

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH50139-SA-26 (01/03)

Short Title: NC Lottery for Education. (Public)

Sponsors: Representative Holliman.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CREATE A NORTH CAROLINA LOTTERY FOR EDUCATION.

The General Assembly of North Carolina enacts:

SECTION 1. The General Statutes of North Carolina are amended by adding a new Chapter to read:

"Chapter 143D.

"North Carolina State Lottery for Education.

"§ 143D-101. Citation.

This Chapter shall be known and may be cited as the North Carolina State Lottery for Education Act.

"§ 143D-102. Purpose and intent.

The General Assembly declares that the purpose and intent of this Chapter is to provide additional monies to benefit education purposes through the implementation of a State-operated lottery without the imposition of additional or increased taxes. The lottery shall be initiated at the earliest practical time, and it shall be operated to maximize new revenue to the State. That new revenue shall be raised in a manner consistent with the dignity of the State and the general welfare of the people and in a manner consistent with effective business practices.

"§ 143D-103. Laws not affected.

In the event of a conflict between the provisions of this Chapter and any other laws, including Article 37 of Chapter 14 of the General Statutes, the provisions of this Chapter shall govern.

"§ 143D-104. Commission a self-supporting agency.

It is the intent of this Chapter that the Commission established by this Chapter shall be an independent, self-supporting, and revenue-raising agency of State government.

"§ 143D-105. Public purposes to benefit from lottery.

1 The net proceeds from the North Carolina State Lottery for Education shall be used
2 to provide scholarships for citizens of this state to attend colleges and universities
3 located within this state. The funds from the North Carolina State Lottery for Education
4 shall supplement and not supplant other State funds appropriated for scholarships and
5 tuition assistance.

6 **"§ 143D-106. Allocation of revenues.**

7 (a) As nearly as practical, revenues shall be allocated in the following manner:

8 (1) At least fifty percent (50%) of the total annual revenues, as described
9 in this Chapter, shall be returned to the public in the form of prizes as
10 described in this Chapter.

11 (2) At least thirty-four percent (34%) of the total annual revenues, as
12 described in this Chapter, shall be used for the public purposes
13 described in G.S. 143D-119.

14 (3) No more than sixteen percent (16%) of the total annual revenues, as
15 described in this Chapter, shall be allocated for payment of expenses
16 of the Commission as described in this Chapter.

17 (b) Unclaimed prize money held by the Commission in the Lottery Fund, as
18 described in this Chapter, may be used by the Commission to enhance prizes in other
19 lottery games.

20 (c) To the extent that the expenses of the Commission are less than sixteen
21 percent (16%) of total annual revenues, any surplus funds may be allocated, in any
22 proportion:

23 (1) To increase prize payments; or

24 (2) To the benefit of the public purposes as described in this Chapter.

25 **"§ 143D-107. Creation of Commission.**

26 (a) There is created a North Carolina State Lottery for Education Commission
27 which shall consist of seven members, three of whom shall be appointed by the
28 Governor, two of whom shall be appointed by the General Assembly upon the
29 recommendation of the President Pro Tempore of the Senate, and two of whom shall be
30 appointed by the General Assembly upon the recommendations of the Speaker of the
31 House of Representatives.

32 (b) Of the initial appointees of the Governor, two members shall serve terms of
33 three years and one member shall serve a term of five years. Of the initial appointees of
34 the General Assembly upon the recommendation of the President Pro Tempore of the
35 Senate, one member shall serve a term of three years, and one member shall serve a
36 term of five years. Of the initial appointees of the General Assembly upon the
37 recommendation of the Speaker of the House of Representatives, one member shall
38 serve a term of three years, and one member shall serve a term of five years. All
39 succeeding appointments shall be for terms of five years.

40 (c) All initial appointments shall be made within 30 days of the effective date of
41 this Chapter.

42 (d) Vacancies shall be filled within 30 days of their occurrence by the appointing
43 authority for the unexpired portion of the term in which they occur.

1 (e) All appointments made by the General Assembly shall be made in accordance
2 with the applicable sections of Article 16 of Chapter 120 of the General Statutes.

3 **"§ 143D-108. Powers and duties of the Commission.**

4 The Commission shall exercise all powers necessary to effectuate the purposes of
5 this Chapter, including the issuance of rules and the establishment of licensing and
6 contracting requirements and procedures.

7 **"§ 143D-109. Annual selection of chairman.**

8 The initial chairman shall be selected, and thereafter the Commission shall annually
9 select a chairman from its membership.

10 **"§ 143D-110. Meetings; records.**

11 (a) Meetings of the Commission shall be open and public in accordance with
12 Article 33C of Chapter 143 of the General Statutes.

13 (b) Records of the Commission shall be open and available to the public in
14 accordance with the provisions of Chapter 132 of the General Statutes.

15 (c) The Commission shall meet with the Director at least quarterly to make
16 recommendations and set policy, to approve or reject reports of the Director, to issue
17 rules, and to transact any other business that may properly be brought before it. Regular
18 meetings shall be held no more often than monthly, unless required by an emergency.

19 (d) The chairman or a majority of the members of the Commission shall have the
20 power to call special meetings of the Commission upon advance written notice to all of
21 the members of the Commission and the Director.

22 **"§ 143D-111. Quorum; voting.**

23 A majority of the total membership of the Commission constitutes a quorum. All
24 decisions of the Commission shall be made by a majority vote at a meeting at which a
25 quorum is present.

