\$15001 to \$15100	\$0	\$2,500	\$0	\$2,500	\$0	\$2,125	\$0	\$2,125	
\$15101 to \$15200	\$0	\$2,500	\$0	\$2,500	\$0	\$2,125	\$0	\$2,125	
\$15201 to \$15300	\$0	\$2,500	\$0	\$2,500	\$0	\$2,125	\$0	\$2,125	
\$15301 to \$15400	\$0	\$2,500	\$0	\$2,500	\$0	\$2,125	\$0	\$2,125	
\$15401 to \$15500	\$0	\$2,500	\$0	\$2,500	\$0	\$2,125	\$0	\$2,125	
\$15501 to \$99999	\$0	varies	\$0	varies	\$0	varies	\$0	varies	

Appendix B

Draft Legislative Language to Create the North Carolina Forgivable Education  
Loan for Service Program by Combining Eight Existing Programs

A BILL TO BE ENTITLED  
AN ACT TO ESTABLISH THE FORGIVABLE EDUCATION LOANS FOR  
SERVICE PROGRAM AND THE FORGIVABLE EDUCATION LOANS  
FOR SERVICE FUND.

The General Assembly of North Carolina enacts:

**SECTION 1.** Effective July 1, 2011, Part 1 of Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

**"§ 116-209.45. Forgivable Education Loans for Service Program and Fund.**

(a) Policy.—The General Assembly finds that it is in the public interest to provide financial assistance in the form of forgivable loans for service to qualified students who are committed to working in the State in order to respond to critical employment shortages.

(b) Definitions.— The following definitions apply in this section:



## Appendix A

- (1) Eligible Institution. – Notwithstanding G.S. 116-201(b)(5) and G.S. 116-201(b)(6) and for purposes of this section only, an institution of higher education that is any of the following:
  - a. A postsecondary constituent institution of The University of North Carolina as defined in G.S. 116-2(4).
  - b. A community college as defined in G.S. 115D-2(2).
  - c. A nonprofit postsecondary institution as defined in G.S. 116-22(1).
  - d. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14).
  - e. A school of nursing affiliated with a nonprofit postsecondary institution as defined in G.S. 116-22(1).
  - f. Another public or nonprofit postsecondary institution offering a program of study not otherwise available in North Carolina that is deemed to be eligible under rules promulgated by the Authority.
- (2) Fund. – The Forgivable Education Loans for Service Fund.
- (3) Loan. – A forgivable loan made under the Program.
- (4) Program. – The Forgivable Education Loans for Service Program.

(c) Establish Forgivable Education Loans for Service Program.—There is established the Forgivable Education Loans for Service Program to be administered by the Authority. The purpose of the program is to facilitate and promote the making, insuring, and collection of loans from the Forgivable Education Loans for Service Fund. The Program shall initially target future teachers, nurses, and allied health professionals.

(d) Establish Forgivable Loans for Service Fund.--There is established the Forgivable Education Loans for Service Fund to be administered by the Authority. The purpose of the Fund is to provide financial assistance to qualified students to enable them to obtain the requisite education beyond the high school level to work in North Carolina in certain high-need professions as identified by the General Assembly, and to respond to current as well as future employment shortages in North Carolina.

(e) Eligibility for Loans. –The Authority shall establish the criteria for initial and continuing eligibility to participate in the Program. All loan recipients shall be residents of North Carolina and shall attend an eligible institution.

The Authority shall adopt standards deemed appropriate by the Authority to ensure that only qualified, potential recipients receive a loan under the Program. The standards may include minimum grade point average and satisfactory academic progress.

(f) Loan Terms and Conditions.—The following terms and conditions shall apply to each loan made pursuant to this section:

## Appendix A

- (1) Promissory Note. – All loans shall be evidenced by promissory notes made payable to the Authority.
- (2) Interest. – All promissory notes shall bear an interest rate established by the Authority that does not exceed ten percent and is in relation to the current interest rate for non-need-based Federal loans made pursuant to Title IV of the Higher Education Act of 1965, as amended. Interest shall accrue from the date of disbursement of the Loan funds.
- (3) Loan Amount. – The Authority shall establish the amount of the loan based on funds available and factors such as the recipient's educational program, enrollment status, and field of study.
- (4) Repayment. – The Authority shall establish the criteria for loan forgiveness for employment in a designated field in North Carolina. These criteria may provide for accelerated repayment and less than full-time employment options. The Authority shall collect cash repayments when service repayment is not completed. The Authority shall establish the terms for cash repayment, including a minimum monthly repayment amount and maximum period of time to complete repayment.
- (5) Death and Disability. – The Authority may forgive all or part of a loan if it determines that it is impossible for the recipient to repay the loan in cash or service because of the death or disability of the recipient.
- (6) Hardship. – The Authority may grant a forbearance, a deferment, or both in hardship circumstances when a good faith effort has been made to repay the loan in a timely manner.
- (7) Other. – The Authority may establish other terms and conditions that are necessary or convenient to effectuate the program.

