



Bill Draft 2019-RQza-5: PED Report/Student Financial Assistance.

2019-2020 General Assembly

Committee:	Joint Program Evaluation Oversight Committee	Date:	November 12, 2019
Introduced by:		Prepared by:	Leslie Karkanawi and Drupti Chauhan
Analysis of:	2019-RQza-5		Committee Counsel

OVERVIEW: 2019-RQza-5 would make various changes related to postsecondary educational financial aid programs to ensure that State funds are fully expended for those programs and would direct the State Education Assistance Authority (Authority) and certain other State agencies to make necessary improvements to the administration of those programs and report to the General Assembly on those improvements.

BILL ANALYSIS: 2019-RQza-5 would do all of the following:

- Section 1 of the bill would require the Authority to (i) include in its report on the Forgivable Education Loans for Service Program the number of loan recipients that elect service or cash repayment and (ii) develop a recordkeeping system to track repayment methods for State-funded educational loans that are eligible for forgiveness based on service and report on its progress to the Joint Legislative Education Oversight Committee and the Joint Legislative Program Evaluation Oversight Committee by January 1, 2021.
- Section 2 of the bill would require the Authority to develop a strategic plan that sets forth the performance goals of the Authority in administering State-funded financial assistance programs and publish the plan on its Web site. The Authority would also include the strategic plan and additional data metrics on the administration of State-funded financial assistance programs and recipients of financial assistance in its annual report to the Governor and the General Assembly. The Authority would report on its progress in implementing these changes to the Joint Legislative Education Oversight Committee and the Joint Legislative Program Evaluation Oversight Committee by January 1, 2021.
- Section 3 would appropriate, beginning with the 2020-2021 fiscal year, the sum of the \$700,000 for the Authority to cover administrative costs for The University of North Carolina Need-Based Financial Aid Program.
- Section 4 would direct the Office of State Budget and Management (OSBM) to develop recommendations on increasing transparency in administrative cost reporting for the Need-Based Scholarships for Students Attending Private Institutions of Higher Education Program. OSBM would report on the recommendations to the Joint Legislative Education Oversight Committee and the Joint Legislative Program Evaluation Oversight Committee by January 1, 2021.

EFFECTIVE DATE: Section 3 of the bill would become effective July 1, 2020 and the remainder of the bill would become effective when the act becomes law.

BACKGROUND: As background for Section 3 of the bill, Section 8A.12 of House Bill 966, Regular Session 2019, if enacted, would amend G.S. 116-25.1 to authorize the Authority to use up to 1.5% of funds appropriated for The University of North Carolina Need-Based Financial Aid Program each fiscal year for administrative costs associated with the Program.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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BILL DRAFT 2019-RQza-5 [v.1]

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
11/12/2019 10:48:52 AM

Short Title: PED Report/Student Financial Assistance.

(Public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE NECESSARY IMPROVEMENTS TO ENSURE STATE FUNDS FOR
3 POSTSECONDARY EDUCATIONAL FINANCIAL AID PROGRAMS ARE FULLY
4 EXPENDED AND TO GAUGE THE EFFECTIVENESS OF THOSE PROGRAMS, AS
5 RECOMMENDED BY A PROGRAM EVALUATION DIVISION REPORT.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.(a)** G.S. 116-209.45(j) reads as rewritten:

8 "(j) Report to the General Assembly. – The Authority shall report no later than December
9 1, 2013, and annually thereafter to the Joint Legislative Education Oversight Committee
10 regarding the Fund and loans awarded from the ~~Fund~~-Fund, including the number of loan
11 recipients who either (i) have met employment service requirements for loan forgiveness or (ii)
12 elect cash loan repayment, including when years of employment are credited towards loan
13 forgiveness prior to beginning cash repayment."

14 **SECTION 1.(b)** Notwithstanding G.S. 116-209.45(j), as amended by this section,
15 the State Education Assistance Authority (Authority) shall include initial information on loan
16 repayment methods of loan recipients of the Forgivable Education Loans for Service Program in
17 its annual report no later than December 1, 2022.