26 **"§ 143D-112. Reports.**

27 The Commission shall make quarterly and annual reports on the operations of the
28 Commission to the Governor, Attorney General, State Treasurer, and to the Joint
29 Legislative Commission on Governmental Operations. The reports shall include full and
30 complete statements of lottery revenues, prize disbursements, expenses, net revenues,
31 and all other financial transactions involving lottery funds.

32 **"§ 143D-113. Operation of the North Carolina State Lottery for Education.**

33 The Commission shall establish policies and issue rules for the operation of the
34 North Carolina State Lottery for Education for the benefit of the general welfare of the
35 public including the following:

- 36 (1) Appointment of a lottery director and other Commission personnel.
- 37 (2) Contracting with lottery vendors and retailers.
- 38 (3) Operation of lottery games.
- 39 (4) Payment of lottery prizes.
- 40 (5) All other matters for the efficient, effective, and secure operation of
41 the lottery.

42 **"§ 143D-114. North Carolina State Lottery for Education Fund; Lottery**
43 **Scholarship Fund.**

1 (a) An enterprise fund, to be known as the 'North Carolina State Lottery for
2 Education Fund', is created within the State treasury. The North Carolina State Lottery
3 for Education Fund is continuously appropriated to the Commission for the purposes of
4 operating the Commission and the lottery games.

5 (b) A special revenue fund, to be known as the 'Lottery Scholarship Fund', is
6 created within the State treasury. The Lottery Scholarship Fund is continuously
7 appropriated to the State Education Assistance Authority for the purposes set forth in
8 G.S. 143D-119.

9 **"§ 143D-115. Types of income to the North Carolina State Lottery for Education**
10 **Fund.**

11 The North Carolina State Lottery for Education Fund shall receive all of the
12 following monies:

- 13 (1) All proceeds from the sale of lottery tickets or shares.
- 14 (2) The funds for initial start-up costs provided by the State.
- 15 (3) All other monies credited to the Commission from any source.

16 **"§ 143D-116. Types of disbursements from the North Carolina State Lottery for**
17 **Education Fund.**

18 Disbursements shall be made from the North Carolina State Lottery for Education
19 Fund for any of the following purposes:

- 20 (1) The payment of prizes to the holders of valid winning lottery tickets or
21 shares.
- 22 (2) Expenses of the Commission, including initial start-up costs.
- 23 (3) Transfer of funds from the North Carolina State Lottery for Education
24 Fund to the Lottery Scholarship Fund.

25 **"§ 143D-117. Prize payments of the lottery.**

26 (a) As nearly as practical, at least fifty percent (50%) of the total projected
27 revenue as computed on a year-round basis for the total of all lottery games, accruing
28 from the sales of all lottery tickets or shares from lottery games, shall be allocated for
29 payment of prizes for lottery games.

30 (b) The Commission may allocate a larger percentage of the total projected
31 revenue for a lottery game to prizes if it concludes that the total annual net revenues
32 from the lottery game will be enhanced by that prize percentage.

33 **"§ 143D-118. Expenses of the lottery.**

34 (a) Expenses of the lottery may include any of the following:

- 35 (1) The costs incurred in the operation and administration of the
36 Commission, including initial start-up costs.
- 37 (2) The costs resulting from any contracts entered into for the purchase or
38 lease of goods or services required by the Commission.
- 39 (3) The compensation paid to lottery game retailers.
- 40 (4) The costs of supplies, materials, tickets, independent studies, data
41 transmission, advertising, promotion, incentives, public relations,
42 communications, bonding for lottery game retailers, printing, and
43 distribution of tickets and shares.

1 (5) The costs of reimbursing other governmental entities for services
2 provided to the Commission.

3 (6) The costs for any other goods and services needed to accomplish the
4 purposes of this Chapter.

5 (b) As nearly as practical, no more than sixteen percent (16%) of the total annual
6 revenues accruing from the sale of all lottery tickets and shares from all lottery games
7 shall be expended for the payment of expenses of the Commission.

8 "**§ 143D-119. Transfer of net revenues.**

9 (a) The funds remaining in the North Carolina State Lottery for Education Fund
10 after receipt of all revenues to the Lottery Fund and after accrual of all obligations of the
11 Commission for prizes and expenses shall be deemed to be the net revenues of the
12 Lottery Fund. On or before the fifteenth day of each quarter, the net revenues from the
13 preceding quarter shall be transferred to the Lottery Scholarship Fund.

14 (b) The Lottery Scholarship Fund shall be used to provide scholarships for
15 citizens of this State to attend colleges and universities located within this State
16 pursuant to Article 35A of Chapter 115C of the General Statutes. The funds from the
17 North Carolina State Lottery for Education shall supplement and not supplant other
18 State funds appropriated for scholarships and tuition assistance.

19 (c) A scholarship shortfall reserve subaccount shall be maintained within the
20 Lottery Scholarship Fund. An amount equal to five percent (5%) of the total amount of
21 net revenues disbursed during the preceding fiscal year in the form of scholarships and
22 grants for higher education shall be deposited from the net revenues each year until the
23 reserve amount equals fifty percent (50%) of the disbursements for the previous fiscal
24 year. Thereafter, only an amount necessary to maintain the scholarship shortfall reserve
25 subaccount in an amount equal to fifty percent (50%) of the amount of net revenues
26 disbursed during the preceding fiscal year shall be deposited into the subaccount.

27 After the scholarship shortfall reserve subaccount has been funded equal to fifty
28 percent (50%) of the disbursements for the previous fiscal year, the subaccount may be
29 used to supplement the scholarship disbursements in a fiscal year where the net revenue
30 available for scholarships is less than seventy-five percent (75%) of the disbursements
31 for the previous fiscal year. An amount necessary to equal the disbursements for the
32 previous fiscal year may be used from the subaccount. However, funds from the
33 subaccount may not be used more than two years consecutively.

