



2021-2022 General Assembly

# SENATE BILL 105: 2021 Appropriations Act, Sec. 8A.2: Public Colleges and Universities Need-Based Financial Aid Consolidation

**Committee:**  
**Introduced by:**  
**Analysis of:** Sec. 8A.2 of S.L. 2021-180

**Date:** February 1, 2022  
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**OVERVIEW AND ANALYSIS:** Section 8A.2 of S.L. 2021-180 (SB 105) consolidates need-based financial aid for community colleges and constituent institutions of The University of North Carolina (postsecondary institution) and creates the North Carolina Need-Based Scholarship Program for Public Colleges and Universities (Program).

**Eligibility Requirements for Need-Based Financial Aid – To be eligible for need-based financial aid, a student must meet the following requirements:**

- **Qualify as a North Carolina resident for tuition purposes.**
- **Meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at a postsecondary institution.**
- **Submit a Free Application for Federal Student Aid (FAFSA) and demonstrate need according to federal methodology in Title IV of the Higher Education Act of 1965, as amended.**

**In addition, in order to be eligible for a scholarship for the second and subsequent academic years, the student must meet achievement standards by maintaining satisfactory academic progress in a course of study in accordance with the standards and practices used for federal Title IV programs by the postsecondary institution in which the student is enrolled.**

**Semester Limitation on Eligibility for Need-Based Financial Aid –**

- **Constituent Institution Enrollment – A student matriculating at a constituent institution of The University of North Carolina cannot receive need-based financial aid under this Program for more than 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the Board of Governors of The University of North Carolina (BOG) as a five-year degree program. Enrollment in such a five-year degree program allows the student to receive the need-based financial aid for 12 full-time academic semesters or the equivalent if enrolled part time.**
- **Community College Enrollment – A student cannot receive need-based financial aid under this Program for more than six full-time academic semesters, or the equivalent if enrolled part-time, while matriculating at a community college.**
- **Hardship Exemption for Semester Limitation – A postsecondary institution can grant a waiver to a student to receive need-based financial aid under this Program for the equivalent of one additional full-time academic semester if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree, diploma, or**

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*certificate: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short term or long term disability, or (iv) other extraordinary hardship.*

*Need-Based Financial Aid Amounts and Adjustments – Need-based financial aid awarded under this Program must be based upon a consolidated payment schedule established jointly by the President of The University of North Carolina and the President of the North Carolina Community College System, in consultation with the State Education Assistance Authority (SEAA). The payment schedule must clearly define award amounts by type of postsecondary institution and student financial need as defined by federal methodology. The SEAA must publish the payment schedule for the Program in an easily accessible and understandable format which remains in effect unless otherwise agreed to by the President of The University of North Carolina and the President of the North Carolina Community College System.*

*The SEAA has the authority to determine the actual amount of need-based financial aid disbursed to students in any given year based on the amount of funds available in the Scholarship Reserve Fund for Public Colleges and Universities. If the funds available are not sufficient to fully fund need-based financial aid set out in the payment schedule, the SEAA must consult with the President of The University of North Carolina and the President of the North Carolina Community College System and adjust the distribution of the funds as necessary.*

*SEAA Administration of Need-Based Financial Aid and Annual Reporting Requirements – The SEAA must administer the need-based financial aid for this Program under rules it adopts. The SEAA must conduct periodic evaluations of expenditures of the Program to determine if allocations are utilized to ensure access to postsecondary institutions and to meet the goals of respective programs. The SEAA can make recommendations on the redistribution of funds to the President of The University of North Carolina and the President of the North Carolina Community College System, who then can jointly authorize the redistribution of funds for a particular fiscal year. The SEAA must report no later than December 1, 2024, and annually thereafter to the Joint Legislative Education Oversight Committee with the following information for the previous academic year: (i) the dollar amount of awards disbursed; (ii) the number of eligible students receiving funds; and (iii) a breakdown of the postsecondary institutions that received the funds. Unexpended need-based financial aid funds will remain available for future awards.*

*Scholarship Reserve Fund for Public Colleges and Universities (Reserve Fund) – A Reserve Fund is established as a reserve consisting of the following monies:*

- Funds appropriated by the General Assembly for the Program from the Education Lottery Fund in the Current Operations Appropriations Act for a fiscal year for education related purposes.*
- Funds appropriated by the General Assembly for the Program from the Escheat Fund in the Current Operations Appropriations Act for a fiscal year that is distributed annually on or before August 15 to the SEAA.*
- Funds appropriated by the General Assembly for the Program from the General Fund in the Current Operations Appropriations Act for a fiscal year.*
- All returned need-based financial aid funds from the Program.*
- All interest earned on these funds.*

*The SEAA must create two reserves within the Reserve Fund as follows: (i) The University of North Carolina (UNC Reserve) and (ii) the North Carolina Community College System (CC Reserve) from monies in the Reserve Fund. The funds in the reserves must be used for need-based financial aid for*

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*the academic year that begins in the fiscal year following the fiscal year in which the allocations are made to the reserves. For the 2023-2024 fiscal year and for each subsequent fiscal year, the SEAA must allocate an amount equal to the amount from the prior fiscal year for the UNC Reserve and the CC Reserve to each reserve, respectively, unless otherwise agreed to by the President of The University of North Carolina and the President of the North Carolina Community College System.*

*The reserves established for the 2022-2023 fiscal year must consist of the following funds:*

- *UNC Reserve: (i) an amount equal to the amount appropriated to the BOG for The University of North Carolina Need Based Financial Aid Program for the 2021-2022 fiscal year and (ii) an amount equal to the proportionate share of the appropriation for the Education Lottery Scholarship Program based on awards of financial assistance to students enrolled in The University of North Carolina from the Education Lottery Scholarship Program for the 2017-2018, 2018-2019, and 2019-2020 fiscal years.*
- *CC Reserve: (i) an amount equal to the amount appropriated to the Community Colleges System Office for the North Carolina Community College Grant Program, except for funds set aside for the targeted assistance program pursuant to G.S. 115D-40.1, for the 2021-2022 fiscal year and (ii) an amount equal to the proportionate share of the appropriation for the Education Lottery Scholarship based on awards of financial assistance to students enrolled in North Carolina community colleges from the Education Lottery Scholarship Program for the 2017-2018, 2018-2019, and 2019-2020 fiscal years.*

*Monies in the Reserve Fund do not revert at the end of the fiscal year and remain available until expended. The SEAA can use up to one and one half percent (1.5%) of the funds available in the Reserve Fund each fiscal year for administrative costs related to the Program.*

*Report – By May 1, 2022, the President of The University of North Carolina and the President of the North Carolina Community College System must report to the Fiscal Research Division, the House Appropriations Education Committee, and the Senate Appropriations on Education/Higher Education Committee on the following regarding the consolidation of student financial assistance for constituent institutions of The University of North Carolina and the community colleges:*

- *The consolidated payment schedule for the need-based financial aid awards.*
- *Potential ways to include students with intellectual and developmental disabilities as eligible for need-based financial aid through the Program or other student financial assistance recommendations, including grants or other funding sources for students enrolled in Comprehensive Transition Programs.*
- *Any recommended legislative changes.*

*The Program becomes effective January 1, 2022, and applies to need-based financial aid awarded beginning with the 2023-2024 academic year. Repeals of existing need-based financial aid programs become effective July 1, 2023. The remainder of this section became effective November 18, 2021.*