

Article 23.

State Education Assistance.

Part 1. State Education Assistance Authority.

**§ 116-201. Purpose and definitions.**

(a) The purpose of this Article is to authorize a system of financial assistance, consisting of grants, loans, work-study or other employment, and other aids, to assist qualified students to enable them to obtain an education beyond the high school level by attending public or private educational institutions. The General Assembly has found and hereby declares that it is in the public interest and essential to the welfare and well-being of the State and to the proper growth and development of the State to foster and provide financial assistance to properly qualified students in order to help them to obtain an education beyond the high school level. The General Assembly has further found that many students who are fully qualified to enroll in appropriate educational institutions for furthering their education beyond the high school level lack the financial means and are unable, without financial assistance as authorized under this Article, to pay the cost of such education, with a consequent irreparable loss to the State of valuable talents vital to its welfare. The General Assembly has determined that the establishment of a proper system of financial assistance for such objective purpose serves a public purpose and is fully consistent with the long established policy of the State to encourage, promote and assist education to enhance economic development.

(b) As used in this Article, the following terms shall have the following meanings unless the context indicates a contrary intent:

- (1) "Article" or "this Article" means Article 23 of Chapter 116 of the General Statutes of North Carolina;
- (2) "Authority" means the State Education Assistance Authority created by this Article or, if the Authority is abolished, the board, body, commission or agency succeeding to its principal functions, or on whom the powers given by this Article to the Authority shall be conferred by law;
- (3) "Bond resolution" or "resolution" when used in relation to the issuance of bonds is deemed to mean either any resolution authorizing the issuance of bonds or any trust agreement or other instrument securing any bonds;
- (4) "Bonds" or "revenue bonds" means the obligations authorized to be issued by the Authority under this Article, which may consist of revenue bonds, revenue refunding bonds, bond anticipation notes and other notes and obligations, evidencing the Authority's obligation to repay borrowed money from revenues, funds and other money pledged or made available therefor by the Authority under this Article;
- (5) "Eligible institution," with respect to student loans, has the same meaning as the term has in section 1085 of Title 20 of the United States Code;
- (6) "Eligible institution," with respect to grants and work-study programs, includes the constituent institutions of The University of North Carolina, all state-supported institutions organized and administered pursuant to Chapter 115A of the General Statutes and all private institutions as defined in subdivision (8) of this subsection;
- (7) "Student obligations" means student loan notes and other debt obligations evidencing loans to students which the Authority may make, take, acquire, buy, sell, endorse or guarantee under the provisions of this Article, and may include

- any direct or indirect interest in the whole or any part of any such notes or obligations;
- (8) "Private institution" means an institution other than a seminary, Bible school, Bible college or similar religious institution in this State that is not owned or operated by the State or any agency or political subdivision thereof, or by any combination thereof, that offers post-high school education and is accredited by the Southern Association of Colleges and Schools or, in the case of institutions that are not eligible to be considered for accreditation, accredited in those categories and by those nationally recognized accrediting agencies that the Authority may designate;
  - (9) "Reserve Trust Fund" means the trust fund authorized under G.S. 116-209 of this Article;
  - (10) "State Education Assistance Authority Loan Fund" means the trust fund so designated and authorized by G.S. 116-209.3 of this Article;
  - (11) "Student," with respect to scholarships, grants, and work-study programs, means a resident of the State for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with any definitions of residency that may from time to time be prescribed by the Board of Governors of The University of North Carolina, who, under regulations adopted by the Authority, has enrolled or will enroll in an eligible institution for the purpose of pursuing his education beyond the high school level, who is making suitable progress in his education in accordance with standards acceptable to the Authority and, for the purposes of G.S. 116-209.19, who has not received a bachelor's degree, or qualified for it and who is otherwise classified as an undergraduate under those regulations that the Authority may promulgate;
  - (12) "Student," with respect to loans, means a resident of the State as defined in (11) of this subsection and an eligible student as defined in 20 U.S.C. 1071 who is enrolled in an eligible institution located in North Carolina; and
  - (13) "Student loans" means loans to students defined in subdivisions (11) and (12) of this subsection to aid them in pursuing their education beyond the high school level. (1965, c. 1180, s. 1; 1971, c. 392, s. 1; c. 1244, s. 14; 1979, c. 165, s. 1; 1987, c. 227, ss. 1, 2; 2010-31, s. 17.3(b); 2013-410, s. 9.1; 2016-57, s. 2(b).)

**§ 116-202. Authority may buy and sell students' obligations; undertakings of Authority limited to revenues.**

In order to facilitate vocational and college education and to promote the industrial and economic development of the State, the State Education Assistance Authority (hereinafter created) is hereby authorized and empowered to buy and sell obligations of students attending institutions of higher education or post-secondary business, trade, technical, and other vocational schools, which obligations represent loans made to such students for the purpose of obtaining training or education.

No bonds, as this term is defined in this Article, are deemed to constitute a debt of the State, or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision, but are payable solely from the funds of the Authority. All bonds shall contain on their faces a statement to the effect that neither the State nor the Authority is obligated to pay the same or the interest thereon except from revenues of the Authority and that neither the faith and credit nor

the taxing power of the State or of any political subdivision is pledged to the payment of the principal of or the interest on the bonds.

All expenses incurred in carrying out the provisions of this Article shall be payable solely from funds provided under the provisions of this Article and no liability or obligation shall be incurred by the Authority hereunder beyond the extent to which moneys shall have been provided under the provisions of this Article. (1965, c. 1180, s. 1; 1967, c. 955, s. 1; 1979, c. 165, s. 2; 1987, c. 227, s. 3.)

**§ 116-203. Authority created as subdivision of State; appointment, terms and removal of board of directors; officers; quorum; expenses and compensation of directors.**

(a) Authority Created. – There is created and constituted a political subdivision of the State to be known as the State Education Assistance Authority (Authority) to be housed administratively within The University of North Carolina System Office for organizational, staffing, and budgetary purposes. The exercise by the Authority of the powers conferred by this Article shall be deemed and held to be the performance of an essential governmental function in administering a system of financial assistance to qualified students of the State. The Authority shall exercise its statutory powers independently from the System Office and the Board of Governors of The University of North Carolina.

(b) Membership. – The Authority shall be governed by a board of directors consisting of nine members, seven of whom shall be appointed and two of whom shall be ex officio as follows:

- (1) Seven members appointed according to the following:
  - a. The Board of Governors of The University of North Carolina shall appoint the following members:
    1. One member who shall have expertise in secondary or higher education.
    2. One member who shall be a chief financial officer or chief administrative officer from a nonpublic school that enrolls students receiving scholarship funds pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes.
    3. One member who shall have expertise in finance.
  - b. The Governor shall appoint the following members:
    1. One member who shall have expertise in finance.
    2. One member who shall have expertise in secondary or higher education.
    3. One member who shall be a member of the public at large with an interest in higher education.
    4. One member who shall be a chief financial officer from a college or university that is a member of North Carolina Independent Colleges and Universities, Inc., appointed upon the recommendation of North Carolina Independent Colleges and Universities, Inc.
- (2) The chief financial officer of The University of North Carolina shall serve as an ex officio member.
- (3) The chief financial officer of the North Carolina Community College System shall serve as an ex officio member.

(c) Terms. – Members appointed pursuant to subdivision (1) of subsection (b) of this section shall serve for a term of four years and until their successors are appointed and duly qualified. Immediately after appointment, the directors shall enter upon the performance of their duties.

(d) Vacancies. – A vacancy in an appointment shall be filled by the appointing authority in the same manner as the original appointment for the remainder of the unexpired term.

(e) Removal. – The appointing authority may remove any member of the board of directors appointed by that authority for misfeasance, malfeasance, or nonfeasance.

(f) Officers. – The board shall annually elect one of its members as chair and another as vice-chair. The chair, or in the chair's absence, the vice-chair, shall preside at all meetings of the board. In the absence of both the chair and vice-chair, the board shall appoint a chair pro tempore, who shall preside at such meetings.

(f1) Executive Director. – The President of The University of North Carolina shall appoint the Executive Director of the Authority, who shall be the Authority's principal executive officer, and the Executive Director shall be responsible to the President. The Executive Director shall serve as secretary to the board of directors.

(g) Quorum. – Five directors shall constitute a quorum for the transaction of the business of the Authority, and no vacancy in the membership of the board shall impair the right of a quorum to exercise all the rights and perform all the duties of the Authority. The favorable vote of at least a majority of the members of the board present at any meeting is required for the adoption of any resolution or motion or for other official action.

(h) Expenses. – The members of the board shall receive per diem and allowances as provided in G.S. 138-5 and G.S. 138-6. These expenses and compensation shall be paid from funds provided under this Article, or as otherwise provided. (1965, c. 1180, s. 1; 1979, c. 165, s. 3; 2010-109, s. 1; 2021-180, s. 8A.4(a).)

#### **§ 116-204. Powers of Authority.**

The Authority is hereby authorized and empowered:

- (1) To fix and revise from time to time and charge and collect fees for its acts and undertakings.
- (2) To establish rules and regulations concerning its acts and undertakings.
- (3) To acquire, hold and dispose of personal property in the exercise of its powers and the performance of its duties.
- (4) To make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under this Article.
- (5) To employ, upon approval by the President of The University of North Carolina or his or her designee, consultants, attorneys, financial professionals, liaison personnel, clerical staff, and other employees and agents as may be necessary and to fix their compensation from any funds made available to the Authority through appropriations by the General Assembly, the availability of receipts, or both.
- (6) To receive and accept from any federal or private agency, corporation, association or person grants to be expended in accomplishing the objectives of the Authority, and to receive and accept from the State, from any municipality, county or other political subdivision thereof and from any other source aid or contributions of either money, property, or other things of value, to be held, used

and applied only for the purposes for which such grants and contributions may be made.

