

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 493

Short Title: NC Lottery for Education. (Public)

Sponsors: Representatives Holliman; B. Allen, L. Allen, and Dickson.

Referred to: Rules, Calendar, and Operations of the House.

March 7, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE A NORTH CAROLINA LOTTERY FOR EDUCATION.

3 The General Assembly of North Carolina enacts:

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

6 **"Chapter 143D.**

7 **"North Carolina State Lottery for Education.**

8 **"§ 143D-101. Citation.**

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

11 **"§ 143D-102. Purpose and intent.**

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

19 **"§ 143D-103. Laws not affected.**

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

23 **"§ 143D-104. Commission a self-supporting agency.**

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

26 **"§ 143D-105. Public purposes to benefit from lottery.**

27 The net proceeds from the North Carolina State Lottery for Education shall be used
28 to provide scholarships for citizens of this state to attend colleges and universities
29 located within this state. The funds from the North Carolina State Lottery for Education

1 shall supplement and not supplant other State funds appropriated for scholarships and
2 tuition assistance.

3 **"§ 143D-106. Allocation of revenues.**

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

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

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

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

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

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

20 (1) To increase prize payments; or

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

22 **"§ 143D-107. Creation of Commission.**

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

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

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

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

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

43 **"§ 143D-108. Powers and duties of the Commission.**

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

4 **"§ 143D-109. Annual selection of chairman.**

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

7 **"§ 143D-110. Meetings; records.**

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

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

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

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

19 **"§ 143D-111. Quorum; voting.**

20 A majority of the total membership of the Commission constitutes a quorum. All
21 decisions of the Commission shall be made by a majority vote at a meeting at which a
22 quorum is present.

23 **"§ 143D-112. Reports.**

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

29 **"§ 143D-113. Operation of the North Carolina State Lottery for Education.**

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

33 (1) Appointment of a lottery director and other Commission personnel.

34 (2) Contracting with lottery vendors and retailers.

35 (3) Operation of lottery games.

36 (4) Payment of lottery prizes.

37 (5) All other matters for the efficient, effective, and secure operation of
38 the lottery.

39 **"§ 143D-114. North Carolina State Lottery for Education Fund; Lottery**
40 **Scholarship Fund.**

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

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

5 **"§ 143D-115. Types of income to the North Carolina State Lottery for Education**
6 **Fund.**

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

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

12 **"§ 143D-116. Types of disbursements from the North Carolina State Lottery for**
13 **Education Fund.**

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

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

21 **"§ 143D-117. Prize payments of the lottery.**

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

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

29 **"§ 143D-118. Expenses of the lottery.**

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

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

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

4 **"§ 143D-119. Transfer of net revenues.**

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

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

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

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

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

33 **"§ 143D-120. Sales to persons under the age of 18.**

34 (a) No tickets or shares in lottery games shall be sold to persons under the age of
35 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class
36 1 misdemeanor.

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

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

- 42 (1) Shows that the purchaser produced a drivers license, a special
43 identification card issued under G.S. 20-37.7, a military identification
44 card, or a passport, showing his age to be at least the required age for

1 purchase and bearing a physical description of the person named on
2 the card reasonably describing the purchaser.

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

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

8 **"§ 143D-121. Taxes.**

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

11 **"§ 143D-122. Preemption of local regulation.**

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

16 **"§ 143D-123. Lawful activity.**

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

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

24 "Article 35A.

25 College Scholarships and Grants.

26 **"§ 115C-499.1. Definitions.**

27 The following definitions apply to this Article:

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

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

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

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

38 or

39 (b) Located in another state and accredited by one of the following
40 regional agencies:

41 a. The Southern Association of Colleges and Schools;

42 b. The New England Association of Schools and Colleges;

43 c. The Middle States Association of Colleges and Schools;

44 d. The North Central Association of Colleges and Schools;