34 (d) At the end of each fiscal year, if the scholarship shortfall reserve subaccount
35 is fully funded, any funds remaining after funding the scholarship program shall be
36 transferred to the Savings Reserve Account established by G.S. 143-15.3.

37 "**§ 143D-120. Sales to persons under the age of 18.**

38 (a) No tickets or shares in lottery games shall be sold to persons under the age of
39 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class
40 1 misdemeanor.

41 (b) To prevent the sale of lottery tickets or shares to persons under the required
42 age, the Commission shall issue rules prescribing the procedures to be followed by
43 lottery retailers in determining the age of potential lottery purchasers.

1 (c) It shall be a defense to violation of subsection (a) of this section if the retailer
2 does either of the following:

3 (1) Shows that the purchaser produced a drivers license, a special
4 identification card issued under G.S. 20-37.7, a military identification
5 card, or a passport, showing his age to be at least the required age for
6 purchase and bearing a physical description of the person named on
7 the card reasonably describing the purchaser.

8 (2) Produces evidence of other facts that reasonably indicated at the time
9 of sale that the purchaser was at least the required age.

10 (d) Nothing in this Article shall be construed to prevent any person 18 years or
11 older from giving or assigning lawfully purchased lottery tickets or shares to another
12 person of any age.

13 **"§ 143D-121. Taxes.**

14 No sales taxes shall be imposed on the sale of lottery tickets or shares of lottery
15 games established by this Chapter.

16 **"§ 143D-122. Preemption of local regulation.**

17 All matters relating to the operation of the Commission and lottery games
18 established by this Chapter shall be governed solely by the provisions of this Chapter
19 and shall be free from regulation or legislation by local governments, including cities
20 and counties.

21 **"§ 143D-123. Lawful activity.**

22 Any other State or local law, ordinance, or regulation providing any penalty,
23 disability, restriction, regulation, or prohibition for the manufacture, transportation,
24 storage, distribution, advertising, possession, or sale of any lottery tickets or shares or
25 for the operation of any lottery game shall not apply to the operation of the Commission
26 or lottery games established by this Chapter."

27 **SECTION 2.** Chapter 115C of the General Statutes is amended by adding a
28 new Article to read:

29 "Article 35A.

30 College Scholarships and Grants.

31 **"§ 115C-499.1. Definitions.**

32 The following definitions apply to this Article:

33 (1) Academic year. – A period of time, typically nine months, in which a
34 full-time student is expected to complete the equivalent of at least two
35 semesters' or three quarters' academic work.

36 (2) Certificate. – A credential other than a degree, indicating satisfactory
37 completion of training in a program of study offered by an institution
38 of the North Carolina System of Community Colleges.

39 (3) Eligible high school. – A public school in North Carolina, or a
40 nonpublic secondary school which is:

41 (a) Located in North Carolina and meets the requirements of Part 1
42 or Part 2 of Article 39 of Chapter 115C of the General Statutes;

43 or

- 1 (b) Located in another state and accredited by one of the following
2 regional agencies:
3 a. The Southern Association of Colleges and Schools;
4 b. The New England Association of Schools and Colleges;
5 c. The Middle States Association of Colleges and Schools;
6 d. The North Central Association of Colleges and Schools;
7 e. The Northwestern Association of Schools and Colleges;
8 f. The Western Association of Schools and Colleges;
9 g. The Alabama Independent School Association; or
10 h. The Southern Association of Independent Schools.
- 11 (4) Eligible postsecondary institution. – A school which is:
12 (a) A constituent institution of The University of North Carolina;
13 (b) An institution of the North Carolina Community College
14 System;
15 (c) A nonpublic postsecondary educational institution licensed
16 pursuant to G.S. 116-15.
- 17 (5) Freshman student. – A student at a postsecondary institution who has
18 attempted less than 46 quarter hours or less than 31 semester hours.
- 19 (6) Full-time student. – A matriculated student attending a postsecondary
20 educational institution and enrolled for at least 12 semester hours or
21 the equivalent in any given semester or quarter.
- 22 (7) Grade point average. – The numbered grade average calculated using a
23 4.0 scale.
- 24 (8) Grant. – A grant for education awarded pursuant to G.S. 115C-499.4.
- 25 (9) Half-time student. – A matriculated student attending a postsecondary
26 educational institution and enrolled for six to 11 semester hours or the
27 equivalent in any given semester or quarter.
- 28 (10) Junior student. – A student at a postsecondary institution who has
29 attempted at least 91 quarter hours but less than 136 quarter hours or at
30 least 61 semester hours but less than 91 semester hours.
- 31 (11) Mandatory fees. – Fees that are charged by a postsecondary institution
32 to every student enrolled in that institution, regardless of the student's
33 program of study.
- 34 (12) Matriculated status. – Being recognized as a student in a defined
35 program of study leading to a degree, diploma, or certificate at a
36 postsecondary institution.
- 37 (13) Part-time student. – A matriculated student attending a postsecondary
38 educational institution and enrolled for less than 12 semester hours or
39 the equivalent in any given semester or quarter and who has never
40 been enrolled for 12 or more semester hours or the equivalent in any
41 given semester or quarter.
- 42 (14) Quarter hours. – Each quarter hour attempted, whether remedial or for
43 credit toward a degree, certificate, or diploma.