- (7) To sue and to be sued; to have a seal and to alter the same at its pleasure; and to make and from time to time amend and repeal bylaws, rules and regulations not inconsistent with law to carry into effect the powers and purposes of the Authority.
- (8) To do all other acts and things necessary or convenient to carry out the powers expressly granted in this Article; provided, however, that nothing in this Article shall be construed to empower the Authority to engage in the business of banking or insurance.
- (9) To collect loan repayments for loans awarded under the Teaching Fellows Program pursuant to G.S. 115C-363.23A if the loan repayment is outstanding for more than 30 days.
- (10) To collect loan repayments for loans awarded from the Scholarship Loan Fund for Prospective Teachers pursuant to Article 32A of Chapter 115C of the General Statutes if the loan repayment is outstanding for more than 30 days.
- (11) To administer the awarding of scholarship grants to students attending nonpublic schools as provided in Part 2A of Article 39 of Chapter 115C of the General Statutes.
- (12) To administer the coordinated and centralized process for determining residency for tuition and State-funded financial aid purposes that is jointly developed and implemented by The University of North Carolina, the North Carolina Community College System, and the Authority, in consultation with the North Carolina Independent Colleges and Universities.
- (13) To collect loan repayments for scholarship loans awarded under the former Principal Fellows Program pursuant to Article 5C of this Chapter if the loan repayment is outstanding for more than 30 days. (1965, c. 1180, s. 1; 2002-126, s. 9.2(f); 2011-266, s. 1.38(b); 2013-360, ss. 8.29(d), 11.9; 2016-57, s. 2(c); 2019-60, s. 1(u); 2021-180, s. 8A.4(b).)

**§ 116-204.1. Council on residency determination policies.**

The State Education Assistance Authority shall establish a council comprised of representatives of The University of North Carolina, the North Carolina Community College System, and the North Carolina Independent Colleges and Universities to guide and assist the Authority in formulating, developing, and implementing any policies necessary for the proper administration and maintenance of the coordinated and centralized process for determining residency for tuition and State-funded financial aid as required by this act. (2016-57, s. 2(h).)

**§ 116-205. Title to property; use of State lands; offices.**

(a) Title to any property acquired by the Authority shall be taken in the name of the Authority.

(b) The State hereby consents, subject to the approval of the Governor, the Board of Governors of The University of North Carolina, and Council of State, to the use of any other lands or property owned by the State, which are deemed by the Authority to be necessary for its purposes.

(c) Upon approval by The University of North Carolina System Office, the Authority may establish such offices in State-owned or rented structures as it deems appropriate for its purposes. (1965, c. 1180, s. 1; 2021-180, s. 8A.4(c).)

**§ 116-206. Acquisition of obligations.**

With the proceeds of bonds or any other funds of the Authority available therefor, the Authority may acquire from any bank, insurance company, or educational lending institution, eligible student obligations, or any interest or participation therein in such amount, at such price or prices and upon such terms and conditions as the Authority shall determine to be in the public interest and desirable to carry out the purposes of this Article. The Authority shall take such actions and require the execution of such instruments deemed appropriate by it to permit the recovery, in connection with any such obligations or any interest or participation therein acquired by the Authority, of the amount to which the Authority may be rightfully entitled, and otherwise to enforce and protect its rights and interest thereto. (1965, c. 1180, s. 1; 1967, c. 955, s. 2; 1971, c. 392, s. 2, 1987, c. 227, s. 4.)

**§ 116-207. Terms of acquisitions.**

The Authority shall prescribe the terms, conditions and limitations upon which it will acquire a contingent or direct interest in any obligation and such terms, conditions and limitations shall include, but without limiting the generality hereof, the interest rate payable upon such obligations, the maturities thereof, the terms for payment of principal and interest, applicable life or other insurance which may be required in connection with any such obligation and who shall pay the premiums thereon, the safekeeping of assets pledged to secure any such undertaking, and any and all matters in connection with the foregoing as will protect the assets of the Authority. (1965, c. 1180, s. 1.)

**§ 116-208. Construction of Article.**

The provisions of this Article shall be liberally construed to the end that its beneficial purposes may be effectuated. (1965, c. 1180, s. 1.)

**§ 116-209. Reserve Trust Fund created; transfer of Escheat Fund; pledge of security interest for payment of bonds; administration.**

The appropriation made to the Authority under this Article shall be used exclusively for the purpose of acquiring contingent or vested rights in obligations which it may acquire under this Article; such appropriations, payments, revenue and interest as well as other income received in connection with such obligations is hereby established as a trust fund. Such fund shall be used for the purposes of the Authority other than maintenance and operation.

The maintenance and operating expenses of the Authority shall be paid from funds specifically appropriated for such purposes. No part of the trust fund established under this section shall be expended for such purposes.

The State Treasurer shall be the custodian of the assets of the Authority and shall invest them in accordance with the provisions of G.S. 147-69.2 and 147-69.3. All payments from the accounts thereof shall be made by him issued upon vouchers signed by such persons as are designated by the Authority. A duly attested copy of a resolution of the Authority designating such persons and bearing on its face the specimen signatures of such persons shall be filed with the State Treasurer as his authority for issuing warrants upon such vouchers.

The trust fund is designated "Reserve Trust Fund" and shall be maintained by the Authority, except as otherwise provided, pursuant to the provisions of this Article, as security for or insurance respecting any bonds or other obligations issued by the Authority under this Article. The corpus of the Escheat Fund, including all future additions other than the income, are transferred to, and become, a part of the Reserve Trust Fund and shall be accounted for, administered, invested, reinvested, used and applied as provided in Chapter 116B of the General Statutes. The Authority may pledge and vest a security interest in all or any part of the Reserve Trust Fund by resolution adopted or trust agreement approved by it as security for or insurance respecting the payment of bonds or other obligations issued under this Article. The Reserve Trust Fund shall be held, administered, invested, reinvested, used and applied as provided in any resolution adopted or trust agreement approved by the Authority, subject to the provisions of this Article and Chapter 116B of the General Statutes. (1965, c. 1180, s. 1; 1979, c. 165, s. 4; c. 467, s. 8; 1987, c. 227, s. 5.)

**§ 116-209.1. Provisions in conflict.**

Any of the foregoing provisions of this Article which shall be in conflict with the provisions hereinbelow set forth shall be repealed to the extent of such conflict. (1967, c. 1177.)

**§ 116-209.2. Reserves.**

The Authority may provide in any resolution authorizing the issuance of bonds or any trust agreement securing any bonds that proceeds of such bonds may be used to establish reserve accounts in any trustee or banking institution or otherwise as determined by the Authority, for securing such bonds and facilitating the making of student loans and acquiring student obligations, to provide for the payment of interest on such bonds for such period of time as the Authority shall determine, and for such other purposes as will facilitate the issuance of bonds at rates of interest and upon terms deemed reasonable by the Authority and will, in the Authority's judgment, facilitate carrying out the purposes of this Article. (1967, c. 1177; 1971, c. 392, s. 3.)

**§ 116-209.3. Additional powers.**

The Authority is authorized to develop and administer programs and perform all functions necessary or convenient to promote and facilitate the making and insuring of student loans and providing such other student loan assistance and services as the Authority shall deem necessary or desirable for carrying out the purposes of this Article and for qualifying for loans, grants, insurance and other benefits and assistance under any program of the United States now or hereafter authorized fostering student loans. There shall be established and maintained a trust fund which shall be designated "State Education Assistance Authority Loan Fund" (the "Loan Fund") which may be used by the Authority in making student loans directly or through agents or independent contractors, insuring student loans, acquiring, purchasing, endorsing or guaranteeing promissory notes, contracts, obligations or other legal instruments evidencing student loans made by banks, educational institutions, nonprofit corporations or other eligible lenders, and for defraying the expenses of operation and administration of the Authority for which other funds are not available to the Authority. There shall be deposited to the credit of such Loan Fund the proceeds (exclusive of accrued interest) derived from the sale of its revenue bonds by the Authority and any other moneys made available to the Authority for the making or insuring of student loans or the purchase of obligations. There shall also be deposited to the credit of the Loan Fund surplus funds from time to time transferred by the Authority from the sinking fund. Such Loan Fund shall be maintained as a revolving fund. There is also deposited to the credit of the Loan Fund the income derived from

the investment or deposit of the Escheat Fund distributed to the Authority pursuant to G.S. 116B-7. The income shall be held, administered and applied by the Authority as provided in any resolution adopted or trust agreement approved by the Authority, subject to the provisions of Chapter 116B of the General Statutes and this Article.

In lieu of or in addition to the Loan Fund, the Authority may provide in any resolution authorizing the issuance of bonds or any trust agreement securing such bonds that any other trust funds or accounts may be established as may be deemed necessary or convenient for securing the bonds or for making student loans, acquiring obligations or otherwise carrying out its other powers under this Article, and there may be deposited to the credit of any such fund or account proceeds of bonds or other money available to the Authority for the purposes to be served by such fund or account. (1967, c. 1177; 1971, c. 392, s. 4; 1979, c. 165, s. 5; 1987, c. 227, s. 6; 1999-460, s. 12.)

#### **§ 116-209.4. Authority to issue bonds.**

The Authority is hereby authorized to provide for the issuance, at one time or from time to time, of revenue bonds of the Authority in such principal amounts as the Board of Directors shall determine to be necessary. The bonds shall be designated, subject to such additions or changes as the Authority deems advisable, "State Education Assistance Authority Revenue Bonds, Series \_\_\_\_," inserting in the blank space a letter identifying the particular series of bonds.