- 1 e. The Northwestern Association of Schools and Colleges;
2 f. The Western Association of Schools and Colleges;
3 g. The Alabama Independent School Association; or
4 h. The Southern Association of Independent Schools.
- 5 (4) Eligible postsecondary institution. – A school which is:
6 (a) A constituent institution of The University of North Carolina;
7 (b) An institution of the North Carolina Community College
8 System;
9 (c) A nonpublic postsecondary educational institution licensed
10 pursuant to G.S. 116-15.
- 11 (5) Freshman student. – A student at a postsecondary institution who has
12 attempted less than 46 quarter hours or less than 31 semester hours.
- 13 (6) Full-time student. – A matriculated student attending a postsecondary
14 educational institution and enrolled for at least 12 semester hours or
15 the equivalent in any given semester or quarter.
- 16 (7) Grade point average. – The numbered grade average calculated using a
17 4.0 scale.
- 18 (8) Grant. – A grant for education awarded pursuant to G.S. 115C-499.4.
- 19 (9) Half-time student. – A matriculated student attending a postsecondary
20 educational institution and enrolled for six to 11 semester hours or the
21 equivalent in any given semester or quarter.
- 22 (10) Junior student. – A student at a postsecondary institution who has
23 attempted at least 91 quarter hours but less than 136 quarter hours or at
24 least 61 semester hours but less than 91 semester hours.
- 25 (11) Mandatory fees. – Fees that are charged by a postsecondary institution
26 to every student enrolled in that institution, regardless of the student's
27 program of study.
- 28 (12) Matriculated status. – Being recognized as a student in a defined
29 program of study leading to a degree, diploma, or certificate at a
30 postsecondary institution.
- 31 (13) Part-time student. – A matriculated student attending a postsecondary
32 educational institution and enrolled for less than 12 semester hours or
33 the equivalent in any given semester or quarter and who has never
34 been enrolled for 12 or more semester hours or the equivalent in any
35 given semester or quarter.
- 36 (14) Quarter hours. – Each quarter hour attempted, whether remedial or for
37 credit toward a degree, certificate, or diploma.
- 38 (15) Scholarship. – A scholarship for education awarded pursuant to
39 G.S. 115C-499.2 or G.S. 115C-499.3.
- 40 (16) Semester hours. – Each semester hour attempted, whether remedial or
41 for credit toward a degree, certificate, or diploma.
- 42 (17) Senior student. – A student at a postsecondary institution who has
43 attempted at least 136 quarter hours but less than 191 quarter hours or
44 at least 91 semester hours but less than 128 semester hours.

1 (18) Sophomore student. – A student at a postsecondary institution who has
2 attempted at least 46 quarter hours but less than 91 quarter hours or at
3 least 31 semester hours but less than 61 semester hours.

4 (19) Title IV. – Title IV of the Higher Education Act of 1965, as amended,
5 20 U.S.C § 1070, et seq.

6 "**§ 115C-499.2. Eligibility requirements for a scholarship at a constituent**
7 **institution of The University of North Carolina; scholarship amount.**

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

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

17 (2) Meet achievement standards by:

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

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

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

31 2. Completed a home study program meeting the
32 requirements of Part 3 of Article 39 of Chapter 115C of
33 the General Statutes in lieu of graduating from an
34 eligible high school, earning a cumulative grade point
35 average of at least 3.0 at a constituent institution of The
36 University of North Carolina at the end of the quarter or
37 semester in which the student has attempted 45 quarter
38 hours or 30 semester hours, provided that such student
39 shall be eligible to receive a retroactive scholarship for
40 such student's freshman year to be paid at the end of the
41 freshman year; or 3. Graduated from a high school which
42 is not an eligible high school, earning a cumulative grade
43 point average of at least 3.0 at a constituent institution of
44 The University of North Carolina at the end of the