- 1 (15) Scholarship. – A scholarship for education awarded pursuant to
2 G.S. 115C-499.2 or G.S. 115C-499.3.
- 3 (16) Semester hours. – Each semester hour attempted, whether remedial or
4 for credit toward a degree, certificate, or diploma.
- 5 (17) Senior student. – A student at a postsecondary institution who has
6 attempted at least 136 quarter hours but less than 191 quarter hours or
7 at least 91 semester hours but less than 128 semester hours.
- 8 (18) Sophomore student. – A student at a postsecondary institution who has
9 attempted at least 46 quarter hours but less than 91 quarter hours or at
10 least 31 semester hours but less than 61 semester hours.
- 11 (19) Title IV. – Title IV of the Higher Education Act of 1965, as amended,
12 20 U.S.C § 1070, et seq.

13 **"§ 115C-499.2. Eligibility requirements for a scholarship at a constituent**
14 **institution of The University of North Carolina; scholarship amount.**

15 (a) To be eligible for a scholarship, an entering freshman student seeking an
16 associate or baccalaureate degree at a constituent institution of The University of North
17 Carolina shall:

- 18 (1) Meet residency requirements by meeting the requirements to be
19 classified as a legal resident of North Carolina as established by the
20 program regulations promulgated by the State Education Assistance
21 Authority which shall be based upon the requirements for being
22 considered a resident for tuition purposes by The University of North
23 Carolina.
- 24 (2) Meet achievement standards by:
- 25 a. Having graduated from an eligible high school while meeting
26 the curriculum requirements of his or her program of study in
27 2007 or after and meeting the requirements set out in
28 G.S. 115C-499.5.
- 29 b. In the case of a student who is otherwise qualified but:
- 30 1. Did not graduate from high school or complete a home
31 study program meeting the requirements of Part 3 of
32 Article 39 of Chapter 115C of the General Statutes,
33 having received the general educational development
34 (GED) diploma awarded by the North Carolina
35 Community College System after June 30, 2007,
36 provided that such student shall only be eligible for a
37 scholarship pursuant to subsection (e) of this section;
- 38 2. Completed a home study program meeting the
39 requirements of Part 3 of Article 39 of Chapter 115C of
40 the General Statutes in lieu of graduating from an
41 eligible high school, earning a cumulative grade point
42 average of at least 3.0 at a constituent institution of The
43 University of North Carolina at the end of the quarter or
44 semester in which the student has attempted 45 quarter

1 hours or 30 semester hours, provided that such student
2 shall be eligible to receive a retroactive scholarship for
3 such student's freshman year to be paid at the end of the
4 freshman year; or 3. Graduated from a high school which
5 is not an eligible high school, earning a cumulative grade
6 point average of at least 3.0 at a constituent institution of
7 The University of North Carolina at the end of the
8 quarter or semester in which the student has attempted
9 45 quarter hours or 30 semester hours, provided that
10 such student shall be eligible to receive a retroactive
11 scholarship for such student's freshman year to be paid at
12 the end of the freshman year; and

13 (3) Meet enrollment standards by being admitted, enrolled, and classified
14 as an undergraduate student in a matriculated status.

15 (b) To be eligible for a scholarship, a sophomore student seeking an associate or
16 baccalaureate degree at a constituent institution of The University of North Carolina
17 shall:

18 (1) Meet residency requirements by meeting the requirements to be
19 classified as a legal resident of North Carolina as established by the
20 program regulations promulgated by the State Education Assistance
21 Authority which shall be based upon the requirements for being
22 considered a resident for tuition purposes by The University of North
23 Carolina.

24 (2) Meet achievement standards by meeting the following criteria:

25 a. Earning a cumulative grade point average of at least 3.0 at a
26 postsecondary institution:

27 1. At the end of the quarter or semester in which the student
28 has attempted 45 quarter hours or 30 semester hours if
29 such student is a full-time student; or

30 2. At the end of three consecutive quarters or semesters if
31 such student is a part-time student and has maintained
32 part-time student status for three consecutive quarters or
33 semesters; and

34 b. Maintaining satisfactory academic progress in a course of study
35 in accordance with the standards and practices used for federal
36 Title IV programs by the postsecondary institution in which the
37 student is enrolled; and

38 (3) Meet enrollment standards by being admitted, enrolled, and classified
39 as an undergraduate student in a matriculated status or, in the case of
40 an otherwise eligible student who is classified as a professional level
41 student rather than an undergraduate student, being accepted into the
42 professional level program of study prior to receiving a baccalaureate
43 degree.

1 (c) To be eligible for a scholarship, a junior student seeking a baccalaureate
2 degree at a constituent institution of The University of North Carolina shall:

3 (1) Meet residency requirements by meeting the requirements to be
4 classified as a legal resident of North Carolina as established by the
5 program regulations promulgated by the State Education Assistance
6 Authority which shall be based upon the requirements for being
7 considered a resident for tuition purposes by The University of North
8 Carolina.

9 (2) Meet achievement standards by meeting the following criteria:

10 a. Earning a cumulative grade point average of at least 3.0 at a
11 postsecondary institution at the end of the quarter or semester in
12 which the student has attempted 90 quarter hours or 60 semester
13 hours; and

14 b. Maintaining satisfactory academic progress in a course of study
15 in accordance with the standards and practices used for federal
16 Title IV programs by the postsecondary institution in which the
17 student is enrolled; and

18 (3) Meet enrollment standards by being admitted, enrolled, and classified
19 as an undergraduate student in a matriculated status or, in the case of
20 an otherwise eligible student who is classified as a professional level
21 student rather than an undergraduate student, being accepted into the
22 professional level program of study prior to receiving a baccalaureate
23 degree.