The principal of and the interest on such bonds shall be payable solely from the funds herein provided for such payment. The bonds of each issue shall be dated, shall bear interest at such rate or rates, shall mature at such time or times not exceeding 30 years from their date or dates, as may be determined by the Authority, and may be made redeemable before maturity, at the option of the Authority, at such price or prices and under such terms and conditions as may be fixed by the Authority prior to the issuance of the bonds. Prior to the preparation of definitive bonds, the Authority may, under like restrictions, issue interim receipts or temporary bonds, with or without coupons, exchangeable for definitive bonds when such bonds shall have been executed and are available for delivery. The Authority may also provide for the replacement of any bonds which shall become mutilated or shall be destroyed or lost. The Authority shall determine the form and the manner of execution of the bonds, including any interest coupons to be attached thereto, and shall fix the denomination or denominations of the bonds and the place or places of payment of principal and interest, which may be at any bank or trust company within or without the State. In case any officer whose signature or a facsimile of whose signature shall appear on any bonds or coupons shall cease to be such officer before the delivery of such bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. The Authority may also provide for the authentication of the bonds by a fiscal agent. The bonds may be issued in coupon or in registered form, or both, as the Authority may determine, and provision may be made for the registration of any coupon bonds as to principal alone and also as to both principal and interest, and for the reconversion into coupon bonds of any bonds registered as to both principal and interest, and for the interchange of registered and coupon bonds. The Authority may sell such bonds in such manner, either at public or private sale, and for such price as it may determine will best effectuate the purposes of this Article.

The Authority is authorized to provide in any resolution authorizing the issuance of bonds for pledging or assigning as security for its revenue bonds, subject to any prior pledge or assignment, and for deposit to the credit of the sinking fund, any or all of its income, receipts, funds or other assets, exclusive of bond proceeds and other funds required to be deposited to the credit of the Loan Fund, of whatsoever kind from time to time acquired or owned by the Authority, including all

donations, grants and other money or property made available to it, payments received on student loans, such as principal, interest and penalties, if any, premiums on student loan insurance, fees, charges and other income derived from services rendered or otherwise, proceeds of property or insurance, earnings and profits on investments of funds and from sales, purchases, endorsements or guarantees of obligations, as defined in G.S. 116-201 hereof, and other securities and instruments, contract rights, any funds, rights, insurance or other benefits acquired pursuant to any federal law or contract to the extent not in conflict therewith, money recovered through the enforcement of any remedies or rights, and any other funds or things of value which in the determination of the Authority may enhance the marketability of its revenue bonds. Money in the sinking fund shall be disbursed in such manner and under such restrictions as the Authority may provide in the resolution authorizing the issuance of such bonds. Unless otherwise provided in the bond resolution, the revenue bonds at any time issued hereunder shall be entitled to payment from the sinking fund without preference or priority of the bonds first issued. Bonds may be issued under the provisions of this Article without obtaining, except as otherwise expressly provided in this Article, the consent of any department, division, commission, board, body, bureau or agency of the State, and without any other proceedings or the happening of any conditions or things other than those proceedings, conditions or things which are specifically required by this Article and the provisions of the resolution authorizing the issuance of such bonds.

The Authority is authorized to provide by resolution or in any trust agreement for the issuance of revenue refunding bonds of the Authority for the purpose of refunding, or advance refunding and paying, any bonds then outstanding, which have been issued under the provisions of this Article, including the payment of any redemption premium and of any interest accrued or to accrue up to the date of redemption of the bonds, and, if deemed advisable by the Authority, for making student loans or acquiring obligations under this Article. The issuance of the revenue refunding bonds, the maturities and other details, the rights of the holders and the rights, duties and obligations of the Authority, shall be governed by the appropriate provisions of this Article relating to the issuance of revenue bonds. Revenue refunding bonds issued under this section may be sold or exchanged for outstanding bonds issued under this Article. If sold, in addition to any other authorized purpose, the proceeds may be deposited in an escrow or other trust fund and invested, in whole or in part, and with the earnings from the investments, may be applied to the purchase or to the redemption prior to, or to payment at maturity, of outstanding bonds, all as provided by resolution or in trust agreement securing the bonds. (1967, c. 1177; 1971, c. 392, ss. 5-7; 1979, c. 165, s. 6.)

#### **§ 116-209.5. Bond resolution.**

The resolution providing for the issuance of such bonds may contain such provisions for protecting and enforcing the rights and remedies of the bondholders as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the Authority in relation to the purchase or sale of obligations, the making of student loans, the insurance of student loans, the fees, charges and premiums to be fixed and collected, the terms and conditions for the issuance of additional bonds and the custody, safeguarding and application of all moneys. It shall be lawful for any bank or trust company incorporated under the laws of the State which may act as depository of the proceeds of bonds, revenues or other money hereunder to furnish such indemnifying bonds or to pledge such securities as may be required by the Authority. Any such resolution may set forth the rights and remedies of the bondholders and may restrict the individual right of action by bondholders. All expenses incurred in carrying out the provisions of such

resolution may be treated as a part of the cost of administering this Article and may be payable, together with other expenses of operation and administration under this Article incurred by the Authority, from the Loan Fund.

In the discretion of the Authority, any bonds issued under the provisions of this Article may be secured by a trust agreement by and between the Authority and a corporate trustee, which may be any trust company or bank having powers of a trust company within or without the State. Such trust agreement or the resolution providing for the issuance of such bonds may pledge or assign the fees, penalties, charges, proceeds from collections, grants, subsidies, donations and other funds and revenues to be received therefor. Such trust agreement or resolution providing for the issuance of such bonds may contain such provisions for protecting and enforcing the rights and remedies of the holders of such bonds as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the Authority in relation to student loans, the acquisition of obligations, insurance, the fees, penalties and other charges to be fixed and collected, the sale or purchase of obligations or any part thereof, or other property, the terms and conditions for the issuance of additional bonds, and the custody, safeguarding and application of all moneys. It shall be lawful for any bank or trust company incorporated under the laws of the State which may act as depository of the proceeds of bonds, revenues or other money hereunder to furnish such indemnifying bonds or to pledge such securities as may be required by the Authority. Any such trust agreement or resolution may set forth the rights and remedies of the bondholders and of the trustee, and may restrict the individual right of action by bondholders. In addition to the foregoing, any such trust agreement or resolution may contain such other provisions as the Authority may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust agreement or resolution may be treated as a part of the cost of carrying out the purposes for which such bonds shall be issued.

In addition to all other powers granted to the Authority by this Article, the Authority is hereby authorized to pledge to the payment of the principal of and the interest on any bonds under the provisions of this Article any moneys received or to be received by it under any appropriation made to it by the General Assembly, unless the appropriation is restricted by the General Assembly to specific purposes of the Authority or such pledge is prohibited by the law making such appropriation; provided, however, that nothing herein shall be construed to obligate the General Assembly to make any such appropriation. (1967, c. 1177; 1971, c. 392, s. 8.)

#### **§ 116-209.6. Revenues.**

The Authority is authorized to fix and collect fees, charges, interest and premiums for making or insuring student loans, purchasing, endorsing or guaranteeing obligations and any other services performed under this Article. The Authority is further authorized to contract with the United States of America or any agency or officer thereof and with any person, partnership, association, banking institution or other corporation respecting the carrying out of the Authority's functions under this Article. The Authority shall at all times endeavor to fix and collect such fees, charges, receipts, premiums and other income so as to have available in the sinking fund at all times an amount which, together with any other funds made available therefor, shall be sufficient to pay the principal of and the interest on such bonds as the same shall become due and payable and to create reserves for such purposes. Money in the sinking fund, except such part thereof as may be necessary to provide such reserves for the bonds as may be provided for in the resolution authorizing the issuance of such bonds, shall be set aside in the sinking fund at such regular intervals as may be provided in such resolution and is hereby pledged to, and charged with, the

payment of the principal of and the interest on such bonds as the same shall become due and the redemption price or the purchase price of bonds retired by call or purchase as therein provided. Such pledge shall be valid and binding from the time when the pledge is made. The fees, charges, receipts, proceeds and other revenues and moneys so pledged and thereafter received by the Authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The resolution by which a pledge is created need not be filed or recorded except in the records of the Authority. The use and disposition of money to the credit of the sinking fund shall be subject to the provisions of the resolution authorizing the issuance of such bonds. Any such resolution may, in the discretion of the Authority, provide for the transfer of surplus money in the sinking fund to the credit of the Loan Fund. Except as may otherwise be provided in such resolution, such sinking fund shall be a fund for all such bonds without distinction or priority of one over another. (1967, c. 1177.)

#### **§ 116-209.7. Trust funds.**

Notwithstanding any other provisions of law to the contrary, all money received pursuant to the authority of the Article, whether as proceeds from the sale of bonds, sale of property or insurance, or as payments of student loans, whether principal, interest or penalties, if any, thereon, or as insurance premiums, or from the purchase or sale of obligations, or as any other receipts or revenues derived hereunder, shall be deemed to be trust funds to be held and applied solely as provided in this Article. The resolution authorizing the bonds of any issue may provide that any of such money may be temporarily invested pending the disbursement thereof and shall provide that any officer with whom, or any bank or trust company with which, such money shall be deposited shall act as trustee of such money and shall hold and apply the same for the purposes hereof, subject to such regulations as this Article and such resolution may provide. (1967, c. 1177.)

#### **§ 116-209.8. Remedies.**

Any holder of bonds issued under the provisions of this Article or any of the coupons appertaining thereto, except to the extent the rights herein given may be restricted by such resolution authorizing the issuance of such bonds, may either at law or in equity, by suit, action, mandamus or other proceeding, protect and enforce any and all rights under the laws of the State or granted hereunder or under such resolution authorizing the issuance of such bonds, or under any contract executed by the Authority pursuant to this Article, and may enforce and compel the performance of all duties required by this Article or by such resolution to be performed by the Authority or by any officer thereof, including the fixing, charging and collecting of fees, charges and premiums and the collection of principal, interest and penalties, if any, on student loans or obligations evidencing such loans. The Authority may provide in any trust agreement securing the bonds that any such rights may be enforced for and on behalf of the holders of bonds by the trustee under such trust agreement. (1967, c. 1177; 1971, c. 392, s. 9.)