18 **SECTION 1.(c)** The Authority shall develop and maintain a recordkeeping system
19 to track the repayment methods utilized by the recipients of State-funded educational loans that
20 are eligible for forgiveness based on meeting individual program employment service
21 requirements. The recordkeeping system shall facilitate meeting data reporting requirements on
22 State-funded educational loan programs, including for (i) the North Carolina Teaching Fellows
23 Program under G.S. 116-209.62(j)(2) and (ii) the Forgivable Education Loans for Service
24 Program under G.S. 116-209.45(j), and the evaluation of the effectiveness of such programs in
25 meeting the employment needs of the State. The Authority shall report on its progress in
26 implementing the recordkeeping system required by this section to the Joint Legislative
27 Education Oversight Committee and the Joint Legislative Program Evaluation Oversight
28 Committee by January 1, 2021.

29 **SECTION 2.(a)** G.S. 116-209.14 reads as rewritten:

30 **"§ 116-209.14. Annual strategic plan; reports.**

31 (a) Strategic Plan. – The Authority shall annually develop and maintain a strategic plan
32 that sets forth the performance goals of the Authority in administering State-funded financial
33 assistance programs in accordance with State law. The strategic plan shall include comprehensive
34 performance measures in order to track and evaluate the Authority's effectiveness and progress



1 towards meeting the performance goals established in the strategic plan. The Authority shall
2 make the most recent strategic plan publicly available on its Web site each year.

3 (b) Annual Reports. – The Authority shall, following the close of each fiscal year, publish
4 an annual report of the implementation of its strategic plan and its activities for the preceding
5 year to the Governor and the General Assembly. Each report shall set forth include at least the
6 following information:

7 (1) The strategic plan adopted by the Authority pursuant to subsection (a) of this
8 section.

9 (2) aA complete operating and financial statement covering the operations of the
10 Authority during the year.

11 (3) Data metrics on the administration of State-funded financial assistance
12 programs and recipients of financial assistance, including the following:

13 a. Information for each postsecondary institution enrolling students
14 using State-funded financial assistance, including the amount of
15 financial assistance used by students for each program administered
16 by the Authority.

17 b. Demographic information on students who receive State-funded
18 financial assistance, including socioeconomic profiles with income
19 and dependency status for that fiscal year.

20 c. Comparison data with other states on the number and value of
21 assistance awarded to students on the basis of merit, need, and other
22 targeted assistance based on special interests for future employment.

23 (c) Oversight. – The operations of the Authority shall be subject to the oversight of the
24 State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes."

25 **SECTION 2.(b)** By January 1, 2021, the Authority shall report to the Joint
26 Legislative Education Oversight Committee and the Joint Legislative Program Evaluation
27 Oversight Committee on its progress in meeting the requirements set forth in subsection (a) of
28 this section.

29 **SECTION 3.** Effective July 1, 2020, there is appropriated from the General Fund to
30 the Board of Governors of The University of North Carolina the sum of up to seven hundred
31 thousand dollars (\$700,000) in recurring funds for the 2020-2021 fiscal year to be allocated to
32 the State Education Assistance Authority each fiscal year to cover administrative costs associated
33 with The University of North Carolina Need-Based Financial Aid Program (Program).

34 **SECTION 4.** The Office of State Budget and Management (OSBM) shall develop
35 recommendations on increasing transparency in administrative cost reporting for the Need-Based
36 Scholarships for Students Attending Private Institutions of Higher Education Program
37 established under Article 34 of Chapter 116 of the General Statutes. The recommendations shall
38 include a method for reporting program funding received by the Authority in its financial
39 statements. OSBM shall report on the recommendations, including a timeline for implementation
40 of proposed changes and any required legislative modifications, to the Joint Legislative
41 Education Oversight Committee and the Joint Legislative Program Evaluation Oversight
42 Committee by January 1, 2021.

43 **SECTION 5.** Except as otherwise provided, this act is effective when it becomes
44 law.