24 (d) To be eligible for a scholarship, a senior student seeking a baccalaureate
25 degree at a constituent institution of The University of North Carolina shall:

26 (1) Meet residency requirements by meeting the requirements to be
27 classified as a legal resident of North Carolina as established by the
28 program regulations promulgated by the State Education Assistance
29 Authority which shall be based upon the requirements for being
30 considered a resident for tuition purposes by The University of North
31 Carolina.

32 (2) Meet achievement standards by meeting the following criteria:

33 a. Earning a cumulative grade point average of at least 3.0 at a
34 postsecondary institution at the end of the quarter or semester in
35 which the student has attempted 135 quarter hours or 90
36 semester hours; and

37 b. Maintaining satisfactory academic progress in a course of study
38 in accordance with the standards and practices used for federal
39 Title IV programs by the postsecondary institution in which the
40 student is enrolled; and

41 (3) Meet enrollment standards by being admitted, enrolled, and classified
42 as an undergraduate student in a matriculated status or, in the case of
43 an otherwise eligible student who is classified as a professional level
44 student rather than an undergraduate student, being accepted into the

1 professional level program of study prior to receiving a baccalaureate
2 degree.

3 (e) A full-time student who fails to maintain a cumulative grade point average of
4 at least 3.0 at the end of the quarter or semester in which the student has attempted 45
5 quarter hours or 30 semester hours may attend the next 45 quarter or 30 semester hours
6 without a scholarship.

7 (1) An otherwise eligible full-time student who regains a cumulative grade
8 point average of at least 3.0 at the end of a quarter or semester in
9 which the full-time student has attempted 90 or 135 quarter hours or
10 60 or 90 semester hours may requalify for a scholarship.

11 (2) An otherwise eligible part-time student who regains or attains a
12 cumulative grade point average of at least 3.0 at the end of a quarter or
13 semester in which the part-time student has attempted 45, 90, or 135
14 quarter hours or 30, 60, or 90 semester hours may attain or requalify
15 for a scholarship.

16 (3) In addition to other requirements, and regardless of quarter hours or
17 semester hours of coursework attempted, a student who fails to possess
18 a cumulative grade point average of at least 3.0 at the end of each
19 spring quarter or semester or at the end of three consecutive quarters or
20 semesters for a part-time student pursuant to subdivision (2) of
21 subsection (b) of this section shall be ineligible for a scholarship until
22 such time as the student regains or attains a cumulative grade point
23 average of at least 3.0 at one of the 45, 90, or 135 quarter hour grade
24 point average checkpoints or at one of the 30, 60, or 90 semester hour
25 grade point average checkpoints, at which time the student will regain
26 or attain eligibility if other terms and conditions in this section are also
27 satisfied.

28 (f) For students eligible for a scholarship under this section, no minimum
29 number of hours of enrollment is required.

30 (g) Except as set out in subsection (h) of this section, a student may receive the
31 scholarship until the first of these events:

32 (1) The student has earned a baccalaureate degree; or

33 (2) The student has attempted at any postsecondary institution a total of
34 190 quarter hours or 127 semester hours.

35 (h) Notwithstanding subsection (g) of this section, a student enrolled in an
36 undergraduate degree program designed to be more than 190 quarter hours or 127
37 semester hours in length is eligible to receive the scholarship for the lesser of:

38 a. A total of 225 attempted quarter hours or 150 attempted
39 semester hours; or

40 b. The number of hours required for graduation if the student has a
41 cumulative grade point average of at least 3.0 after the term in
42 which the student attempted 190 quarter hours or 127 semester
43 hours.

1 (i) Subject to the amount of net income available pursuant to G.S. 143D-119, a
2 scholarship awarded under this section shall include tuition, approved mandatory fees,
3 and a book allowance not to exceed one hundred dollars (\$100.00) per quarter or one
4 hundred fifty dollars (\$150.00) per semester.

5 **"§ 115C-499.3. Eligibility requirements for a scholarship at a nonpublic**
6 **postsecondary institution; scholarship amount.**

7 (a) To be eligible for a scholarship, an entering freshman student seeking an
8 associate or baccalaureate degree at an eligible nonpublic postsecondary institution
9 shall:

10 (1) Meet residency requirements by meeting the requirements to be
11 classified as a legal resident of North Carolina as established by the
12 program regulations promulgated by the State Education Assistance
13 Authority which shall be based upon the requirements for being
14 considered a resident for tuition purposes by The University of North
15 Carolina.

16 (2) Meet achievement standards by:

17 a. Having graduated from an eligible high school while meeting
18 the curriculum requirements of his or her program of study in
19 2007 or after and meeting the requirements set out in
20 G.S. 115C-499.5.

21 b. In the case of a student who is otherwise qualified but:

22 1. Did not graduate from high school or complete a home
23 study program meeting the requirements of Part 3 of
24 Article 39 of Chapter 115C of the General Statutes,
25 having received the general educational development
26 (GED) diploma awarded by the North Carolina
27 Community College System after June 30, 2007,
28 provided that such student shall only be eligible for a
29 scholarship pursuant to subsection (e) of this section;

30 2. Completed a home study program meeting the
31 requirements of Part 3 of Article 39 of Chapter 115C of
32 the General Statutes in lieu of graduating from an
33 eligible high school, earning a cumulative grade point
34 average of at least 3.0 at an eligible nonpublic
35 postsecondary institution at the end of the quarter or
36 semester in which the student has attempted 45 quarter
37 hours or 30 semester hours, provided that such student
38 shall be eligible to receive a retroactive scholarship for
39 such student's freshman year to be paid at the end of the
40 freshman year; or