#### **§ 116-209.9. Negotiability of bonds.**

All bonds issued under the provisions of this Article shall have and are hereby declared to have all the qualities and incidents, including negotiability, of investment securities under the Uniform Commercial Code of the State but no provision of such Code respecting the filing of a financial statement to perfect a security interest shall be deemed applicable to or necessary for any security

interest created in connection with the issuance of any such bonds. (1967, c. 1177; 1971, c. 392, s. 10.)

**§ 116-209.10. Bonds eligible for investment.**

Bonds issued by the Authority under the provisions of this Article are hereby made securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. Such bonds are hereby made securities which may properly and legally be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is now or may hereafter be authorized by law. (1967, c. 1177.)

**§ 116-209.11. Additional pledge.**

Notwithstanding any other provision to the contrary herein, the Authority is hereby authorized to pledge as security for any bonds issued hereunder any contract between the Authority and the United States of America under which the United States agrees to make funds available to the Authority for any of the purposes of this Article, to insure or guarantee the payment of interest or principal on student loans, or otherwise to aid in promoting or facilitating student loans. (1967, c. 1177.)

**§ 116-209.12. Credit of State not pledged.**

Bonds issued under the provisions of this Article shall not be deemed to constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any such political subdivision, but shall be payable solely from the revenues and other funds provided therefor. Each bond issued under this Article shall contain on the face thereof a statement to the effect that the Authority shall not be obligated to pay the same nor the interest thereon except from the revenues, proceeds and other funds pledged therefor and that neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such bonds. Expenses incurred by the Authority in carrying out the provisions of this Article may be made payable from funds provided pursuant to this Article and no liability or obligation shall be incurred by the Authority hereunder beyond the extent to which moneys shall have been so provided. (1967, c. 1177.)

**§ 116-209.13. Tax exemption.**

The exercise of the powers granted by this Article in all respects will be for the benefit of the people of the State, for their well-being and prosperity and for the improvement of their social and economic conditions, and the Authority shall not be required to pay any taxes on any property owned by the Authority under the provisions of this Article or upon the income therefrom, and the bonds issued under the provisions of this Article shall at all times be free from taxation by the State or any local unit or political subdivision or other instrumentality of the State, excepting inheritance or gift taxes, income taxes on the gain from the transfer of the bonds, and franchise taxes. The interest on the bonds is not subject to taxation as income. (1967, c. 1177; 1995, c. 46, s. 9.)

**§ 116-209.14. Annual reports.**

The Authority shall, following the close of each fiscal year, publish an annual report of its activities for the preceding year to the Board of Governors of The University of North Carolina, the Governor, and the General Assembly. Each report shall set forth a complete operating and financial statement covering the operations of the Authority during the year. The operations of the Authority shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. (1967, c. 1177; 1979, c. 165, s. 7; 1983, c. 913, s. 20; 2021-180, s. 8A.4(d).)

**§ 116-209.15. Merger of trust fund.**

The Authority may merge into the Loan Fund the trust fund established pursuant to G.S. 116-209 hereof and may transfer from such trust fund to the credit of the Loan Fund all money, investments and other assets and resources credited to such trust fund, for application and use in accordance with the provisions of this Article pertaining to the Loan Fund, including the power to pay expenses of the Authority from the Loan Fund to the extent that other funds are not available therefor. (1967, c. 1177.)

**§ 116-209.16. Other powers; criteria.**

The Authority, in addition to all the powers more specifically vested hereunder, shall have all other powers necessary or convenient to carry out and effectuate the purposes and provisions of this Article, including the power to receive, administer and comply with the conditions and requirements respecting any gift, grant or donation of any property or money, any insurance or guarantee of any student loan or student obligations, any loans, advances, contributions, interest subsidies or any other assistance from any federal or State agency or other entity; to pledge or assign any money, charges, fees or other revenues and any proceeds derived by the Authority from any student loans, obligations, sales of property, insurance or other sources; to borrow money and to issue in evidence thereof revenue bonds of the Authority for the purposes of this Article and to issue revenue refunding bonds; to conduct studies and surveys respecting the needs for financial assistance of residents of the State respecting education beyond the high school level.

In carrying out the powers vested and the responsibilities imposed under this Article, the Authority shall be guided by and shall observe the following criteria and requirements, the determination of the Authority as to compliance with such criteria and requirements being final and conclusive:

- (1) Any student loan, grant or other assistance provided by the Authority to any student shall be necessary to enable the student to pursue his education above the high school level; and
- (2) No student loan, grant or other financial assistance shall be provided to any student by the Authority except in conformity with the provisions of this Article and to carry out the purposes hereof.

The Authority shall by rules and regulations prescribe other conditions, criteria and requirements that it shall deem necessary or desirable for providing financial assistance to students under this Article upon a fair and equitable basis, giving due regard to the needs and qualifications of the students and to the purposes of this Article. (1971, c. 392, s. 11.)

**§ 116-209.16A. Information on career and major options.**

(a) Know Before You Go. – The Authority shall provide information on a Web site, under a section entitled "Know Before You Go," to students and parents to assist in selection of major and career options as provided in this section. The information shall be updated annually.

(b) Career Options. – The Authority shall, as data is available, provide information on projected employment needs in the labor economy and associated salary ranges for those areas of employment, college majors which may fulfill those needs, and institutions of higher education that may provide those majors. The Authority may use existing sources of public information, such as the employment projections produced by the federal Department of Labor, Bureau of Labor Statistics, to develop this information.

(c) Major Options. – The Authority shall, as data is available, provide information based on aggregate data for outcomes of public and private institutions of higher education in North Carolina. Outcome information for each public and private institution of higher education shall include, but is not limited to, the following:

- (1) Completion rates within the expected number of semesters for the degree sought.
- (2) Transfer rates of students to other institutions.
- (3) Percentage of students receiving financial aid, by type of aid.
- (4) Average and median amount of loan debt upon student graduation, by major.
- (5) Average and median salary, by major.
- (6) Percentage of graduates employed within six months of graduation, by major.
- (7) Percentage of graduates enrolled in graduate school within six months of graduation, by major.

(d) Public and Private Institutions of Higher Education. – For the purposes of this section, "public institutions of higher education" shall include the constituent institutions of The University of North Carolina and the community colleges under the jurisdiction of the State Board of Community Colleges and "private institutions of higher education" shall include postsecondary institutions that award postsecondary degrees, as defined in G.S. 116-15(a2)(1). (2016-57, s. 1.)

#### **§ 116-209.17. Establishment of student assistance program.**

The Authority is authorized, in addition to all other powers and duties vested or imposed under this Article, to establish and administer a statewide student assistance program for the purpose of removing, insofar as may be possible, the financial barriers to education beyond the high school level for eligible needy students at public or private institutions in this State and, with respect to loans, public, and private institutions located elsewhere. This objective shall be accomplished, consistent with Federal law or regulation, through a comprehensive program under which the financial ability of each student and of his family, under standards prescribed by the Authority, is measured against the reasonable costs, as determined by the Authority, of the educational program which the student proposes to pursue. Needs of students for financial assistance shall, to the extent of the availability of funds from federal, State, institutional or other sources, be met through work-study programs, loans, grants and out-of-term employment, or a combination of these forms of assistance. With respect to grants made pursuant to this Article, no student is eligible to receive benefits under this student assistance program for a total of more than 45 months of full-time, post-high school level education. (1971, c. 392, s. 11; 1979, c. 165, s. 8; 1987, c. 227, s. 7.)

#### **§ 116-209.18. Powers of Authority to administer student assistance program.**

In order to accomplish the purposes of this Article the Authority is authorized:

- (1) To receive from the general fund or other sources such sums as the General Assembly may authorize from time to time for such purposes, and to receive from any other donor, public or private, such sums as may be made available,

- and to cause such sums to be disbursed for the purposes for which they have been provided;
- (2) To establish such criteria as the Authority shall deem necessary or desirable for determining the need of students for grants under this Article, as opposed to other forms of financial assistance, and for deciding who shall receive grants;
  - (3) To prescribe the form and to regulate the submission of applications for assistance and to prescribe the procedures for considering and approving such applications;
  - (4) To provide for the making of, and to make, grants under this Article under such terms and conditions as the Authority shall deem advisable;
  - (5) To encourage educational institutions to increase the resources available for financial assistance; to prescribe such formulas for institutional maintenance of effort as the Authority may determine to be consistent with the purposes of this Article;
  - (6) To provide by contract for the administration of all or any portion of the student assistance program by nonprofit organizations or corporations, pursuant to regulations and criteria established by the Authority;
  - (7) To serve, on designation by the Governor, or as may otherwise be provided by federal law, as the State agency to administer such statewide programs of student assistance as shall be established from time to time under federal law; and
  - (8) To have all other powers and authority necessary to carry out the purposes of the student assistance program, including, without limitation, all the powers given to the Authority by G.S. 116-204 and by other provisions of the General Statutes. (1971, c. 392, s. 11.)

