

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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SENATE BILL 653

Short Title: UNC/CC Financial Aid Program Consolidation. (Public)

Sponsors: Senators Ballard, Chaudhuri, and Lee (Primary Sponsors).

Referred to: Rules and Operations of the Senate

April 7, 2021

1 A BILL TO BE ENTITLED
2 AN ACT CONSOLIDATING THE UNIVERSITY OF NORTH CAROLINA NEED-BASED
3 FINANCIAL AID PROGRAM, THE EDUCATION LOTTERY SCHOLARSHIP
4 PROGRAM, AND THE NORTH CAROLINA COMMUNITY COLLEGE GRANT
5 PROGRAM INTO THE NORTH CAROLINA NEED-BASED SCHOLARSHIP FOR
6 PUBLIC COLLEGES AND UNIVERSITIES.

7 The General Assembly of North Carolina enacts:

8
9 **PART I. ESTABLISHING THE NORTH CAROLINA NEED-BASED SCHOLARSHIP**
10 **FOR PUBLIC COLLEGES AND UNIVERSITIES**

11 **SECTION 1.1.** Article 23 of Chapter 116 of the General Statutes is amended by
12 adding a new Part to read:

13 "Part 5. The North Carolina Need-Based Scholarship for Public Colleges and Universities.

14 **"§ 116-209.80. Definitions.**

15 The following definitions apply to this Part:

- 16 (1) Eligible postsecondary institution. – A school that is:
17 a. A constituent institution of The University of North Carolina as
18 defined in G.S. 116-2(4).
19 b. A community college as defined in G.S. 115D-2(2).
20 (2) Matriculated status. – Being recognized as a student in a defined program of
21 study leading to a degree, diploma, or certificate at an eligible postsecondary
22 institution.
23 (3) Program. – The North Carolina Need-Based Scholarship Program for Public
24 Colleges and Universities.
25 (4) Reserve Fund. – Scholarship Reserve Fund for Public Colleges and
26 Universities.
27 (5) Scholarship. – A scholarship for education awarded under this Part.
28 (6) Title IV. – Title IV of the Higher Education Act of 1965, as amended, 20
29 U.S.C. § 1070, et seq.

30 **"§ 116-209.81. Eligibility requirements for a scholarship.**

31 (a) In order to be eligible to receive a scholarship under this Part, a student seeking a
32 degree, diploma, or certificate at an eligible postsecondary institution must meet all of the
33 following requirements:

- 34 (1) Qualify as a resident for tuition purposes under the criteria set forth in
35 G.S. 116-143.1 and in accordance with the coordinated and centralized
36 residency determination process administered by the Authority.



1 (2) Meet enrollment standards by being admitted, enrolled, and classified as an
2 undergraduate student in a matriculated status at an eligible postsecondary
3 institution. The President of The University of North Carolina and the
4 President of the North Carolina Community College System may jointly agree
5 to additional enrollment standards for the Program.

6 (3) Submit a Free Application for Federal Student Aid (FAFSA) and demonstrate
7 need according to federal methodology in Title V of the Higher Education Act
8 of 1965, as amended, 20 U.S.C. § 1070, et seq.

9 (b) In addition to the criteria set forth in subsection (a) of this section, in order for a
10 student to continue to be eligible for a scholarship for the student's second and subsequent
11 academic years, the student must meet achievement standards by maintaining satisfactory
12 academic progress in a course of study in accordance with the standards and practices used for
13 federal Title IV programs by the eligible postsecondary institution in which the student is
14 enrolled.

15 **"§ 116-209.82. Semester limitation on eligibility for scholarship.**

16 (a) Except as otherwise provided by subsection (c) of this section, a student matriculating
17 at a constituent institution of The University of North Carolina shall not receive a scholarship for
18 more than 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the
19 student is enrolled in a program officially designated by the Board of Governors of The
20 University of North Carolina as a five-year degree program. If a student is enrolled in such a
21 five-year degree program, then the student shall not receive a scholarship for more than 12
22 full-time academic semesters or the equivalent if enrolled part-time.

23 (b) Except as otherwise provided by subsection (c) of this section, a student shall not
24 receive a scholarship for more than six full-time academic semesters, or the equivalent if enrolled
25 part-time, while matriculating at a community college.