41 3. Graduated from a high school which is not an eligible
42 high school, earning a cumulative grade point average of
43 at least 3.0 at an eligible nonpublic postsecondary
44 institution at the end of the quarter or semester in which

- 1 the student has attempted 45 quarter hours or 30
2 semester hours, provided that such student shall be
3 eligible to receive a retroactive scholarship for such
4 student's freshman year to be paid at the end of the
5 freshman year; and
- 6 (3) Meet enrollment standards by being admitted, enrolled, and classified
7 as an undergraduate student in a matriculated status.
- 8 (b) To be eligible for a scholarship, a sophomore student seeking an associate or
9 baccalaureate degree at an eligible nonpublic postsecondary institution shall:
- 10 (1) Meet residency requirements by meeting the requirements to be
11 classified as a legal resident of North Carolina as established by the
12 program regulations promulgated by the State Education Assistance
13 Authority which shall be based upon the requirements for being
14 considered a resident for tuition purposes by The University of North
15 Carolina.
- 16 (2) Meet achievement standards by meeting the following criteria:
- 17 a. Earning a cumulative grade point average of at least 3.0 at a
18 postsecondary institution:
- 19 1. At the end of the quarter or semester in which the student
20 has attempted 45 quarter hours or 30 semester hours if
21 such student is a full-time student; or
- 22 2. At the end of three consecutive quarters or semesters if
23 such student is a part-time student and has maintained
24 part-time student status for three consecutive quarters or
25 semesters; and
- 26 b. Maintaining satisfactory academic progress in a course of study
27 in accordance with the standards and practices used for federal
28 Title IV programs by the postsecondary institution in which the
29 student is enrolled; and
- 30 (3) Meet enrollment standards by being admitted, enrolled, and classified
31 as an undergraduate student in a matriculated status or, in the case of
32 an otherwise eligible student who is classified as a professional level
33 student rather than an undergraduate student, being accepted into the
34 professional level program of study prior to receiving a baccalaureate
35 degree.
- 36 (c) To be eligible for a scholarship, a junior student seeking a baccalaureate
37 degree at a nonpublic postsecondary institution shall:
- 38 (1) Meet residency requirements by meeting the requirements to be
39 classified as a legal resident of North Carolina as established by the
40 program regulations promulgated by the State Education Assistance
41 Authority which shall be based upon the requirements for being
42 considered a resident for tuition purposes by The University of North
43 Carolina.
- 44 (2) Meet achievement standards by meeting the following criteria:

- 1 a. Earning a cumulative grade point average of at least 3.0 at a
2 postsecondary institution at the end of the quarter or semester in
3 which the student has attempted 90 quarter hours or 60 semester
4 hours; and
- 5 b. Maintaining satisfactory academic progress in a course of study
6 in accordance with the standards and practices used for federal
7 Title IV programs by the postsecondary institution in which the
8 student is enrolled; and
- 9 (3) Meet enrollment standards by being admitted, enrolled, and classified
10 as an undergraduate student in a matriculated status or, in the case of
11 an otherwise eligible student who is classified as a professional level
12 student rather than an undergraduate student, being accepted into the
13 professional level program of study prior to receiving a baccalaureate
14 degree.
- 15 (d) To be eligible for a scholarship, a senior student seeking a baccalaureate
16 degree at a nonpublic postsecondary institution shall:
- 17 (1) Meet residency requirements by meeting the requirements to be
18 classified as a legal resident of North Carolina as established by the
19 program regulations promulgated by the State Education Assistance
20 Authority which shall be based upon the requirements for being
21 considered a resident for tuition purposes by The University of North
22 Carolina.
- 23 (2) Meet achievement standards by meeting the following criteria:
- 24 a. Earning a cumulative grade point average of at least 3.0 at a
25 postsecondary institution at the end of the quarter or semester in
26 which the student has attempted 135 quarter hours or 90
27 semester hours; and
- 28 b. Maintaining satisfactory academic progress in a course of study
29 in accordance with the standards and practices used for federal
30 Title IV programs by the postsecondary institution in which the
31 student is enrolled; and
- 32 (3) Meet enrollment standards by being admitted, enrolled, and classified
33 as an undergraduate student in a matriculated status or, in the case of
34 an otherwise eligible student who is classified as a professional level
35 student rather than an undergraduate student, being accepted into the
36 professional level program of study prior to receiving a baccalaureate
37 degree.
- 38 (e) A full-time student who fails to maintain a cumulative grade point average of
39 at least 3.0 at the end of the quarter or semester in which the student has attempted 45
40 quarter hours or 30 semester hours may attend the next 45 quarter or 30 semester hours
41 without a scholarship.
- 42 (1) An otherwise eligible full-time student who regains a cumulative grade
43 point average of at least 3.0 at the end of a quarter or semester in

1 which the full-time student has attempted 90 or 135 quarter hours or
2 60 or 90 semester hours may requalify for a scholarship.

3 (2) An otherwise eligible part-time student who regains or attains a
4 cumulative grade point average of at least 3.0 at the end of a quarter or
5 semester in which the part-time student has attempted 45, 90, or 135
6 quarter hours or 30, 60, or 90 semester hours may attain or requalify
7 for a scholarship.