**§ 116-209.19. Grants to students.**

The Authority is authorized to make grants to eligible students enrolled or to be enrolled in eligible institutions in North Carolina out of such money as from time to time may be appropriated by the State or as may otherwise be available to the Authority for such grants. The Authority, subject to the provisions of this Article and any applicable appropriation act, shall adopt rules, regulations and procedures for determining the needs of the respective students for grants and for the purpose of making such grants. The amount of any grant made by the Authority to any student, whether enrolled or to be enrolled in any private institution or any tax-supported public institution, shall be determined by the Authority upon the basis of substantially similar standards and guides that shall be set forth in the Authority's rules, regulations and procedures; provided, however, that grants made in any fiscal year to students enrolled or to be enrolled in private institutions may be increased to compensate, in whole or in part, for the average annual State appropriated tuition subsidy for such fiscal year, determined as provided herein. The average annual State appropriated subsidy for each fiscal year shall be determined by the Secretary of Administration, after consultation with the Board of Governors of the University of North Carolina and the Authority, for each of the two categories of tax-supported institutions, being (i) institutions, presently 16, that provide education of the collegiate grade and grant baccalaureate degrees and (ii) institutions, such as community colleges and technical institutes created and existing under Chapter 115A of the General Statutes and community colleges created and existing under Chapter 115D of the General Statutes. The average annual State appropriated subsidy for each of such two categories of

institutions shall mean the amount of the total appropriations of the State for the respective fiscal years under the current operations budgets, pursuant to the State Budget Act reasonably allocable to undergraduate students enrolled in such institutions exclusive of the Division of Health Affairs of the University of North Carolina and the North Carolina School of the Arts, redesignated effective August 1, 2008, as the "University of North Carolina School of the Arts" for all institutions in such category, all as shall be determined by the Secretary of Administration after consultation as above provided, divided by the budgeted number of North Carolina undergraduate students to be enrolled in such fiscal year.

The Authority, in determining the needs of students for grants, may among other factors, give consideration to the amount of other financial assistance that may be available to the students, such as nonrepayable awards under the Pell Grant Program, the Health Professions Education Assistance Act or other student assistance programs created by federal law. (1971, c. 392, s. 11; c. 1244, s. 14; 1975, c. 879, s. 46; 1979, c. 165, s. 9; 1983, c. 717, s. 35; 1985 (Reg. Sess., 1986), c. 955, ss. 38, 39; 1987, c. 227, s. 8; c. 564, s. 23; 2006-203, s. 54; 2008-192, s. 9.)

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

The Authority administers the following need-based grant and scholarship programs: the North Carolina Need-Based Scholarship for Public Colleges and Universities and Need-Based Scholarships for Students Attending Private Institutions of Higher Education. G.S. 116-209.82 and G.S. 116-281.1 limit the number of semesters that a student may receive a grant or scholarship from these programs and also provide the circumstances in which a waiver to those limits may be granted by the appropriate postsecondary institution. The Authority shall enforce these limitations in administering these programs so that unless a waiver is granted by the appropriate postsecondary institution, no student shall receive a grant or scholarship from any of those programs or any combination of those financial aid programs while pursuing a degree, diploma, or certificate for more than any of the following time periods: (i) 10 full-time academic semesters or its equivalent if enrolled part-time or (ii) 12 full-time academic semesters or its equivalent if the student is enrolled in a program officially designated as a five-year degree program.

A postsecondary institution that grants a waiver under G.S. 116-209.82 or G.S. 116-281.1 shall certify the granting of the waiver in a manner acceptable to the Authority and shall also maintain documentation substantiating the reason for the waiver. (2013-360, s. 11.15(g); 2021-180, s. 8A.2(f).)

**§ 116-209.20. Public purpose.**

No expenditure of funds under this Article shall be made for any purpose other than a public purpose. (1971, c. 392, s. 11.)

**§ 116-209.21. Cooperation of the Board of Governors of the University of North Carolina.**

**[Repealed]** (1971, c. 392, s. 11; c. 1244, s. 14; repealed by 2021-180, s. 8A.4(e), effective November 18, 2021.)

**§ 116-209.22. Constitutional construction.**

The provisions of this Article are severable, and if any of its provisions shall be held unconstitutional by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions. (1971, c. 392, s. 11.)

**§ 116-209.23. Inconsistent laws inapplicable.**

Insofar as the provisions of this Article are inconsistent with the provisions of any general or special laws, or parts thereof, the provisions of this Article shall be controlling, except that no provision of the 1971 amendments to this Article shall apply to scholarships for children of war veterans as set forth in Part 2 of Article 14 of Chapter 143B of the General Statutes, as amended. (1971, c. 392, s. 11; 2015-241, s. 24.1(s); 2015-268, s. 7.3(a).)

**§ 116-209.24. Parental loans.**

(a) Policy. – The General Assembly of North Carolina hereby finds and declares that the making and insuring of loans to the eligible parents of students is fully consistent with and furthers the long established policy of the State to encourage, promote and assist education as more fully set forth in G.S. 116-201(a).

(b) Definitions. – As used in this section, the following terms shall have the following meanings:

- (1) "Obligations", "student obligations", or "student loan obligations" as defined under G.S. 116-201(b)(7) includes, unless the context indicates a contrary intent, parental obligations.
- (2) "Parent" means a student's mother, father, adoptive parent, or legal guardian of the student if such guardian is required by court order to use his or her own financial resources to support that student.
- (3) "Parental loans" means loans made or guaranteed by the Authority to a parent of an eligible student.
- (4) "Parental obligations" means obligations evidencing loans made pursuant to subsection (c) of this section.
- (5) "Student loans" includes, unless the context indicates a contrary intent, parental loans.

(c) Parental Assistance. – The Authority is authorized to develop and administer programs and perform all functions necessary or convenient to promote and facilitate the making and insuring of loans to parents of students in order to facilitate the vocational and college education of such students who are enrolled or to be enrolled in eligible institutions. The Authority is also authorized to provide such other services and loan assistance to parents of students as the Authority shall deem necessary or desirable for carrying out the purpose of this section and for qualifying for loans, grants, insurance, and other benefits and assistance under any program of the United States now or hereafter authorized fostering loans to eligible parents of students.

(d) Authorization to Buy and Sell Parental Obligations. – The Authority is hereby authorized and empowered to buy and sell parental obligations.

(e) Authorization to Issue Bonds. – The Authority is hereby authorized to provide for the issuance, at one time or from time to time, of bonds or revenue bonds, as such terms are defined in G.S. 116-201(4), in conformity with provisions of this section. (1981, c. 794, s. 1; 1987, c. 227, s. 9.)

**§ 116-209.25. Parental Savings Trust Fund.**

(a) Policy. – The General Assembly of North Carolina hereby finds and declares that encouraging parents and other interested parties to save for the education expenses of eligible students is fully consistent with and furthers the long-established policy of the State to encourage, promote, and assist education as more fully set forth in G.S. 116-201(a).

(b) Parental Savings Trust Fund. – There is established a parental savings trust fund to be administered by the State Education Assistance Authority to enable qualified parents and other interested parties to save funds to meet the costs of education expenses of eligible students in accordance with section 529 of the Code. For purposes of this section, the term "Code" has the same meaning as defined in G.S. 105-228.90.

(c) Contributions to the Trust Funds. – The Authority is authorized to accept, hold, invest, and disburse contributions, and interest earned on such contributions, from qualified parents and other interested parties as trustee of the Parental Savings Trust Fund. The Authority shall hold all contributions to the Parental Savings Trust Fund, and any earnings thereon, in a separate trust fund and shall invest the contributions in accordance with this section. The assets of the Parental Savings Trust Fund shall at all times be preserved, invested, and expended solely for the purposes of the trust fund and shall be held in trust for the parents and other interested parties and their designated beneficiaries. Nothing in this Article shall be construed to prohibit the Authority from accepting, holding, and investing contributions from persons who reside outside of North Carolina. Neither the contributions to the Parental Savings Trust Fund, nor the earnings thereon, shall be considered State moneys, assets of the State, or State revenue for any purpose.

(c1) Investments. – The Authority shall determine an appropriate investment strategy for the Parental Savings Trust Fund. The strategy may include a combination of fixed income assets and preferred or common stocks issued by any company incorporated, or otherwise located within or without the United States, or other appropriate investment instruments to achieve long-term return through a combination of capital appreciation and current income. The Authority may deposit all or any portion of the Parental Savings Trust Fund for investment either with the State Treasurer, or in the individual, common, or collective trust funds of an investment manager or managers that meet the requirements of this subsection. Contributions to the Parental Savings Trust Fund on deposit with the State Treasurer shall be invested by the State Treasurer as authorized in G.S. 147-69.2(b)(1) through (6) and the applicable provisions of G.S. 147-69.3. Contributions to the Parental Savings Trust Fund may be invested in the individual, common, or collective trust funds of an investment manager provided that the investment manager meets both of the following conditions:

- (1) The investment manager has assets under management of at least one hundred million dollars (\$100,000,000) at all times.
- (2) The investment manager is subject to the jurisdiction and regulation of the United States Securities and Exchange Commission.

(d) Administration of the Trust Fund. – The Authority is authorized to develop and perform all functions necessary and desirable to administer the Parental Savings Trust Fund and to provide such other services as the Authority shall deem necessary to facilitate participation in the Parental Savings Trust Fund. The Authority is further authorized to obtain the services of such investment advisors or program managers as may be necessary for the proper administration and marketing and investment strategy for the Parental Savings Trust Fund.

(e) Loan Program. – The Authority is authorized to develop and administer a loan program in conjunction with the Parental Savings Trust Fund to provide loan assistance to qualified parents and interested parties in order to facilitate the postsecondary education of eligible students. All funds appropriated to, or otherwise received by the Authority for loans under this section, all funds received as repayment of such loans, and all interest earned on these funds shall be placed in an institutional trust fund. This institutional trust fund may be used only for loans made to qualified

parents and interested parties who contributed to the Parental Savings Trust Fund and administrative costs associated with the recovery of funds advanced under this loan program.

(f) Limitations. – Nothing in this section shall be construed to create any obligation of the Authority, the State Treasurer, the State, or any agency or instrumentality of the State to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the payment of interest or other return on any contribution to the Parental Savings Trust Fund. (1996, 2nd Ex. Sess., c. 18, s. 16.7; 2000-177, s. 11; 2001-243, s. 1; 2002-159, s. 19; 2018-5, s. 38.1(i).)