- 1 (2) Meet achievement standards by meeting the following criteria:
2 a. Earning a cumulative grade point average of at least 3.0 at a
3 postsecondary institution at the end of the quarter or semester in
4 which the student has attempted 90 quarter hours or 60 semester
5 hours; and
6 b. Maintaining satisfactory academic progress in a course of study
7 in accordance with the standards and practices used for federal
8 Title IV programs by the postsecondary institution in which the
9 student is enrolled; and
- 10 (3) Meet enrollment standards by being admitted, enrolled, and classified
11 as an undergraduate student in a matriculated status or, in the case of
12 an otherwise eligible student who is classified as a professional level
13 student rather than an undergraduate student, being accepted into the
14 professional level program of study prior to receiving a baccalaureate
15 degree.
- 16 (d) To be eligible for a scholarship, a senior student seeking a baccalaureate
17 degree at a constituent institution of The University of North 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 meeting the following criteria:
25 a. Earning a cumulative grade point average of at least 3.0 at a
26 postsecondary institution at the end of the quarter or semester in
27 which the student has attempted 135 quarter hours or 90
28 semester hours; and
29 b. Maintaining satisfactory academic progress in a course of study
30 in accordance with the standards and practices used for federal
31 Title IV programs by the postsecondary institution in which the
32 student is enrolled; and
- 33 (3) Meet enrollment standards by being admitted, enrolled, and classified
34 as an undergraduate student in a matriculated status or, in the case of
35 an otherwise eligible student who is classified as a professional level
36 student rather than an undergraduate student, being accepted into the
37 professional level program of study prior to receiving a baccalaureate
38 degree.
- 39 (e) A full-time student who fails to maintain a cumulative grade point average of
40 at least 3.0 at the end of the quarter or semester in which the student has attempted 45
41 quarter hours or 30 semester hours may attend the next 45 quarter or 30 semester hours
42 without a scholarship.
- 43 (1) An otherwise eligible full-time student who regains a cumulative grade
44 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 subdivision (2) of
13 subsection (b) of this section shall be ineligible for a scholarship until
14 such time as the student regains or attains a cumulative grade point
15 average of at least 3.0 at one of the 45, 90, or 135 quarter hour grade
16 point average checkpoints or at one of the 30, 60, or 90 semester hour
17 grade point average checkpoints, at which time the student will regain
18 or attain 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 a. A total of 225 attempted quarter hours or 150 attempted
31 semester hours; or

32 b. 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
34 which the student attempted 190 quarter hours or 127 semester
35 hours.

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

40 "**§ 115C-499.3. Eligibility requirements for a scholarship at a nonpublic**
41 **postsecondary institution; scholarship amount.**

42 (a) To be eligible for a scholarship, an entering freshman student seeking an
43 associate or baccalaureate degree at an eligible nonpublic postsecondary institution
44 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 achievement standards by:
- 8 a. Having graduated from an eligible high school while meeting
9 the curriculum requirements of his or her program of study in
10 2007 or after and meeting the requirements set out in
11 G.S. 115C-499.5.
- 12 b. In the case of a student who is otherwise qualified but:
- 13 1. Did not graduate from high school or complete a home
14 study program meeting the requirements of Part 3 of
15 Article 39 of Chapter 115C of the General Statutes,
16 having received the general educational development
17 (GED) diploma awarded by the North Carolina
18 Community College System after June 30, 2007,
19 provided that such student shall only be eligible for a
20 scholarship pursuant to subsection (e) of this section;
- 21 2. Completed a home study program meeting the
22 requirements of Part 3 of Article 39 of Chapter 115C of
23 the General Statutes in lieu of graduating from an
24 eligible high school, earning a cumulative grade point
25 average of at least 3.0 at an eligible nonpublic
26 postsecondary institution at the end of the quarter or
27 semester in which the student has attempted 45 quarter
28 hours or 30 semester hours, provided that such student
29 shall be eligible to receive a retroactive scholarship for
30 such student's freshman year to be paid at the end of the
31 freshman year; or
- 32 3. Graduated from a high school which is not an eligible
33 high school, earning a cumulative grade point average of
34 at least 3.0 at an eligible nonpublic postsecondary
35 institution at the end of the quarter or semester in which
36 the student has attempted 45 quarter hours or 30
37 semester hours, provided that such student shall be
38 eligible to receive a retroactive scholarship for such
39 student's freshman year to be paid at the end of the
40 freshman year; and
- 41 (3) Meet enrollment standards by being admitted, enrolled, and classified
42 as an undergraduate student in a matriculated status.
- 43 (b) To be eligible for a scholarship, a sophomore student seeking an associate or
44 baccalaureate degree at an eligible nonpublic postsecondary institution 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 achievement standards by meeting the following criteria:
8 a. Earning a cumulative grade point average of at least 3.0 at a
9 postsecondary institution:
10 1. At the end of the quarter or semester in which the student
11 has attempted 45 quarter hours or 30 semester hours if
12 such student is a full-time student; or
13 2. At the end of three consecutive quarters or semesters if
14 such student is a part-time student and has maintained
15 part-time student status for three consecutive quarters or
16 semesters; and
17 b. Maintaining satisfactory academic progress in a course of study
18 in accordance with the standards and practices used for federal
19 Title IV programs by the postsecondary institution in which the
20 student is enrolled; and
- 21 (3) Meet enrollment standards by being admitted, enrolled, and classified
22 as an undergraduate student in a matriculated status or, in the case of
23 an otherwise eligible student who is classified as a professional level
24 student rather than an undergraduate student, being accepted into the
25 professional level program of study prior to receiving a baccalaureate
26 degree.
- 27 (c) To be eligible for a scholarship, a junior student seeking a baccalaureate
28 degree at a nonpublic postsecondary institution shall:
- 29 (1) Meet residency requirements by meeting the requirements to be
30 classified as a legal resident of North Carolina as established by the
31 program regulations promulgated by the State Education Assistance
32 Authority which shall be based upon the requirements for being
33 considered a resident for tuition purposes by The University of North
34 Carolina.
- 35 (2) Meet achievement standards by meeting the following criteria:
36 a. Earning a cumulative grade point average of at least 3.0 at a
37 postsecondary institution at the end of the quarter or semester in
38 which the student has attempted 90 quarter hours or 60 semester
39 hours; and
40 b. Maintaining satisfactory academic progress in a course of study
41 in accordance with the standards and practices used for federal
42 Title IV programs by the postsecondary institution in which the
43 student is enrolled; and