26 (c) Upon application by a student, the applicable eligible postsecondary institution may
27 grant a waiver to the student who may then receive a scholarship for the equivalent of one
28 additional full-time academic semester if the student demonstrates that any of the following have
29 substantially disrupted or interrupted the student's pursuit of a degree, diploma, or certificate: (i)
30 a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term
31 disability, or (iv) other extraordinary hardship. The Board of Governors or the State Board of
32 Community Colleges, as appropriate, shall establish policies and procedures to implement the
33 waiver provided by this subsection.

34 **"§ 116-209.83. Scholarship amounts; adjustment of scholarship amounts.**

35 (a) Scholarship Amounts. – Subject to the availability of funds in the Scholarship Reserve
36 Fund for Public Colleges and Universities, as provided in G.S. 116-209.85, a scholarship
37 awarded under this Part to a student at an eligible postsecondary institution shall be based upon
38 a consolidated payment schedule established jointly by the President of The University of North
39 Carolina and the President of the North Carolina Community College System, in consultation
40 with the Authority. The payment schedule shall clearly define award amounts by type of eligible
41 postsecondary institution and student financial need as defined by federal methodology. The
42 Authority shall publish the payment schedule for the Program in an easily accessible and
43 understandable format. Once published, a payment schedule shall remain in effect unless
44 otherwise agreed by the President of The University of North Carolina and the President of the
45 North Carolina Community College System.

46 (b) Availability of Scholarships. – Subject to the payment schedule described in
47 subsection (a) of this section, the Authority shall have the power to determine the actual
48 scholarship amounts disbursed to students in any given year based on the amount of funds
49 available in the Scholarship Reserve Fund for Public Colleges and Universities created pursuant
50 to G.S. 116-209.85. If the funds available are not sufficient to fully fund the scholarships as set
51 forth in the payment schedule established pursuant to subsection (a) of this section, the Authority,

1 in consultation with the President of The University of North Carolina and the President of the
2 North Carolina Community College System, shall adjust the distribution of the funds as
3 necessary.

4 **"§ 116-209.84. Scholarship administration; reporting requirements.**

5 (a) The scholarships provided for in this Article shall be administered by the Authority
6 under rules adopted by the Authority in accordance with the provisions of this Article.

7 (b) Notwithstanding any other provision of law to the contrary, the Authority shall
8 conduct periodic evaluations of expenditures under the Program administered by the Authority
9 to determine if allocations are utilized to ensure access to eligible postsecondary institutions and
10 to meet the goals of respective programs. The authority may make recommendations of the
11 redistribution of funds to the President of The University of North Carolina and the President of
12 the North Carolina Community College System, who then may jointly authorize redistribution
13 of funds for a particular fiscal year.

14 (c) The Authority shall report no later than December 1, 2024, and annually thereafter to
15 the Joint Legislative Education Oversight Committee. The report shall contain, for the previous
16 academic year, the dollar amount of awards disbursed, the number of eligible students receiving
17 funds, and a breakdown of the eligible postsecondary institutions that received the funds.

18 (d) Scholarship funds unexpended shall remain available for future scholarships to be
19 awarded under this Article.

20 **"§ 116-209.85. Scholarship Reserve Fund for Public Colleges and Universities.**

21 (a) There is established the Scholarship Reserve Fund for Public Colleges and
22 Universities as a reserve consisting of the following monies:

23 (1) Funds appropriated by the General Assembly for the Program from the
24 Education Lottery Fund in the Current Operations Appropriations Act for a
25 fiscal year for education-related purposes in accordance with G.S. 18C-164.

26 (2) Funds appropriated by the General Assembly for the Program from the
27 Escheat Fund in the Current Operations Appropriations Act for a fiscal year
28 that is distributed annually on or before August 15 to the Authority pursuant
29 to G.S. 116B-7(a).

30 (3) Funds appropriated by the General Assembly for the Program from the
31 General Fund in the Current Operations Appropriations Act for a fiscal year.

32 (4) All returned scholarship funds from the Program.

33 (5) All interest earned on these funds.

34 (b) The Authority shall create two reserves within the Reserve Fund as follows: The
35 University of North Carolina (UNC Reserve) and the North Carolina Community College System
36 (CC Reserve) from monies in the Reserve Fund. The funds in the reserves shall be used for
37 scholarships for the academic year that begins in the fiscal year following the fiscal year in which
38 the allocations are made to the reserves. The amount of funds in each reserve shall be determined
39 according to the payment schedules for eligible postsecondary institutions pursuant to
40 G.S. 116-209.83.