§ 116-209.26: Repealed by Session Laws 2009-451, s. 9.2(e), effective July 1, 2010.

**§ 116-209.27. Administration of scholarships previously awarded by Teaching Fellows Program.**

(a) The Authority shall, as of March 1, 2015, administer all outstanding scholarship loans previously awarded by the former North Carolina Teaching Fellows Commission and subject to repayment under the former Teaching Fellows Program administered pursuant to Part 2 of Article 24C of Chapter 115C of the General Statutes.

(b) Scholarship loans previously awarded by the North Carolina Teaching Fellows Commission by notes payable to the Commission shall be deemed payable to the Authority, as the successor in interest to the North Carolina Teaching Fellows Commission, by the same terms stated in the note.

(c) All funds received by the Authority in association with its administration of the Teaching Fellows Program, including all funds received as repayment of scholarship loans and all interest earned on these funds, shall be deposited into the Forgivable Education Loans for Service Fund established in G.S. 116-209.45. (2014-100, s. 11.10(b); 2017-57, s. 10A.3(g).)

**§ 116-209.28. Administration of scholarships previously awarded by the Principal Fellows Program.**

(a) The Authority shall, as of July 1, 2021, administer all outstanding scholarship loans previously awarded by the former North Carolina Principal Fellows Commission and subject to repayment under the former Principal Fellows Program administered pursuant to Article 5C of this Chapter.

(b) All funds received by the Authority in association with its administration of the Principal Fellows Program, including all funds received as repayment of scholarship loans and all interest earned on these funds, shall be deposited into the North Carolina Principal Fellows and TP3 Trust Fund established in G.S. 116-74.41B. (2019-60, s. 1(v).)

**§ 116-209.29. Reserved for future codification purposes.**

§ 116-209.30: Repealed by Session Laws 2011-74, s. 9(a), effective July 1, 2012.

§ 116-209.31: Reserved for future codification purposes.

§ 116-209.32: Reserved for future codification purposes.

§ 116-209.33: Repealed by Session Laws 2011-74, s. 7(a), effective July 1, 2012.

§ 116-209.34: Repealed by Session Laws 2011-74, s. 7(a), effective July 1, 2012.

§ 116-209.35: Repealed by Session Laws 2011-74, s. 8, effective July 1, 2012.

§ 116-209.36: Repealed by Session Laws 2008-107, s. 9.1(a), effective July 1, 2008.

§ 116-209.37: Reserved for future codification purposes.

§ 116-209.38: Repealed by Session Laws 2009-451, s. 9.18(c), effective July 1, 2011.

§ 116-209.39: Reserved for future codification purposes.

§ 116-209.40: Repealed by Session Laws 2013-360, s. 11.2(d), effective July 1, 2013.

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

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

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

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

- a. A postsecondary constituent institution of The University of North Carolina as defined in G.S. 116-2(4).
- b. A community college as defined in G.S. 115D-2(2).
- c. through e. Repealed by Session Laws 2012-142, s. 9.2(a), effective July 1, 2012.
- f. Another public or nonprofit postsecondary institution offering a program of study not otherwise available in North Carolina that is deemed to be eligible under rules promulgated by the Authority.
- g. An eligible private postsecondary institution as defined in G.S. 116-280(3).

(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 (10%) and is in relation to the current interest rate for nonneed-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.
- (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, including costs of administering the former Teaching Fellows Program transferred to the Authority under G.S. 116-209.27.

(i) Rule-making 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. (2011-74, s. 1; 2012-142, s. 9.2(a); 2014-100, s. 11.10(g).)

Part 2. North Carolina National Guard Tuition Assistance Act of 1975.

**§ 116-209.50. Recodified as G.S. § 127A-190, effective November 18, 2021. (1975, c. 917, s. 2; 2010-31, s. 17.3(b); recodified as N.C. Gen. Stat. § 127A-190 by 2021-180, s. 19E.1(b).)**

**§ 116-209.51. Recodified as G.S. § 127A-191, effective November 18, 2021. (1975, c. 917, s. 3; 2009-281, s. 1; 2010-31, s. 17.3(b); 2011-183, s. 85; recodified as N.C. Gen. Stat. § 127A-191 by 2021-180, s. 19E.1(b).)**

**§ 116-209.52. Recodified as G.S. § 127A-192, effective November 18, 2021. (1975, c. 917, s. 4; 1977, c. 70, s. 2; c. 228, s. 1; 1987, c. 564, s. 24; 2008-94, s. 2; 2010-31, s. 17.3(b), (c); 2015-264, s. 66(a); recodified as N.C. Gen. Stat. § 127A-192 by 2021-180, s. 19E.1(b).)**

**§ 116-209.53. Recodified as G.S. § 127A-193, effective November 18, 2021. (1975, c. 917, s. 5; 1977, c. 228, s. 2; 1983 (Reg. Sess., 1984), c. 1034, ss. 99, 100; 1993 (Reg. Sess., 1994), c. 769, s. 22.3; 2000-67, s. 18; 2005-444, s. 1; 2008-94, s. 3; 2010-31, s. 17.3(b), (c); recodified as N.C. Gen. Stat. § 127A-193 by 2021-180, s. 19E.1(b).)**

**§ 116-209.54. Recodified as G.S. § 127A-194, effective November 18, 2021. (1975, c. 917, s. 6; 1977, c. 228, ss. 3, 4; 2008-94, s. 4; 2010-31, s. 17.3(b), (c); 2011-183, s. 86(a), (b); 2015-264, s. 66(b); 2015-298, s. 1; 2017-155, s. 3; recodified as N.C. Gen. Stat. § 127A-194 by 2021-180, s. 19E.1(b).)**

**§ 116-209.55. Recodified as G.S. § 127A-195, effective November 18, 2021. (1975, c. 917, s. 7; 1977, c. 70, s. 2; 2005-444, ss. 2, 3; 2008-94, s. 1; 2010-31, s. 17.3(b), (c); 2011-183, s. 87; 2015-264, s. 66(c); recodified as N.C. Gen. Stat. § 127A-195 by 2021-180, s. 19E.1(b).)**

Part 3. North Carolina Teaching Fellows Program.

**§ 116-209.60. Definitions.**

The following definitions apply in this Part:

- (1) Commission. – The North Carolina Teaching Fellows Commission.
- (2) Director. – The Director of the North Carolina Teaching Fellows Program.
- (3) Forgivable loan. – A forgivable loan made under the Program.
- (4) Program. – The North Carolina Teaching Fellows Program.
- (5) Public school. – An elementary or secondary school located in North Carolina that is governed by a local board of education, charter school board of directors,

regional school board of directors, or University of North Carolina laboratory school board of trustees.

- (6) STEM. – Science, technology, engineering, and mathematics.
- (7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund. (2017-57, s. 10A.3(a).)

**§ 116-209.61. North Carolina Teaching Fellows Commission established; membership.**

(a) Commission Established. – There is established the North Carolina Teaching Fellows Commission. The Commission shall determine program and forgivable loan recipient selection criteria and selection procedures and shall select the recipients to receive forgivable loans under the North Carolina Teaching Fellows Program in accordance with the requirements of this Part. The Director of the North Carolina Teaching Fellows Program shall appoint staff to the Commission.

(b) Membership. – The Commission shall consist of 14 members who shall be appointed or serve as ex officio members as follows:

- (1) The Board of Governors of The University of North Carolina shall appoint seven members to the Commission in even-numbered years as follows:
  - a. Two deans of approved schools of education at postsecondary constituent institutions of The University of North Carolina.
  - b. The president of a North Carolina community college.
  - c. A teacher who graduated from an approved educator preparation program located in the State within three years of appointment to serve on the Commission.
  - d. A principal who graduated from an approved educator preparation program located in the State.
  - e. A local board of education member.
  - f. A member to represent business and industry in North Carolina.
- (2) The General Assembly shall appoint two members to the Commission in odd-numbered years in accordance with G.S. 120-121 as follows:
  - a. One dean of an approved school of education at a private postsecondary institution operating in the State upon the recommendation of the Speaker of the House of Representatives.
  - b. One dean of an approved school of education at a private postsecondary institution operating in the State upon the recommendation of the President Pro Tempore of the Senate.
- (3) The following five members shall serve as ex officio members to the Commission:
  - a. The North Carolina Teacher of the Year.
  - b. The North Carolina Principal of the Year.
  - c. The North Carolina Superintendent of the Year.
  - d. The chair of the Board of the State Education Assistance Authority, or the chair's designee.
  - e. The Director of the North Carolina Teaching Fellows Program.

(c) Terms of Office. – Appointments to the Commission shall be for two-year terms, beginning July 1 and expiring June 30. Members serving ex officio, other than the chair of the Board of the State Education Assistance Authority and Director of the North Carolina Teaching

Fellows Program, who have otherwise completed their term of service, shall continue to serve on the Commission until June 30, annually.

(d) Vacancies. – Except as otherwise provided, if a vacancy occurs in the membership of the Commission, the appointing authority shall appoint another person meeting the same qualifications to serve for the balance of the unexpired term.

(e) Chair; Meetings. – The Director of the Program shall call the first meeting of the Commission. The Commission members shall elect a chair and a vice-chair from the membership of the Commission to serve one-year terms. The Commission shall meet regularly at times and places deemed necessary by the chair or, in the absence of the chair, by the vice-chair.

(f) Conflict of Interest. – A member of the Commission shall abstain from voting on the selection of an educator preparation program of a postsecondary constituent institution of The University of North Carolina or a private postsecondary institution operating in the State under G.S. 116-209.62(f) if the member is an officer or employee of the institution or sits as a member of the institution's board of directors.

(g) Expenses. – Commission members shall receive per diem, subsistence, and travel allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate. (2017-57, s. 10A.3; 2022-71, s. 3.4(g); 2023-102, s. 2(a).)