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

1 a cumulative grade point average of at least 3.0 at the end of each
2 spring quarter or semester or at the end of three consecutive quarters or
3 semesters for a part-time student pursuant to subsection (b)(2) of
4 this section shall be ineligible for a scholarship until such time as the
5 student regains or attains a cumulative grade point average of at least
6 3.0 at one of the 45, 90, or 135 quarter hour grade point average
7 checkpoints or at one of the 30, 60, or 90 semester hour grade point
8 average checkpoints, at which time the student will regain or attain
9 eligibility if other terms and conditions in this section are also
10 satisfied.

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

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

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

16 (2) The student has attempted at any postsecondary institution a total of
17 190 quarter hours or 127 semester hours.

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

21 (1) A total of 225 attempted quarter hours or 150 attempted semester
22 hours; or

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

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

32 **"§ 115C-499.4. Eligibility requirements for a grant at an institution of the North**
33 **Carolina Community College System; limitation on hours eligibility.**

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

36 (1) Meet residency requirements by meeting the requirements to be
37 classified as a legal resident of North Carolina as established by the
38 program regulations promulgated by the State Education Assistance
39 Authority which shall be based upon the requirements for being
40 considered a resident for tuition purposes by The University of North
41 Carolina.

42 (2) Meet enrollment standards by being admitted, enrolled, and classified
43 as an undergraduate student in a matriculated status in a program of
44 study leading to a degree or certificate and maintaining satisfactory

1 academic progress in accordance with the standards and practices used
2 for federal Title IV programs by the institution at which the student is
3 enrolled.

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

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

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

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

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

21 (1) A total of 130 attempted quarter hours or 86 attempted semester hours;
22 or

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

24 **"§ 115C-499.5. Uniform reporting system for scholarships and grants.**

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

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

31 (1) Each school system and private school shall transmit, in a manner and
32 at times prescribed by the State Education Assistance Authority, a
33 transcript of courses and course grades for each graduating senior that
34 reflects the complete high school academic record of the student,
35 including scores on any State tests required for graduation, the grading
36 scales used by the school system or private school for the time periods
37 referenced by the transcripts, and any other pertinent information as
38 determined by the State Education Assistance Authority. Each grade
39 reported by a school system or private school to the Authority for the
40 purpose of calculating the grade point average for scholarship
41 eligibility shall be the actual grade earned by the student, with no
42 weighting or addition of points by the local school system or private
43 school;