(g) Advisory Group.– The Authority shall appoint an advisory group composed of, at minimum, appropriate representatives from higher education institutions and health and labor departments, agencies or commissions to make recommendations to the Authority regarding the Authority's future apportionment and distribution of Program loans based on projected labor market shortages, higher education enrollment projections, and other relevant information.

(h) Use of Fund monies.– All funds appropriated to or otherwise received by the Authority to provide loans through the Program, all funds received as repayment of loans, and all interest earned on these funds shall be placed in the Fund. The Fund shall be used only for loans made pursuant to this section and for administrative costs of the Authority.

(i) Rulemaking Authority.– The Authority may adopt rules necessary to implement, administer, and enforce the provisions of this Section.

## Appendix A

(j) Report to the General Assembly.— The Authority shall report no later than December 1, 2013, and annually thereafter to the Joint Legislative Education Oversight Committee regarding the Fund and loans awarded from the Fund."

**SECTION 2.(a)** G.S. 90-171.100 and 90-171.101 are repealed.

**SECTION 2.(b)** All financial obligations to any student awarded a scholarship loan from the Graduate Nurse Scholarship Program for Faculty Production Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Graduate Nurse Scholarship Program for Faculty Production Fund. All contractual agreements between a student awarded a scholarship loan from the Graduate Nurse Scholarship Program for Faculty Production Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 90-171.100 and 90-171.101 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012

**SECTION 2.(c)** All assets and liabilities in the Graduate Nurse Scholarship Program for Faculty Production Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 3.(a)** G.S. 90-171.60, 90-171.61 and 90-171.62 are repealed.

**SECTION 3.(b)** All financial obligations to any student awarded a scholarship loan from the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund. All contractual agreements between a student awarded a scholarship loan from the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 90-29 171.60, 90-171.61 and 90-171.62 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

**SECTION 3.(c)** All assets and liabilities in the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 4.(a)** G.S. 90-171.65 is repealed.

**SECTION 4.(b)** All financial obligations to any student awarded a scholarship loan from the Nurse Education Scholarship Loan Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Nurse Education Scholarship Loan Fund. All contractual agreements between a student awarded a scholarship loan from the

## Appendix A

Nurse Education Scholarship Loan Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 90-171.65 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

**SECTION 4.(c)** All assets and liabilities in the Nurse Education Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 5.(a)** G.S. 116-40.10 is repealed.

**SECTION 5.(b)** All financial obligations to any student awarded a scholarship loan from the Board of Governors' Dental Scholarship Loan Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Board of Governors' Dental Scholarship Loan Fund. All contractual agreements between a student awarded a scholarship loan from the Board of Governors' Dental Scholarship Loan Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 116-40.10 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

**SECTION 5.(c)** All assets and liabilities in the Board of Governors' Dental Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 6.(a)** G.S. 116-40.9 is repealed.

**SECTION 6.(b)** All financial obligations to any student awarded a scholarship loan from the Board of Governors' Medical Scholarship Loan Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Board of Governors' Medical Scholarship Loan Fund. All contractual agreements between a student awarded a scholarship loan from the Board of Governors' Medical Scholarship Loan Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 116-40.9 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

**SECTION 6.(c)** All assets and liabilities in the Board of Governors' Medical Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 7.(a)** G.S. 116-209.33 and 116-209.34 are repealed.

**SECTION 7.(b)** All financial obligations to any student awarded a scholarship loan from the Prospective Teachers Scholarship Loan Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Prospective Teachers Scholarship Loan Fund.

## Appendix A

All contractual agreements between a student awarded a scholarship loan from the Prospective Teachers Scholarship Loan Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 116-209.33 and 116-209.34 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

**SECTION 7.(c)** All assets and liabilities in the Prospective Teachers Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 8.** G.S. 116-209.35 is repealed.

**SECTION 9.(a)** G.S. 116-209.30 is repealed.

**SECTION 9.(b)** All contractual agreements between a student awarded a scholarship loan from the Social Workers' Education Loan Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 116-209.30 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

**SECTION 9.(c)** All assets and liabilities in the Social Workers' Education Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 10.(a)** All financial obligations to any student awarded a scholarship loan from the Student Loan Program for Health, Science and Mathematics Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Student Loan Program for Health, Science and Mathematics Fund. All contractual agreements between a student awarded a scholarship loan from the Student Loan Program for Health, Science and Mathematics Fund before July 1, 2012, and the State Education Assistance Authority regarding the loan remain enforceable.