#### **§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

(a) Program. – There is established the North Carolina Teaching Fellows Program to be administered by the System Office of The University of North Carolina, in conjunction with the Authority and the Commission. The purpose of the Program is to recruit, prepare, and support students residing in or attending institutions of higher education located in North Carolina for preparation as highly effective STEM or special education teachers in the State's public schools. The Program shall be used to provide a forgivable loan to individuals interested in preparing to teach in the public schools of the State in STEM or special education licensure areas.

(b) Trust Fund. – There is established the North Carolina Teaching Fellows Program Trust Fund to be administered by the Authority, in conjunction with the System Office of The University of North Carolina. All funds (i) appropriated to, or otherwise received by, the Program for forgivable loans and other Program purposes, (ii) received as repayment of forgivable loans, and (iii) earned as interest on these funds shall be placed in the Trust Fund. The purpose of the Trust Fund is to provide financial assistance to qualified students for completion of teacher education and licensure programs to fill STEM or special education licensure areas in the public schools of the State.

(c) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only for (i) forgivable loans granted under the Program, (ii) administrative costs associated with the Program, including recruitment and recovery of funds advanced under the Program, (iii) mentoring and coaching support to forgivable loan recipients, and (iv) extracurricular enhancement activities of the Program in accordance with the following:

- (1) The Authority shall transfer the greater of six hundred thousand dollars (\$600,000) or ten percent (10%) of the available funds from the Trust Fund to the General Administration of The University of North Carolina [University of North Carolina System Office] at the beginning of each fiscal year for the Program's administrative costs, the salary of the Director of the Program and other Program staff, expenses of the Commission, and to provide the

Commission with funds to use for the extracurricular enhancement activities of the Program.

- (2) The Authority may use the greater of two hundred fifty thousand dollars (\$250,000) or four percent (4%) of the funds appropriated to the Trust Fund each fiscal year for administrative costs associated with the Program.
- (3) The Authority shall provide the Commission with up to six hundred thousand dollars (\$600,000) from the Trust Fund in each fiscal year for the Commission to provide mentoring and coaching support to forgivable loan recipients through the North Carolina New Teacher Support Program in an amount of up to two thousand two hundred dollars (\$2,200) for each Program recipient. Funds shall be prioritized for teachers serving in North Carolina public schools identified as low-performing under G.S. 115C-105.37.

(d) Director of the Program. – The Board of Governors of The University of North Carolina shall appoint a Director of the Program. The Director shall appoint staff to the Commission and shall be responsible for recruitment and coordination of the Program, including proactive, aggressive, and strategic recruitment of potential recipients. Recruitment activities shall include (i) targeting regions of the State with the highest teacher attrition rates and teacher recruitment challenges, (ii) actively engaging with educators, business leaders, experts in human resources, elected officials, and other community leaders throughout the State, and (iii) attracting candidates in STEM and special education licensure areas to the Program. The Director shall report to the President of The University of North Carolina. The Authority shall provide office space and clerical support staff, as necessary, to the Director for the Program.

(e) Student Selection Criteria for Forgivable Loans. – The Commission shall adopt stringent standards for awarding forgivable loans based on multiple measures to ensure that only the strongest applicants receive them, including the following:

- (1) Grade point averages.
- (2) Performance on relevant career and college readiness assessments.
- (3) Experience, accomplishments, and other criteria demonstrating qualities positively correlated with highly effective teachers, including excellent verbal and communication skills.
- (4) Demonstrated commitment to serve in a STEM or special education licensure area in North Carolina public schools.

(f) Program Selection Criteria. – The Authority shall administer the Program in cooperation with up to eight institutions of higher education with approved educator preparation programs selected by the Commission that represent a diverse selection of both postsecondary constituent institutions of The University of North Carolina and private postsecondary institutions operating in the State. The Commission shall adopt stringent standards for selection of the most effective educator preparation programs, including the following:

- (1) Demonstrates high rates of educator effectiveness on value-added models and teacher evaluations, including using performance-based, subject-specific assessment and support systems, such as edTPA or other metrics of evaluating candidate effectiveness that have predictive validity.
- (2) Demonstrates measurable impact of prior graduates on student learning, including impact of graduates teaching in STEM or special education licensure areas.

- (3) Demonstrates high rates of graduates passing exams required for teacher licensure.
- (4) Provides curricular and co-curricular enhancements in leadership, facilitates learning for diverse learners, and promotes community engagement, classroom management, and reflection and assessment.
- (5) Requires at least a minor concentration of study in the subject area that the candidate may teach.
- (6) Provides early and frequent internship or practical experiences, including the opportunity for participants to perform practicums in diverse school environments.
- (7) Is approved by the State Board of Education as an educator preparation program.

(g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected students to be used at up to eight selected institutions for completion of a program leading to initial teacher licensure as follows:

- (1) North Carolina high school seniors. – Forgivable loans of up to four thousand one hundred twenty-five dollars (\$4,125) per semester for up to eight semesters.
- (2) Students applying for transfer to a selected educator preparation program at an institution of higher education. – Forgivable loans of up to four thousand one hundred twenty-five dollars (\$4,125) per semester for up to six semesters.
- (3) Individuals currently holding a bachelor's degree seeking preparation for teacher licensure. – Forgivable loans of up to four thousand one hundred twenty-five dollars (\$4,125) per semester for up to four semesters.
- (4) Students matriculating at institutions of higher education who are changing to an approved program of study at a selected educator preparation program. – Forgivable loans of up to four thousand one hundred twenty-five dollars (\$4,125) per semester for up to four semesters.

Forgivable loans may be used for tuition, fees, the cost of books, and expenses related to obtaining licensure.

(h) Identification of STEM and Special Education Licensure Areas. – The Superintendent of Public Instruction shall identify and provide to the Commission and the Authority a list of STEM and special education licensure areas and shall annually provide to the Commission the number of available positions in each licensure area relative to the number of current and anticipated teachers in that area of licensure. The Commission shall make the list of STEM and special education licensure areas readily available to applicants.

(i) Administration of Forgivable Loan Awards. – Upon the naming of recipients of the forgivable loans by the Commission, the Commission shall transfer to the Authority its decisions. The Authority, in coordination with the Director, shall perform all of the administrative functions necessary to implement this Part, which functions shall include rule making, disseminating information, acting as a liaison with participating institutions of higher education, implementing forgivable loan agreements, loan monitoring, loan cancelling through service and collection, determining the acceptability of service repayment agreements, enforcing the agreements, and all other functions necessary for the execution, payment, and enforcement of promissory notes required under this Part.

(j) Annual Report. – The Commission, in coordination with the Authority, the Department of Public Instruction, and the selected educator education programs participating in the Program

shall report no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education Oversight Committee regarding the following:

- (1) Forgivable loans awarded from the Trust Fund, including the following:
  - a. Demographic information regarding recipients.
  - b. Number of recipients by institution of higher education and program.
  - c. Information on number of recipients by anticipated STEM and special education licensure area.
- (2) Placement and repayment rates, including the following:
  - a. Number of graduates who have been employed in a STEM or special education licensure area within two years of program completion.
  - b. Number of graduates who accepted employment at a low-performing school identified under G.S. 115C-105.37 as part of their years of service.
  - c. Number of graduates who have elected to do loan repayment and their years of service, if any, prior to beginning loan repayment.
  - d. Number of graduates employed in a STEM or special education licensure area who have received an overall rating of at least accomplished and have met expected growth on applicable standards of the teacher evaluation instrument.
  - e. Aggregate information on student growth and proficiency in courses taught by graduates who have fulfilled service requirements through employment in a STEM or special education licensure area.
- (2a) Mentoring and coaching support through the North Carolina New Teacher Support Program, including the following:
  - a. Number of forgivable loan recipients who received mentoring and coaching support when employed at a low-performing school identified under G.S. 115C-105.37.
  - b. Number of forgivable loan recipients who received mentoring and coaching support when employed at a school not identified as low-performing under G.S. 115C-105.37.
- (3) Selected school outcomes by program, including the following:
  - a. Turnover rate for forgivable loan graduates, including the turnover rate for graduates who also received mentoring and coaching support through the North Carolina New Teacher Support Program.
  - b. Aggregate information on student growth and proficiency as provided annually by the State Board of Education to the Commission in courses taught by forgivable loan graduates.
  - c. Fulfillment rate of forgivable loan graduates. (2017-57, s. 10A.3(a); 2018-5, s. 10A.2(a); 2018-12, s. 9; 2020-56, s. 5(a)-(c).)

**§ 116-209.63. Terms of forgivable loans; receipt and disbursement of funds.**

(a) Notes. – All forgivable loans shall be evidenced by notes made payable to the Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the Authority and beginning on the first day of September after the completion of the program leading to teacher licensure or 90 days after graduation, whichever is later. If a forgivable loan is terminated, the note shall be made payable to the Authority 90 days after termination of the forgivable loan. The

forgivable loan may be terminated upon the recipient's withdrawal from the Program or by the recipient's failure to meet the standards set by the Commission.

(b) **Forgiveness.** – The Authority shall forgive the loan and any interest accrued on the loan if, within 10 years after graduation from a program leading to teacher licensure, exclusive of any authorized deferment for extenuating circumstances, the recipient serves as a teacher in a STEM or special education licensure area, as provided in G.S. 116-209.62(h), for every year the teacher was awarded the forgivable loan, in any combination of the following:

- (1) One year at a North Carolina public school identified as low-performing under G.S. 115C-105.37 at the time the teacher accepts employment at the school or, if the teacher changes employment during this period, at another school identified as low-performing.
- (2) Two years at a North Carolina public school not identified as low-performing under G.S. 115C-105.37.

