

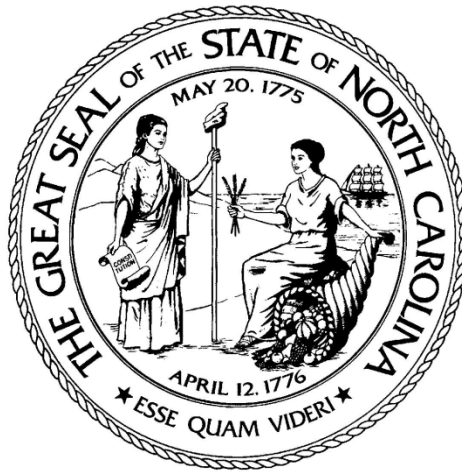
Financial Aid Overview
Joint Subcommittee on Education Appropriations
February 17, 2011

Attachment 5

Findings, Recommendations, and Legislative Proposal
of the Joint Select Committee on
State Funded Student Financial Aid

Prepared by Fiscal Research Division

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



**FINAL REPORT TO THE
2011 GENERAL ASSEMBLY**

FINDINGS AND RECOMMENDATIONS

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

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
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Short Title: Establish Forgivable Loan Fund.

(Public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE FORGIVABLE EDUCATION LOANS FOR
3 SERVICE PROGRAM AND THE FORGIVABLE EDUCATION LOANS FOR
4 SERVICE FUND AS RECOMMENDED BY THE JOINT SELECT COMMITTEE
5 ON STATE FUNDED STUDENT FINANCIAL AID.

6 The General Assembly of North Carolina enacts:

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

9 "**§ 116-209.45. Forgivable Education Loans for Service Program and Fund.**

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

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

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

18 a. A postsecondary constituent institution of The University of
19 North Carolina as defined in G.S. 116-2(4).

20 b. A community college as defined in G.S. 115D-2(2).

21 c. A nonprofit postsecondary institution as defined in
22 G.S. 116-22(1).

23 d. A postsecondary institution owned or operated by a hospital
24 authority as defined in G.S. 131E-16(14).

25 e. A school of nursing affiliated with a nonprofit postsecondary
26 institution as defined in G.S. 116-22(1).

27 f. Another public or nonprofit postsecondary institution offering a
28 program of study not otherwise available in North Carolina that
29 is deemed to be eligible under rules promulgated by the
30 Authority.

Legislative Proposal

(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:

(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.

Legislative Proposal

(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.

(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.

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

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. 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.