8 (3) In addition to other requirements, and regardless of quarter hours or
9 semester hours of coursework attempted, a student who fails to possess
10 a cumulative grade point average of at least 3.0 at the end of each
11 spring quarter or semester or at the end of three consecutive quarters or
12 semesters for a part-time student pursuant to subsection (b)(2) of
13 this section shall be ineligible for a scholarship until such time as the
14 student regains or attains a cumulative grade point average of at least
15 3.0 at one of the 45, 90, or 135 quarter hour grade point average
16 checkpoints or at one of the 30, 60, or 90 semester hour grade point
17 average checkpoints, at which time the student will regain or attain
18 eligibility if other terms and conditions in this section are also
19 satisfied.

20 (f) For students eligible for a scholarship under this section, no minimum
21 number of hours of enrollment is required.

22 (g) Except as set out in subsection (h) of this section, a student may receive the
23 scholarship until the first of these events:

24 (1) The student has earned a baccalaureate degree; or

25 (2) The student has attempted at any postsecondary institution a total of
26 190 quarter hours or 127 semester hours.

27 (h) Notwithstanding subsection (g) of this section, a student enrolled in an
28 undergraduate degree program designed to be more than 190 quarter hours or 127
29 semester hours in length is eligible to receive the scholarship for the lesser of:

30 (1) A total of 225 attempted quarter hours or 150 attempted semester
31 hours; or

32 (2) The number of hours required for graduation if the student has a
33 cumulative grade point average of at least 3.0 after the term in which
34 the student attempted 190 quarter hours or 127 semester hours.

35 (i) Subject to the amount of net income available pursuant to G.S. 143D-119, a
36 scholarship awarded under this section for any academic year shall be in an amount
37 equivalent to tuition and mandatory fees at the University of North Carolina at Chapel
38 Hill for full-time enrollment and half that amount for half-time enrollment and a book
39 allowance not to exceed one hundred dollars (\$100.00) per quarter or one hundred fifty
40 dollars (\$150.00) per semester.

41 **"§ 115C-499.4. Eligibility requirements for a grant at an institution of the North**
42 **Carolina Community College System; limitation on hours eligibility.**

43 (a) To be eligible for a grant, a student seeking a degree or certificate at an
44 institution of the North Carolina Community College System shall:

1 (1) Meet residency requirements by meeting the requirements to be
2 classified as a legal resident of North Carolina as established by the
3 program regulations promulgated by the State Education Assistance
4 Authority which shall be based upon the requirements for being
5 considered a resident for tuition purposes by The University of North
6 Carolina.

7 (2) Meet enrollment standards by being admitted, enrolled, and classified
8 as an undergraduate student in a matriculated status in a program of
9 study leading to a degree or certificate and maintaining satisfactory
10 academic progress in accordance with the standards and practices used
11 for federal Title IV programs by the institution at which the student is
12 enrolled.

13 (b) There is no minimum number of hours of enrollment required for eligibility
14 for a grant under this section.

15 (c) Subject to the provisions of subsection (e) of this section, an eligible student
16 may receive grants for all coursework required by the institution for programs of study
17 leading to a degree or certificate, including remedial or developmental studies.

18 (d) Subject to the amount of net income available pursuant to G.S. 143D-119, a
19 grant awarded under this section shall include tuition, approved mandatory fees, and a
20 book allowance not to exceed one hundred dollars (\$100.00) per quarter or one hundred
21 fifty dollars (\$150.00) per semester.

22 (e) No student may receive grants for more than 95 quarter hours or 63 semester
23 hours of attempted coursework, except as provided for in subsection (f) of this section.
24 No student may receive more than a cumulative total of 190 quarter hours or 127
25 semester hours of combined scholarships and grants, unless in accordance with
26 G.S. 115C-499.2 and G.S. 115C-499.3.

27 (f) A student enrolled in a degree or certificate program designed to be more
28 than 95 quarter hours or 63 semester hours in length is eligible to receive a HOPE grant
29 for the lesser of:

30 (1) A total of 130 attempted quarter hours or 86 attempted semester hours;
31 or

32 (2) The number of hours required for graduation.

33 **"§ 115C-499.5. Uniform reporting system for scholarships and grants.**

34 (a) It is the intent of the General Assembly to establish a uniform reporting
35 system to be used as one of the criteria to determine eligibility of students seeking
36 scholarships or grants pursuant to this Article.

37 (b) Each school system and private school shall adopt the reporting system
38 described in this subsection for purposes of identifying and qualifying graduating
39 seniors for the scholarship and grant programs in this Article:

40 (1) Each school system and private school shall transmit, in a manner and
41 at times prescribed by the State Education Assistance Authority, a
42 transcript of courses and course grades for each graduating senior that
43 reflects the complete high school academic record of the student,
44 including scores on any State tests required for graduation, the grading

1 scales used by the school system or private school for the time periods
2 referenced by the transcripts, and any other pertinent information as
3 determined by the State Education Assistance Authority. Each grade
4 reported by a school system or private school to the Authority for the
5 purpose of calculating the grade point average for scholarship
6 eligibility shall be the actual grade earned by the student, with no
7 weighting or addition of points by the local school system or private
8 school;

9 (2) The State Education Assistance Authority shall calculate a grade point
10 average for the purpose of determining eligibility for the scholarship
11 from these transcripts and shall notify students of their eligibility and
12 high schools as to the eligibility of students;

13 (3) For students otherwise qualified and enrolling as freshmen students in
14 eligible public or nonpublic postsecondary institutions for the first time
15 on May 1, 2007, or thereafter, the State Education Assistance
16 Authority shall calculate grade point averages for determining
17 eligibility for the scholarship as follows:

18 a. For students receiving a college or university preparatory
19 diploma, each grade for a student in attempted coursework in
20 English, mathematics, science, social studies, and foreign
21 language that would, if successfully completed, satisfy a core
22 graduation requirement for the college preparatory curriculum
23 shall be equated to a grade on a 4.0 scale, such that a grade of
24 'A' = 4.0, a grade of 'B' = 3.0, a grade of 'C' = 2.0, a grade of 'D'
25 = 1.0, and a grade of 'F' = 0; or

26 b. For students receiving a career preparatory or college technical
27 preparatory diploma, each grade for a student in attempted
28 coursework in English, mathematics, science, and social studies
29 that would, if successfully completed, satisfy a core graduation
30 requirement for the career/technical curriculum shall be equated
31 to a grade on a 4.0 scale, such that a grade of 'A' = 4.0, a grade
32 of 'B' = 3.0, a grade of 'C' = 2.0, a grade of 'D' = 1.0, and a
33 grade of 'F' = 0. Grades for coursework that is classified as
34 advanced placement or international baccalaureate shall be
35 weighted by the State Education Assistance Authority in
36 calculating the overall grade point averages for students,
37 provided that the weighting of such course grades is uniformly
38 applied to all students in the State taking the specified
39 coursework. The sum of the equated grades shall be divided by
40 the number of course grades, adjusted for term length, to yield a
41 grade point average on a 4.0 scale.

42 (4) Qualification for the scholarship shall be determined from the grade
43 point average calculated as set out in subdivision (3) of this subsection.
44 Students with grade point averages equal to or in excess of 3.0 on the

1 4.0 scale with a college or university preparatory diploma shall meet
2 achievement standards for the scholarship; students receiving a career
3 preparatory or college technical preparatory diploma shall meet
4 achievement standards for the scholarship with a grade point average
5 equal to or in excess of 3.2 on a 4.0 scale.

6 **"§ 115C-499.6. Scholarship amounts dependent on net income available;**
7 **restrictions on increase.**

8 Subject to the maximum amounts provided in this Chapter, the State Education
9 Assistance Authority shall have the power to determine the actual scholarship amounts
10 disbursed to individuals in any given year, based on the amount of net income available
11 pursuant to G.S. 143D-119. If the net income available is not sufficient to fully fund the
12 scholarships to the maximum amount, all scholarships shall be reduced equally so that
13 every eligible applicant that is a full-time student shall receive the same scholarship
14 amount and every eligible applicant that is a half-time student shall receive half that
15 amount.

16 Notwithstanding G.S. 115C-499.2(i), 115C-499.3(i), and 115C-499.4(d), if the net
17 income available is sufficient to fully fund the scholarships, the amount of the
18 individual scholarships shall not be increased more than three percent (3%) above the
19 previous year's scholarship amount. However, the amount may be increased up to ten
20 percent (10%) if the previous year's scholarship amount was more than twenty-five
21 percent (25%) below the maximum allowed by this Article due to insufficient net
22 income available.

23 **"§ 115C-499.7. Reporting requirements.**

24 The State Education Assistance Authority shall report no later than June 1, 2008,
25 and annually thereafter to the Joint Legislative Education Oversight Committee. The
26 report shall contain, for the previous academic year, the amount of scholarship and grant
27 money disbursed, the number of students eligible for the funds, the number of eligible
28 students receiving the funds, and a breakdown of the postsecondary institutions that
29 received the funds."

30 **SECTION 3.** G.S. 116-204 reads as rewritten:

31 **"§ 116-204. Powers of Authority.**

32 The Authority is hereby authorized and empowered:

- 33 (1) To fix and revise from time to time and charge and collect fees for its
- 34 acts and undertakings;
- 35 (2) To establish rules and regulations concerning its acts and undertakings;
- 36 (3) To acquire, hold and dispose of personal property in the exercise of its
- 37 powers and the performance of its duties;
- 38 (4) To make and enter into all contracts and agreements necessary or
- 39 incidental to the performance of its duties and the execution of its
- 40 powers under this Article;
- 41 (5) To employ, in its discretion, consultants, attorneys, accountants, and
- 42 financial experts, superintendents, managers and such other employees
- 43 and agents as may be necessary in its judgment, and to fix their

- 1 compensation to be payable from funds made available to the
2 Authority by law;
- 3 (6) To receive and accept from any federal or private agency, corporation,
4 association or person grants to be expended in accomplishing the
5 objectives of the Authority, and to receive and accept from the State,
6 from any municipality, county or other political subdivision thereof
7 and from any other source aid or contributions of either money,
8 property, or other things of value, to be held, used and applied only for
9 the purposes for which such grants and contributions may be made;
- 10 (7) To sue and to be sued; to have a seal and to alter the same at its
11 pleasure; and to make and from time to time amend and repeal bylaws,
12 rules and regulations not inconsistent with law to carry into effect the
13 powers and purposes of the Authority;
- 14 (8) To do all other acts and things necessary or convenient to carry out the
15 powers expressly granted in this Article; provided, however, that
16 nothing in this Article shall be construed to empower the Authority to
17 engage in the business of banking or insurance.
- 18 (9) To collect loan repayments for loans awarded under the Teaching
19 Fellows Program pursuant to G.S. 115C-363.23A if the loan
20 repayment is outstanding for more than 30 days.
- 21 (10) To collect loan repayments for loans awarded from the Scholarship
22 Loan Fund for Prospective Teachers pursuant to Article 32A of
23 Chapter 115C of the General Statutes if the loan repayment is
24 outstanding for more than 30 days.
- 25 (11) To administer the Lottery Scholarship Fund pursuant to the provisions
26 of Article 35A of Chapter 115C."

27 **SECTION 4.** This act is effective when it becomes law.