**SECTION 10.(b)** All assets and liabilities in the Student Loan Program for Health, Science and Mathematics Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 11.** All assets and liabilities in the Future Teachers of North Carolina Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 12.** All assets and liabilities in the Physical Education Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 13.** All assets and liabilities in the Optometry Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established under G.S. 116-209.45.

**SECTION 14.** Except as otherwise provided herein, this act becomes effective July 1, 2012.

## Appendix A

### **SUMMARY**

2011-LH-2

Establish Forgivable Loan Fund

September 29, 2010

#### **Establish Forgivable Education Loan for Service Program and Fund**

The draft bill establishes a new Forgivable Education Loan for Service Program and Fund. Both the Program and the Fund are to be administered by the State Education Assistance Authority. The purpose of the Fund is: (i) to provide financial assistance to qualified students to enable them to obtain the education needed beyond the high school level to work in North Carolina in certain high-need professions as identified by the General Assembly and (ii) to respond to current and future employment shortages in North Carolina. The purpose of the Program is to facilitate and promote the making, insuring, and collection of the forgivable service loans.

#### **Eligibility for Loan**

To be eligible for a forgivable loan a student must be a North Carolina resident who is attending or who plans to attend an eligible institution. The State Education Assistance Authority shall establish additional eligibility criteria and shall also adopt standards the Authority deems appropriate to ensure that only qualified, potential recipients receive a loan. The standards may include minimum grade point average and satisfactory academic progress. An eligible institution is defined as any of the following: a post-secondary constituent institution of The University of North Carolina, a North Carolina community college, a nonprofit post secondary institution that is accredited by the Southern Association of Schools and Colleges or by the New England Association of Schools and Colleges and that is not a Bible College or similar religious college, a postsecondary institution owned or operated by a hospital authority, a school of nursing affiliated with a nonprofit postsecondary institution, and a public or nonprofit postsecondary institution offering a program of study not otherwise available in North Carolina that is deemed to be eligible under rules adopted by the State Education Assistance Authority. Students attending certain categories of religious colleges are not eligible for forgivable loans.

#### **Terms and Conditions of Loan**

Forgivable loans shall be made as promissory notes in an amount determined by the Authority based on funds available and other factors such as the recipient's educational program, enrollment status, and field of study. The interest rate is set by the Authority, can not exceed ten percent, and shall relate to the current interest rate for non-need-based federal loans made pursuant to Title IV of the Higher Education Act of 1965, as amended. Interest accrues from the date of the disbursement of the loan.

The Authority shall establish terms for cash repayment of loans, including the maximum period of time to repay a loan.

The Authority shall establish the criteria for loan forgiveness for employment in a designated field in North Carolina. Those criteria may provide for accelerated repayment and less than full time employment options.

## Appendix A

The Authority may forgive all or part of a loan due to death or disability of a recipient and may also grant a forbearance, deferment, or both in hardship circumstances to a recipient who has made a good-faith effort to repay in a timely manner.

The Authority may add other loan terms and conditions that are necessary or convenient to effectuate the program.

The Authority shall appoint an advisory group to make recommendations to the Authority regarding future apportionment and distribution of Program loans based on projected labor shortages and higher education enrollment projections. The advisory group must include appropriate representatives from higher education institutions, health and labor departments, agencies, or commissions.

Forgivable loan repayments and interest on those loans shall be deposited to the Fund. Monies in the Fund shall be used only for forgivable loans and for administrative costs of the Authority.

### **Rulemaking Authority**

The Authority is authorized to adopt rules to implement and administer the Program and Fund.

### **Reporting Requirement**

The Authority must report by December 1, 2013 to the Joint Legislative Education Oversight Committee regarding the Program and Fund, and must report annually thereafter.

### **Termination of Certain Existing Scholarship Loan Funds, Repeal of Certain Statutes, Transfer of Assets and Liabilities, Continuing Contractual Responsibilities and Financial Obligations of Authority and Recipients of Loans from Terminated Funds.**

The draft bill terminates all of the following funds, repeals the statutes that established the funds if the fund was established by statute, and with the exception of the Teacher Assistant Scholarship, transfers the assets and liabilities of each of those funds to the Forgivable Education Loans for Service Fund.

