S SENATE BILL 1322\*

(Public)

Sponsors: Senators Stevens, Dorsett, Foriest, Vaughan; and Atwater.

Comm. Coll/Realign Fund Formula/Fed Loans.

Referred to: Education/Higher Education.

May 20, 2010

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.

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

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

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

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

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

Whereas, a requirement that all community colleges participate in the federal loan program will add to this workload, as community colleges must provide more intensive student advising, validate eligibility requirements, execute the award process, and track participating students; Now, therefore,

The General Assembly of North Carolina enacts:

**SECTION 1.** The State Board of Community Colleges shall permanently realign its formula funding by increasing the amount allocated in the funding formula for students' services by fifty million dollars (\$50,000,000) and by reducing the amount in the funding formula for curriculum and continuing education instruction by a commensurate amount. The



Short Title:

1 2

revised formula shall ensure that community colleges have the adequate funds and resources necessary to administer and provide financial aid services to students.

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

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

- (a) Need-Based Assistance Program. It is the intent of the General Assembly that the Community College System make these financial aid funds available to the neediest students who are not eligible for other financial aid programs that fully cover the required educational expenses of these students. The State Board may use some of these funds as short-term loans to students who anticipate receiving the federal HOPE or Lifetime Learning Tax Credits.
- (b) Targeted Assistance. Notwithstanding subsection (a) of this section, the State Board may allocate no more than ten percent (10%) of the funds appropriated for Financial Assistance for Community College Students to:
  - (1) Students who do not qualify for need-based assistance but who enroll in low-enrollment programs that prepare students for high-demand occupations, and
  - (2) Students with disabilities who have been referred by the Division of Vocational Rehabilitation and are enrolled in a community college.
- (c) Administration of Program. The State Board shall adopt rules and policies for the disbursement of the financial assistance provided in <u>subsections (a) and (b) of</u> this section. Degree, diploma, and certificate students must complete a Free Application for Federal Student Aid (FAFSA) to be eligible for financial assistance. The State Board may contract with the State Education Assistance Authority for administration of these financial assistance funds. These funds shall not revert at the end of each fiscal year but shall remain available until expended for need-based financial assistance.

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

- (d) Participation in Federal Loan Programs. All community colleges shall participate in the William D. Ford Federal Direct Loan Program. The State Board shall ensure that at least one counselor is available at each college to inform students about federal programs and funds available to assist community college students including, but not limited to, Pell Grants, HOPE and Lifetime Learning Tax Credits, and the William D. Ford Federal Direct Loan Program, and to actively encourage students to utilize these federal programs and funds."
- **SECTION 3.** Section 2 of this act becomes effective July 1, 2011. The remainder of this act becomes effective July 1, 2010.