The Authority shall also forgive the loan if it finds that it is impossible for the recipient to work for up to eight years, within 10 years after completion of the program leading to teacher licensure, at a North Carolina public school because of the death or permanent disability of the recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be repaid within 10 years after completion of the program leading to teacher licensure supported by the forgivable loan. If the recipient completes a program leading to teacher licensure, payment of principal and interest shall begin no later than the first day of September after the completion of the program. Should a recipient present extenuating circumstances, the Authority may extend the period to repay the loan in cash to no more than a total of 12 years. (2017-57, s. 10A.3(a); 2018-5, s. 10A.2(b).)

§ 116-209.64: Reserved for future codification purposes.

§ 116-209.65: Reserved for future codification purposes.

§ 116-209.66: Reserved for future codification purposes.

§ 116-209.67: Reserved for future codification purposes.

§ 116-209.68: Reserved for future codification purposes.

§ 116-209.69: Reserved for future codification purposes.

#### Part 4. Transforming Principal Preparation Grant Program.

§§ 116-209.70 through 116-209.74: Repealed by Session Laws 2019-60, s. 1(i), effective July 1, 2021.

§ 116-209.75: Repealed by Session Laws 2019-60, s. 1(a), effective June 27, 2019.

§§ 116-209.76, 116-209.77: Repealed by Session Laws 2019-60, s. 1(i), effective July 1, 2021.

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

§ 116-209.80. **Definitions.**

The following definitions apply to this Part:

- (1) Eligible postsecondary institution. – A school that is:
  - a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4).
  - b. A community college as defined in G.S. 115D-2(2).
- (2) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible postsecondary institution.
- (3) Program. – The North Carolina Need-Based Scholarship Program for Public Colleges and Universities.
- (4) Reserve Fund. – Scholarship Reserve Fund for Public Colleges and Universities.
- (5) Scholarship. – A scholarship for education awarded under this Part.
- (6) Title IV. – Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq. (2021-180, s. 8A.2(a).)

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

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

- (1) Qualify as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.
- (2) Meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at an eligible postsecondary institution. The President of The University of North Carolina and the President of the North Carolina Community College System may jointly agree to additional enrollment standards for the Program.
- (3) 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, 20 U.S.C. § 1070, et seq.

(b) In addition to the criteria set forth in subsection (a) of this section, in order for a student to continue to be eligible for a scholarship for the student's 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 eligible postsecondary institution in which the student is enrolled. (2021-180, s. 8A.2(a).)

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

(a) Except as otherwise provided by subsection (c) of this section, a student matriculating at a constituent institution of The University of North Carolina shall not receive a scholarship 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 as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a scholarship for more than 12 full-time academic semesters or the equivalent if enrolled part-time.

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

(c) Upon application by a student, the applicable eligible postsecondary institution may grant a waiver to the student who may then receive a scholarship 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 certificate: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The Board of Governors of The University of North Carolina or the State Board of Community Colleges, as appropriate, shall establish policies and procedures to implement the waiver provided by this subsection. (2021-180, s. 8A.2(a).)

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

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

(b) Availability of Scholarships. – Subject to the payment schedule described in subsection (a) of this section, the Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the amount of funds available in the Scholarship Reserve Fund for Public Colleges and Universities created pursuant to G.S. 116-209.85. If the funds available are not sufficient to fully fund the scholarships as set forth in the payment schedule established pursuant to subsection (a) of this section, the Authority, in consultation with the President of The University of North Carolina and the President of the North Carolina Community College System, shall adjust the distribution of the funds as necessary. (2021-180, s. 8A.2(a).)

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

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

(b) Notwithstanding any other provision of law to the contrary, the Authority shall conduct periodic evaluations of expenditures under the Program administered by the Authority to determine if allocations are utilized to ensure access to eligible postsecondary institutions and to meet the goals of respective programs. The authority may make recommendations of 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 may jointly authorize redistribution of funds for a particular fiscal year.

(c) The Authority shall report no later than December 1, 2024, and annually thereafter to the Joint Legislative Education Oversight Committee. The report shall contain, for the previous

academic year, the dollar amount of awards disbursed, the number of eligible students receiving funds, and a breakdown of the eligible postsecondary institutions that received the funds.

(d) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Part. (2021-180, s. 8A.2(a).)

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

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

- (1) 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 in accordance with G.S. 18C-164.
- (2) 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 Authority pursuant to G.S. 116B-7(a).
- (3) Funds appropriated by the General Assembly for the Program from the General Fund in the Current Operations Appropriations Act for a fiscal year.
- (4) All returned scholarship funds from the Program.
- (5) All interest earned on these funds.

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

Beginning with the 2023-2024 fiscal year and for each subsequent fiscal year, within the funds available, the Authority shall 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. Additional funds may be directed to the reserves from a Current Operations Appropriations Act in a fiscal year. The reserves established for the 2022-2023 fiscal year shall consist of the following funds:

- (1) For the UNC Reserve, the monies shall consist of the following:
  - a. An amount equal to the amount appropriated to the Board of Governors of The University of North Carolina for The University of North Carolina Need-Based Financial Aid Program for the 2021-2022 fiscal year.
  - b. 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.
- (2) For the CC Reserve, the monies shall consist of the following:
  - a. 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.

- b. 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.

(c) Monies in the Reserve Fund shall not revert at the end of each fiscal year but shall remain available until expended for the purposes of this Part.

(d) The Authority may 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. Upon a determination by the Authority that funds in excess of one percent (1%) are necessary to administer the Program, including funds necessary for one-time or recurring costs, the Authority shall consult with the President of The University of North Carolina and the President of the North Carolina Community College System at the same time the consolidated payment schedule is set pursuant to G.S. 116-209.83. The Authority shall also report the amount of the increase and the purpose for which the additional funds will be used to the Joint Legislative Education Oversight Committee and the Fiscal Research Division of the General Assembly within 30 days of the increase. In no event shall the cost of administering the Program in a fiscal year exceed one and one-half percent (1.5%) of the funds available in the Reserve Fund. (2021-180, s. 8A.2(a).)

§ 116-209.86: Reserved for future codification purposes.

§ 116-209.87: Reserved for future codification purposes.

§ 116-209.88: Reserved for future codification purposes.

§ 116-209.89: Reserved for future codification purposes.

Part 6. Tuition Grant for High School Graduates of the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts.

**§ 116-209.90. Tuition grants for graduates to attend a constituent institution.**

(a) Within the funds available, a high school graduate from the North Carolina School of Science and Mathematics (NCSSM) or the University of North Carolina School of the Arts (UNCSA) in each school year who meets the following conditions shall be eligible for a tuition grant awarded under this Part:

- (1) Is a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.
- (2) Enrolls as a full-time student in a constituent institution of The University of North Carolina in the next academic year after graduation. The Authority shall have the discretion to postpone this requirement for up to one academic year after graduation if the student is able to demonstrate that any of the following have substantially disrupted or interrupted the student's ability to enroll as a full-time student:
  - a. A military service obligation.

- b. Serious medical debilitation.
- c. A short-term or long-term disability.
- d. Other extraordinary hardship.

(b) Students who receive initial tuition grants as a cohort of a high school graduating class of NCSSM or UNCSA shall also be eligible to apply for tuition grants for subsequent academic years for up to a total of four academic years, provided that tuition grants are only used for undergraduate tuition.

(b1) A student must be continuously enrolled in an undergraduate program at a constituent institution of The University of North Carolina after the award of the initial tuition grant to be eligible for tuition grants in subsequent academic years. The Authority shall have the discretion to waive this requirement if the student is able to demonstrate that any of the following have substantially disrupted or interrupted the student's pursuit of a degree:

- (1) A military service obligation.
- (2) Serious medical debilitation.
- (3) A short-term or long-term disability.
- (4) Other extraordinary hardship.

(c) The amount of the tuition grant to each graduate shall be determined and distributed as provided in G.S. 116-209.91. (2021-180, s. 8A.1(a); 2022-74, s. 8A.2(a); 2023-102, s. 3(a).)

#### **§ 116-209.91. Administration of tuition grants.**

(a) The Authority shall administer the tuition grants provided for in this Part pursuant to guidelines and procedures established by the Authority consistent with its practices for administering State-funded financial aid. The guidelines and procedures shall include an application process and schedule, notification and disbursement procedures, standards for reporting, and standards for return of tuition grants when a student withdraws. The Authority shall not approve any grant until it receives proper certification from the appropriate constituent institution that the student applying for the grant is an eligible student. Upon receipt of the certification, the Authority shall remit, at the times it prescribes, the tuition grant to the constituent institution on behalf, and to the credit, of the student. In the event a student on whose behalf a tuition grant has been paid is not enrolled in an undergraduate program and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the tuition grant was paid, the constituent institution shall refund the full amount of the tuition grant to the Authority.

(b) Except as otherwise provided in this section, the amount of the grant awarded to a student shall cover the tuition cost at the constituent institution in which the student is enrolled. No tuition grant awarded to a student under this section shall exceed the cost of attendance at a constituent institution for which the student is enrolled.

(c) If a student, who is eligible for a tuition grant under this section, also receives a scholarship or other grant covering the cost of attendance at the constituent institution for which the tuition grant is awarded, then the amount of the tuition grant shall be reduced by an appropriate amount determined by the Authority so that the total amount of scholarships and grants received by the student does not exceed the cost of attendance for the institution. The cost of attendance shall be determined by the Authority for each constituent institution.

(d) In the event there are not sufficient funds to provide each eligible student who has applied in accordance with the application process and the schedule established by the Authority

with a full tuition grant as provided by this Part, each eligible student shall receive a pro rata share of funds available for the academic year covered by the appropriation in the preceding fiscal year.

(e) The Authority may use up to five percent (5%) of the funds appropriated each year for tuition grants under this Part for administrative costs. (2021-180, s. 8A.1(a); 2022-74, s. 8A.2(b).)