- 1 (2) The State Education Assistance Authority shall calculate a grade point
2 average for the purpose of determining eligibility for the scholarship
3 from these transcripts and shall notify students of their eligibility and
4 high schools as to the eligibility of students;
- 5 (3) For students otherwise qualified and enrolling as freshmen students in
6 eligible public or nonpublic postsecondary institutions for the first time
7 on May 1, 2007, or thereafter, the State Education Assistance
8 Authority shall calculate grade point averages for determining
9 eligibility for the scholarship as follows:
- 10 a. For students receiving a college or university preparatory
11 diploma, each grade for a student in attempted coursework in
12 English, mathematics, science, social studies, and foreign
13 language that would, if successfully completed, satisfy a core
14 graduation requirement for the college preparatory curriculum
15 shall be equated to a grade on a 4.0 scale, such that a grade of
16 'A' = 4.0, a grade of 'B' = 3.0, a grade of 'C' = 2.0, a grade of 'D'
17 = 1.0, and a grade of 'F' = 0; or
- 18 b. For students receiving a career preparatory or college technical
19 preparatory diploma, each grade for a student in attempted
20 coursework in English, mathematics, science, and social studies
21 that would, if successfully completed, satisfy a core graduation
22 requirement for the career/technical curriculum shall be equated
23 to a grade on a 4.0 scale, such that a grade of 'A' = 4.0, a grade
24 of 'B' = 3.0, a grade of 'C' = 2.0, a grade of 'D' = 1.0, and a
25 grade of 'F' = 0. Grades for coursework that is classified as
26 advanced placement or international baccalaureate shall be
27 weighted by the State Education Assistance Authority in
28 calculating the overall grade point averages for students,
29 provided that the weighting of such course grades is uniformly
30 applied to all students in the State taking the specified
31 coursework. The sum of the equated grades shall be divided by
32 the number of course grades, adjusted for term length, to yield a
33 grade point average on a 4.0 scale.
- 34 (4) Qualification for the scholarship shall be determined from the grade
35 point average calculated as set out in subdivision (3) of this subsection.
36 Students with grade point averages equal to or in excess of 3.0 on the
37 4.0 scale with a college or university preparatory diploma shall meet
38 achievement standards for the scholarship; students receiving a career
39 preparatory or college technical preparatory diploma shall meet
40 achievement standards for the scholarship with a grade point average
41 equal to or in excess of 3.2 on a 4.0 scale.

42 **§ 115C-499.6. Scholarship amounts dependent on net income available;**
43 **restrictions on increase.**

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

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

16 **"§ 115C-499.7. Reporting requirements.**

17 The State Education Assistance Authority shall report no later than June 1, 2008,
18 and annually thereafter to the Joint Legislative Education Oversight Committee. The
19 report shall contain, for the previous academic year, the amount of scholarship and grant
20 money disbursed, the number of students eligible for the funds, the number of eligible
21 students receiving the funds, and a breakdown of the postsecondary institutions that
22 received the funds."

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

24 **"§ 116-204. Powers of Authority.**

25 The Authority is hereby authorized and empowered:

- 26 (1) To fix and revise from time to time and charge and collect fees for its
27 acts and undertakings;
- 28 (2) To establish rules and regulations concerning its acts and undertakings;
- 29 (3) To acquire, hold and dispose of personal property in the exercise of its
30 powers and the performance of its duties;
- 31 (4) To make and enter into all contracts and agreements necessary or
32 incidental to the performance of its duties and the execution of its
33 powers under this Article;
- 34 (5) To employ, in its discretion, consultants, attorneys, accountants, and
35 financial experts, superintendents, managers and such other employees
36 and agents as may be necessary in its judgment, and to fix their
37 compensation to be payable from funds made available to the
38 Authority by law;
- 39 (6) To receive and accept from any federal or private agency, corporation,
40 association or person grants to be expended in accomplishing the
41 objectives of the Authority, and to receive and accept from the State,
42 from any municipality, county or other political subdivision thereof
43 and from any other source aid or contributions of either money,

- 1 property, or other things of value, to be held, used and applied only for
2 the purposes for which such grants and contributions may be made;
- 3 (7) To sue and to be sued; to have a seal and to alter the same at its
4 pleasure; and to make and from time to time amend and repeal bylaws,
5 rules and regulations not inconsistent with law to carry into effect the
6 powers and purposes of the Authority;
- 7 (8) To do all other acts and things necessary or convenient to carry out the
8 powers expressly granted in this Article; provided, however, that
9 nothing in this Article shall be construed to empower the Authority to
10 engage in the business of banking or insurance.
- 11 (9) To collect loan repayments for loans awarded under the Teaching
12 Fellows Program pursuant to G.S. 115C-363.23A if the loan
13 repayment is outstanding for more than 30 days.
- 14 (10) To collect loan repayments for loans awarded from the Scholarship
15 Loan Fund for Prospective Teachers pursuant to Article 32A of
16 Chapter 115C of the General Statutes if the loan repayment is
17 outstanding for more than 30 days.
- 18 (11) To administer the Lottery Scholarship Fund pursuant to the provisions
19 of Article 35A of Chapter 115C."

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