- Graduate Nurse Scholarship Program for Faculty Production Fund. (G.S. 90-171.100 & G.S. 90-171.101 repealed.)
- Nursing Scholars Program Fund (G.S. 90-171.60, 90-171.61, & 90-171.62 repealed)
- Nurse Education Scholarship Loan Fund (G.S. 90-171.65 repealed)
- Board of Governors Dental Scholarship Loan Fund (G.S. 116-40.10 repealed)
- Board of Governors Medical Scholarship Loan Fund (G.S. 116-40.9 repealed)
- Prospective Teachers Scholarship Loan Fund (G.S. 116-209.33 & G.S. 116-209.34 repealed)
- Teacher Assistant Scholarship Fund (G.S. 116-209.35 repealed)
- Social Workers' Education Loan Fund (G.S. 116-209.30 repealed)
- Student Loan Program for Health, Science and Mathematics Fund
- Future Teachers of North Carolina Fund (G.S. 116-209.38 repealed in Sec. 9.18 of S.L. 2009-451; repeal becomes effective July 1, 2011.)

## Appendix A

- Coaching Scholarship Loan Fund (116-209.36; repealed by S.L. 2008-107, s.9.1(a), effective July 1, 2008)
- Optometry Scholarship Loan Fund

For some of the terminated funds, the draft bill further provides that financial obligations to students who received scholarship loans from the terminated funds will be honored by the Forgivable Education Loans for Service Fund, provided the student remains eligible under the statutory provisions that would have been in effect if not repealed, and further provides that all contractual agreements between a student awarded a scholarship loan from one of the terminated programs and the Authority regarding the loan remain enforceable. The list of terminated funds whose loan obligations will be honored by the Forgivable Education Loan for Service Fund and Program is as follows:

- Graduate Nurse Scholarship Program for Faculty Production Fund. (G.S. 90-171.100 & G.S. 90-171.101 repealed.)
- Masters Nursing Scholars Program Fund (G.S. 90-171.60, 90-171.61, & 90-171.62 repealed)
- Nurse Education Scholarship Loan Fund (G.S. 90-171.65 repealed)
- Board of Governors Dental Scholarship Loan Fund (G.S. 116-40.10 repealed)
- Board of Governors Medical Scholarship Loan Fund (G.S. 116-40.9 repealed)
- Prospective Teachers Scholarship Loan Fund (G.S. 116-209.33 & G.S. 116-209.34 repealed)
- Social Workers' Education Loan Fund (G.S. 116-209.30 repealed)

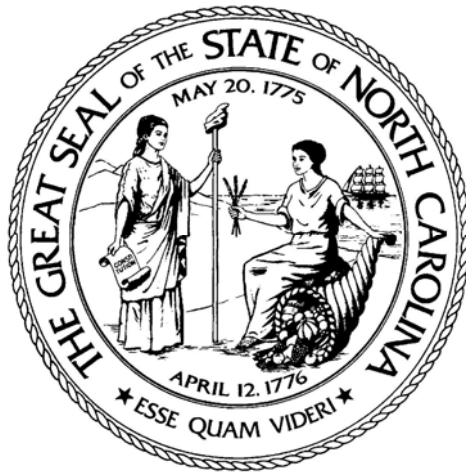
The transition provisions for the termination of the Future Teachers of North Carolina Fund and the enforceability of contract terms and conditions for those loans made prior to July 1, 2011, are included in S.L. 2009-451 and so are not included in the draft bill.

### **Effective Dates**

Section 1 of the draft bill which enacts G.S. 116-209.45 and establishes the Fund and the Program becomes effective July 1, 2011. The remainder of the bill becomes effective July 1, 2012.



**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.

<b>President Pro Tempore Appointments</b>		<b>Speaker of the House Appointments</b>	
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:

- (9) 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.

- (10) 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.
- (11) The current governance of the North Carolina State Education Assistance Authority (NCSEAA).
- (12) 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).
- (13) The feasibility of consolidating loans, grants, and scholarships available for teacher education students.
- (14) 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.
- (15) 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.
- (16) 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

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.

The General Assembly of North Carolina enacts:

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

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

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

~~The Authority shall be governed by a board of directors consisting of seven members, each of whom shall be appointed by the Governor. Two of the first members of the board appointed by the Governor shall be appointed for terms of one year, two for terms of two years, two for terms of three years, and one for a term of four years from the date of their appointment; and thereafter the members of the board shall be appointed for terms of four years. Vacancies in the membership of the board shall be filled by appointment of the Governor for the unexpired portion of the term. Members of the board shall be subject to removal from office in like manner as are State, county, town and district officers. Immediately after such appointment, the directors shall enter upon the performance of their duties. The board shall annually elect one of its members as chairman and another as vice-chairman, and shall also elect annually a secretary, or a 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.