41 Beginning with the 2023-2024 fiscal year and for each subsequent fiscal year, within the
42 funds available, the Authority shall allocate an amount equal to the amount from the prior fiscal
43 year for the UNC Reserve and the CC Reserve to each reserve, respectively, unless otherwise
44 agreed to by the President of The University of North Carolina and the President of the North
45 Carolina Community College System. Additional funds may be directed to the reserves from a
46 Current Operations Appropriations Act in a fiscal year. The reserves established for the
47 2022-2023 fiscal year shall consist of the following funds:

48 (1) For the UNC Reserve, the monies shall consist of the following:

49 a. An amount equal to the amount appropriated to the Board of
50 Governors of The University of North Carolina for The University of

1 North Carolina Need-Based Financial Aid Program for the 2021-2022
2 fiscal year.
3 b. An amount equal to the proportionate share of the appropriation for
4 the Education Lottery Scholarship Program based on awards of
5 financial assistance to students enrolled in The University of North
6 Carolina from the Education Lottery Scholarship Program for the
7 2017-2018, 2018-2019, and 2019-2020 fiscal years.
8 (2) For the CC Reserve, the monies shall consist of the following:
9 a. An amount equal to the amount appropriated to the Community
10 Colleges System Office for the North Carolina Community College
11 Grant Program, except for funds set aside for the targeted assistance
12 program pursuant to G.S. 115D-40.1, for the 2021-2022 fiscal year.
13 b. An amount equal to the proportionate share of the appropriation for
14 the Education Lottery Scholarship based on awards of financial
15 assistance to students enrolled in North Carolina community colleges
16 from the Education Lottery Scholarship Program for the 2017-2018,
17 2018-2019, and 2019-2020 fiscal years.
18 (c) Monies in the Reserve Fund shall not revert at the end of each fiscal year but shall
19 remain available until expended for the purposes of this Article.
20 (d) The Authority may use up to one and one-half percent (1.5%) of the funds available
21 in the Reserve Fund each fiscal year for administrative costs related to the Program. Upon a
22 determination by the Authority that funds in excess of one percent (1%) are necessary to
23 administer the Program, including funds necessary for one-time or recurring costs, the Authority
24 shall consult with the President of The University of North Carolina and the President of the
25 North Carolina Community College System at the same time the consolidated payment schedule
26 is set pursuant to G.S. 116-209.83. The Authority shall also report the amount of the increase and
27 the purpose for which the additional funds will be used to the Joint Legislative Education
28 Oversight Committee and the Fiscal Research Division of the General Assembly within 30 days
29 of the increase. In no event shall the cost of administering the Program in a fiscal year exceed
30 one and one-half percent (1.5%) of the funds available in the Reserve Fund."

31 **SECTION 1.2.** G.S. 116B-7 reads as rewritten:

32 **"§ 116B-7. Distribution of fund.**

33 (a) The income derived from the investment or deposit of the Escheat Fund shall be
34 distributed annually on or before August 15 to the State Education Assistance Authority for
35 grants and loans to aid worthy and needy students who are residents of this State and are enrolled
36 in public institutions of higher education in this State. Such grants and loans shall be made upon
37 terms, consistent with the provisions of this Chapter, pursuant to which the State Education
38 Assistance Authority makes grants and loans to other students under G.S. 116-201 to 116-209.23,
39 Article 23 of Chapter 116 of the General Statutes, policies of the Board of Governors of The
40 University of North Carolina regarding need-based grants for students of The University of North
41 Carolina, and policies of the State Board of Community Colleges regarding need-based grants
42 for students of the community colleges. The Authority shall deposit an amount specified in the
43 Current Operations Appropriations Act from the Escheat Fund into the Scholarship Reserve Fund
44 for Public Colleges and Universities pursuant to G.S. 116-209.85 each fiscal year to fund the
45 North Carolina Need-Based Scholarship for Public Colleges and Universities pursuant to Part 5
46 of Article 23 of Chapter 116 of the General Statutes.

47 (b) An amount specified in the Current Operations Appropriations Act shall be
48 transferred annually from the Escheat Fund to the Department of Military and Veterans Affairs
49 to partially fund the program of Scholarships for Children of War Veterans established by Part 2
50 of Article 14 of Chapter 143B of the General Statutes. Those funds may be used only for residents

1 of this State who (i) are worthy and needy as determined by the Department of Military and
2 Veterans Affairs and (ii) are enrolled in public institutions of higher education of this State."

