



SENATE BILL 137: Establish Forgivable Loan Fund

2011-2012 General Assembly

Committee:	Senate Finance	Date:	March 22, 2011
Introduced by:	Sens. Stevens, Vaughan	Prepared by:	Cindy Avrette
Analysis of:	First Edition		Committee Counsel

SUMMARY: *Senate Bill 137¹ would consolidate specific existing financial aid programs to establish the new Forgivable Education Loans for Service Program and Fund to: 1) provide financial assistance to qualified students for certain high-need professions and 2) respond to current and future employment needs in the State. The State Education Assistance Authority (SEAA) would administer the Program and Fund. The SEAA would make a report on loans from the Fund no later than December 1, 2013 and annually thereafter to the Joint Legislative Education Oversight Committee. The bill received a favorable report from the Senate Committee on Education/Higher Education on March 16, 2011.*

BILL ANALYSIS: Senate Bill 137 is a recommendation of the Joint Select Committee on State Funded Student Financial Aid that consolidates the following funds into the newly created Forgivable Education Loans for Service Fund:

- | | |
|--|--|
| * Graduate Nurse Scholarship Program for Faculty Production Fund | *Teacher Assistant Scholarship Fund |
| *Nurse Education Scholarship Loan Fund | *Social Workers' Education Loan Fund |
| *Nursing Scholars Program Fund | *Student Loan Program for Health, Science and Mathematics Fund |
| *Board of Governors' Dental Scholarship Loan Fund | *Future Teachers of North Carolina Fund |
| *Board of Governors' Medical Scholarship Loan Fund | *Coaching Scholarship Loan Fund |
| *Prospective Teachers Scholarship Loan Fund | *Optometry Scholarship Loan Fund |

Section 1 would create the Forgivable Education Loan for Service Program and Fund to provide financial assistance to qualified students to prepare them for certain high-need professions, initially targeting future teachers, nurses and other allied health professionals. The State Education Assistance Authority would be responsible for: 1) administering the program, 2) adopting the eligibility criteria to participate in the Program, 3) establishing the interest rate, loan amount and repayment terms for the loans, 4) appointing an advisory group to make recommendations on the future distribution of loans, 5) making an annual report to the Joint Legislative Education Oversight Committee beginning December 1, 2013, and 6) adopting the rules necessary to implement and administer the Program.

Section 2(a) through Section 7(c) and Sections 9(a) through 9(c) would terminate the existing funds, repeal the statutes that created the existing funds, transfer the assets and liabilities to the Forgivable Education Loans for Service Fund, provide that financial obligations to students who received loans from the terminated funds will be honored under the new Program, and that all contractual agreements between a student with an award from a terminated program and the Authority would remain enforceable. The affected existing programs are: Graduate Nurse Scholarship Program for Faculty Production Fund (Secs. 2(a) – 2(c)), Nursing Scholars Program Fund and Masters Nursing Scholars Program Fund (Secs. 3(a) – 3(c)), Nurse Education Scholarship Loan Fund (Secs. 4(a) – 4(c), Board of

¹ As introduced, this bill is identical to House Bill 120.

Senate Bill 137

Page 2

Governors' Dental Scholarship Loan Fund (Secs. 5a – 5(c)), Board of Governors' Medical Scholarship Loan Fund (Secs. 6(a) – 6(c)), the Prospective Teachers Scholarship Loan Fund (Secs. 7(a) – 7(c)) and the Social Workers' Education Loan Fund (Secs. 9(a) – 9(c)).

Section 8 would repeal the Teacher Assistant Scholarship Fund.

Sections 10(a) and 10(b) would transfer the assets and liabilities in the Student Loan Program for Health, Science and Mathematics to the Forgivable Education Loans for Service Fund, and provide that financial obligations to students who received loans from the terminated fund will be honored under the new Program.

Sections 11 through 13 would transfer the assets and liabilities in the Future Teachers of North Carolina Fund, Physical Education Scholarship Loan, and the Optometry Scholarship Loan Fund to the Forgivable Education Loans for Service Fund.

EFFECTIVE DATE: Section 1 of the bill would become effective July 1, 2011 and the remaining sections of the bill would become effective July 1, 2012.

TECHNICAL CONSIDERATION: An amendment is needed to correct the name of the Coaching Scholarship Loan Fund. The bill incorrectly calls it the *Physical Education* Scholarship Loan Fund.

BACKGROUND: In October 2009, the Joint Select Committee on State Funded Student Financial Aid was created, in part, to study the feasibility of consolidating existing scholarship, loan, and grant programs, especially those programs available for teacher education students. In April 2010, the Committee heard a presentation to consolidate eight existing career-based financial aid programs into one program of "forgivable loans for service" that was supported by UNC President Erskine Bowles and Community Colleges President Scott Ralls.

The Committee's interim report to the 2010 Session of the General Assembly included recommended legislation to create a Work Group to design the forgivable loans for service program. The Work Group included representatives of the State Education Assistance Authority, The University of North Carolina System, the North Carolina Community College System, the NC Independent Colleges and Universities and the NC General Assembly Fiscal Research Division. The Work Group was directed to design a "forgivable loans for service" program that combined at least the following existing programs: the Nurse Educators of Tomorrow; Nurse Scholars Program; Nurse Education Scholarship Loan Program; Board of Governors Medical Scholarship Loans; Board of Governors Dental Scholarship Loans; Health, Science, and Mathematics Student Loan Program; Prospective Teacher Scholarship Loan Program; and the Teacher Assistant Scholarship Loan Program. The consolidated program is to initially focus on the high needs areas of teaching and health professions (including nursing, allied health, and medical, dental and pharmacy careers. The Work Group recommends that loan offers to students would begin in Spring 2012 for academic terms beginning after July 1, 2012 and full implementation would begin in the 2012-13 academic year.

Dr. Steve Brooks, Executive Director, State Education Assistance Authority, presented the Work Group's recommended legislative proposal to the Committee on October 19, 2010. The Committee adopted the Work Group's legislative proposal which became Senate Bill 137.

Sara Kamprath, counsel to the Senate Education/Higher Education Committee, substantially contributed to this summary.

S137-SMRB-23(e1) v2