

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 7 (Second Edition)

SHORT TITLE: Comm. Colleges/Opt Out of Fed'l Loan Program.

SPONSOR(S): Representatives Ingle, Cleveland, and McCormick

FISCAL IMPACT					
	Yes ()	No (x)	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES:					
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Community College System					
EFFECTIVE DATE: July 1, 2011					

BILL SUMMARY:

Currently, G.S. 115D-40.1(d) requires all community colleges to participate in the William D. Ford Federal Direct Loan Program, effective July 1, 2011. House Bill 7 would amend G.S. 115D-40.1(d) to allow a community college to opt out of participating in the William D. Ford Direct Loan Program if the board of trustees of the institution adopted a resolution declining to participate. Boards of trustees would be permitted to rescind the resolution and participate in the program, but would not have the authority of decline participation a second time.

ASSUMPTIONS AND METHODOLOGY:

House Bill 7 would remove the requirement that schools participate in the William D. Ford Federal Loan Program from G.S. 115D-40.1(d). However, the bill does not affect the total funding available to the Community College System, nor does it affect the distribution of funds to colleges (either the amount per college or how colleges can spend their allocations). Therefore, there is no fiscal impact.

BACKGROUND:

As stated above, House Bill 7 affects neither the total funding available to the Community College System nor the distribution of funds within the system. However, in 2010, there was a shift in funding within the Community College System related to the requirement that all colleges

participate in the William D. Ford Federal Direct Loan Program as of July 1, 2011. Following is a brief history of those changes.

In October 2009, the Joint Select Committee on State-funded Student Financial Aid was created, in part, to study the availability and sustainability of existing federal sources for student grants, loans, and scholarships. In its interim report to the 2010 Session, the Committee recommended legislation to:

- Require all community colleges to participate in the William D. Ford Federal Direct Loan Program by July 1, 2011 and
- Require the State Board of Community Colleges to permanently realign its funding formula by shifting \$50 million from curriculum and continuing education instruction allotments to student services (a part of the Institutional Support allotment).

This \$50 million realignment was made up of two pieces:

- **\$32 million** for financial aid offices to address an increased proportion of students seeking financial aid and increased requirements of the Federal Higher Education Opportunity Act including:
 - Two Pell Grant awards in one academic year,
 - New access to federal aid programs for students with intellectual disabilities, and
 - Expanded requirements for consumer information.
- **\$19 million** to address the increased requirements a college would experience by participating in the federal loan program.

These pieces were combined into the one recommendation to realign a total of \$50 million. The Committee's recommendations were enacted as Section 8.5 of S.L. 2010-31 (S.B. 897).

It is important to note that Section 8.5 does not change the overall amount of funding available to community colleges, but instead gives the colleges increased flexibility in how they can spend their allocations. Community colleges have broad budget flexibility, but are restricted in the percentage of funding for instruction that can be transferred. Colleges are not similarly restricted in the percentage of Institutional Support funding that can be transferred. Therefore, by shifting the funds to the Institutional Support allocation, colleges have the ability to use the funds in student services but also have the ability to transfer the funds back to instruction.

SOURCES OF DATA:

Joint Select Committee on State-funded Student Financial Aid Interim Report, North Carolina Community College System Office, Session Law 2010-31.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Andrea Poole

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: February 24, 2011



Signed Copy Located in the NCGA Principal Clerk's Offices