3 **SECTION 1.3.** By May 1, 2022, the President of The University of North Carolina
4 and the President of the North Carolina Community College System shall report the payment
5 schedule required by G.S. 116-209.83 and any recommended legislative changes for the North
6 Carolina Need-Based Scholarship Program for Public Colleges and Universities to the Fiscal
7 Research Division, the House Appropriations Education Committee, and the Senate
8 Appropriations on Education/Higher Education Committee.

9 **SECTION 1.4.(a)** Notwithstanding any other provision of law, beginning with the
10 2022-2023 fiscal year, of the funds appropriated from the General Fund to (i) the Board of
11 Governors of The University of North Carolina for The University of North Carolina Need-Based
12 Financial Aid Program each fiscal year, the sum of seventy-seven million eight hundred
13 ninety-eight thousand five hundred twenty-three dollars (\$77,898,523) in recurring funds and (ii)
14 the Community Colleges System Office each fiscal year for the North Carolina Community
15 College Grant Program, the sum of one hundred sixty-five thousand dollars (\$165,000) in
16 recurring funds shall instead be appropriated to the Scholarship Reserve Fund for Public Colleges
17 and Universities to fund scholarships beginning with the 2023-2024 academic year, pursuant to
18 Part 5 of Article 23 of Chapter 116 of the General Statutes, as enacted by this act.

19 **SECTION 1.4.(b)** Notwithstanding any other provision of law, beginning with the
20 2022-2023 fiscal year, of the funds appropriated from the Education Lottery for (i) The
21 University of North Carolina Need-Based Financial Aid Program each fiscal year, the sum of ten
22 million seven hundred forty-four thousand seven hundred thirty-three dollars (\$10,744,733) in
23 recurring funds and (ii) Scholarships for Needy Students, the sum of thirty million four hundred
24 fifty thousand dollars (\$30,450,000) shall instead be appropriated to the Scholarship Reserve
25 Fund for Public Colleges and Universities to fund scholarships beginning with the 2023-2024
26 academic year, pursuant to Part 5 of Article 23 of Chapter 116 of the General Statutes, as enacted
27 by this act.

28 **SECTION 1.4.(c)** Notwithstanding any other provision of law, beginning with the
29 2022-2023 fiscal year, of the funds allocated to the State Education Assistance Authority from
30 the Escheat Fund for (i) The University of North Carolina Need-Based Financial Aid Program
31 each fiscal year, the sum of thirty-seven million two hundred eighty-seven thousand two hundred
32 forty-two dollars (\$37,287,242) in recurring funds and (ii) the North Carolina Community
33 College Grant Program each fiscal year, the sum of fifteen million seven hundred eighty-five
34 thousand dollars (\$15,785,000) in recurring funds shall instead be appropriated to the Scholarship
35 Reserve Fund for Public Colleges and Universities to fund scholarships beginning with the
36 2023-2024 academic year, pursuant to Part 5 of Article 23 of Chapter 116 of the General Statutes,
37 as enacted by this act.

38 **SECTION 1.4.(d)** There is appropriated from the General Fund to the Community
39 Colleges System Office the sum of fifteen million nine hundred fifty thousand dollars
40 (\$15,950,000) in nonrecurring funds for the 2021-2022 fiscal year for the North Carolina
41 Community College Grant Program to provide scholarships for students for the 2022-2023
42 academic year. The intent of the General Assembly is to provide forward funding for these
43 scholarships in a reserve under the North Carolina Need-Based Scholarship for Public Colleges
44 and Universities pursuant to Part 5 of Article 23 of Chapter 116 of the General Statutes beginning
45 with the 2023-2024 academic year.

46 **SECTION 1.5.** By October 15, 2022, the Authority shall transfer any unexpended
47 balances remaining in the reserves for The University of North Carolina Need-Based Financial
48 Aid Program and the Education Lottery Scholarship to the Scholarship Reserve Fund for Public
49 Colleges and Universities under G.S. 116-209.85.

50 **SECTION 1.6.** This Part becomes effective January 1, 2022, and applies to
51 scholarships awarded beginning with the 2023-2024 academic year.

1
2 **PART II. CONFORMING CHANGES**

3 **SECTION 2.1.** Article 35A of Chapter 115C of the General Statutes is repealed.

4 **SECTION 2.2.** G.S. 116-209.19A reads as rewritten:

5 **"§ 116-209.19A. Limit semesters eligible for need-based grants and scholarships.**

6 The Authority administers the following need-based grant and scholarship programs: the
7 ~~Education Lottery Scholarships, North Carolina Community College Grant Program, The~~
8 ~~University of North Carolina Need-Based Financial Aid Program, North Carolina Need-Based~~
9 ~~Scholarship for Public Colleges and Universities~~ and Need-Based Scholarships for Students
10 Attending Private Institutions of Higher Education. ~~G.S. 115C 499.2A, 115D 40.2, 116-25.1,~~
11 ~~G.S. 116-209.82 and G.S. 116-281.1~~ limit the number of semesters that a student may receive a
12 grant or scholarship from ~~any of those~~ these programs and also provide the circumstances in
13 which a waiver to those limits may be granted by the appropriate postsecondary institution. The
14 Authority shall enforce these limitations in administering these programs so that unless a waiver
15 is granted by the appropriate postsecondary institution, no student shall receive a grant or
16 scholarship from any of those programs or any combination of those financial aid programs while
17 pursuing a degree, diploma, or certificate for more than any of the following time periods: (i) 10
18 full-time academic semesters or its equivalent if enrolled part-time or (ii) 12 full-time academic
19 semesters or its equivalent if the student is enrolled in a program officially designated as a
20 five-year degree program.

21 A postsecondary institution that grants a waiver under ~~G.S. 115C 499.2A, 115D 40.2,~~
22 ~~116-25.1, G.S. 116-209.82 or G.S. 116-281.1~~ shall certify the granting of the waiver in a manner
23 acceptable to the Authority and shall also maintain documentation substantiating the reason for
24 the waiver."

25 **SECTION 2.3.(a)** G.S. 115D-40.1 reads as rewritten:

26 **"§ 115D-40.1. Targeted Financial Assistance for Community College Students.~~Students;~~**
27 **Participation in Federal Programs.**

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

33 (b) Targeted Financial Assistance. – ~~Notwithstanding subsection (a) of this section, the~~
34 ~~Within the funds available, the State Board may allocate up to ten percent (10%) of the funds~~
35 ~~appropriated for Financial Assistance for Community College Students provide financial~~
36 ~~assistance~~ to the following students:

37 (1) Students who enroll in low-enrollment programs that prepare students for
38 high-demand occupations.

39 (2) Students with disabilities who have been referred by the Department of Health
40 and Human Services, Division of Vocational Rehabilitation, and are enrolled
41 in a community college.

42 (3) Students enrolled in fewer than six credit hours per semester who otherwise
43 qualify for need-based financial aid programs.

44 (c) ~~Administration of Program.~~ Targeted Financial Assistance. – The State Board shall
45 adopt rules and policies for the disbursement of the targeted financial assistance provided in
46 ~~subsections (a) and subsection (b)~~ of this section. Degree, diploma, and certificate students must
47 complete a Free Application for Federal Student Aid (FAFSA) to be eligible for financial
48 assistance. The State Board may contract with the State Education Assistance Authority for
49 administration of these targeted financial assistance funds. ~~These funds shall not revert at the end~~
50 ~~of each fiscal year but shall remain available until expended for need-based financial assistance.~~
51 ~~The interest earned on the funds provided in subsections (a) and (b) of this section may be used~~

1 ~~to support the costs of administering the Community College Grant Program. If the interest~~
2 ~~earnings are not adequate to support the administrative costs, up to one percent (1%) of funds~~
3 ~~provided in subsection (a) of this section may be used to support the costs of administering the~~
4 ~~Community College Grant Program.~~

5 (d) Participation in Federal Loan Programs. – All community colleges shall participate
6 in the William D. Ford Federal Direct Loan Program, unless the board of trustees of an institution
7 adopts a resolution declining to participate in the Program. The State Board shall ensure that at
8 least one counselor is available at each college to inform students about federal programs and
9 funds available to assist community college students, including, but not limited to, Pell Grants,
10 HOPE and Lifetime Learning Tax Credits, and, for participating colleges, the William D. Ford
11 Federal Direct Loan Program, and to actively encourage students to utilize these federal programs
12 and funds. The board of trustees of any institution that has declined to participate in the William
13 D. Ford Federal Direct Loan Program through the adoption of a resolution may rescind the
14 resolution and participate in the Program but shall not have the authority to again decline
15 participation in the Program."

16 **SECTION 2.3.(b)** G.S. 115D-40.2 is repealed.

17 **SECTION 2.4.** G.S. 116-25.1 is repealed.

18 **SECTION 2.5.** This Part becomes effective July 1, 2023.

19
20 **PART III. EFFECTIVE DATE**

21 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes
22 law.