



RULES GOVERNING THE STATE CONTRACTUAL SCHOLARSHIP FUND

**A Program of the State of North Carolina
Administered by the State Education Assistance Authority
10 Alexander Drive, PO Box 13663
Research Triangle Park, NC 27709-3663**

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CHAPTER 1

SHORT TITLE, PURPOSE AND DEFINITIONS

.0100. Short Title. The Rules Governing the State Contractual Scholarship Fund may hereinafter be cited as the “Program Rules.”

.0101. The Program and its Purpose. The State Contractual Scholarship Fund program was created by the 1971 General Assembly to provide financial assistance to needy North Carolina resident students attending eligible nonprofit private colleges and institutions located within North Carolina. The Authority administers the Program as directed by the General Assembly. Each Approved Institution also plays a role in administering the Program for the Eligible Students and Licensure Students that it enrolls. Funds for the Program are contingent each year upon appropriations made available to the Authority by the General Assembly.

.0102. Definitions. Unless the context clearly indicates some other meaning, the following capitalized words and phrases shall have the corresponding meanings in the Program Rules:

- (a) “Academic Year” means a combination of School Terms, beginning with the fall School Term and concluding with the summer School Term of any year.
- (b) “Act” means Sections 116-19 through 116-22 of the North Carolina General Statutes and any revision or extension thereof, and any subsequent budget or appropriations act affecting the Program.
- (c) “Approved Institution” means a nonprofit, tax-exempt educational institution with its main permanent campus located in the State that:
 - i. is not owned or operated by the State;
 - ii. is accredited by the Southern Association of Colleges and Schools or the New England Association of Schools and Colleges;
 - iii. is not a seminary, Bible school, Bible college or similar religious institution; and
 - iv. has executed a Participation Agreement.
- (d) “Audit Compliance Supplement” means the standards of compliance and audit procedures to give direction to independent auditors in identifying program compliance requirements.

- (e) “Authority” means the State Education Assistance Authority, a political subdivision of the State, created under Article 23 of Chapter 116 of the North Carolina General Statutes.
- (f) “Authorized School Official” means the person who is designated by the chief executive officer of the Approved Institution to administer the Program for the Approved Institution.
- (g) “Eligible Student” means a person who is enrolled in an Approved Institution on a part-time or full-time basis and qualifies as a North Carolina resident for tuition purposes under G.S. §§ 116-143.1 or 116-143.3 and the Residence Manual.
- (h) “Federal Methodology” (FM) means an eligibility formula, mandated by federal statute, which determines the student’s and his or her family’s expected family contribution for postsecondary educational costs.
- (i) “Fiscal Year” means each annual period which begins on July 1 in any calendar year and ends on June 30 in the following calendar year.
- (j) “Full-Time Equivalent Student” (FTE) means the unit for measuring full-time equivalent enrollment of Eligible Students and Licensure Students at an Approved Institution on the basis of credit hours for which students are enrolled and registered, pursuant to the formulas given below:
 - i. 12 or more credit hours = 1 FTE
 - ii. 9 but less than 12 credit hours = $\frac{3}{4}$ FTE
 - iii. 6 but less than 9 credit hours = $\frac{1}{2}$ FTE
 - iv. less than 6 credit hours = $\frac{1}{4}$ FTE
- (k) “Institutional Methodology” (IM) means a need-analysis formula developed by College Scholarship Service of the College Board that determines the student’s and his or her family’s capacity to pay for postsecondary education each year.
- (l) “Licensure Student” means a person who has a bachelor’s degree, is enrolled in an Approved Institution in a program the completion of which will result in licensure as a teacher or a nurse, is enrolled in an undergraduate class and qualifies as a North Carolina resident for tuition purposes under G.S. §§ 116-143.1 or 116-143.3 and the Residence Manual.
- (m) “Matriculated Status” means an institutionally recognized first-time candidate for either an associate or baccalaureate degree.
- (n) “Military Selective Service Act” means Appendix § 453 of Title 50 of the United States Code.

- (o) “Needy Student” means an Eligible Student and a Licensure Student who has financial need as determined by the Approved Institution under the IM or under the FM.
- (p) “Off-Campus Degree Program” means a program offered for degree credit by an Approved Institution at a site located in North Carolina away from the Approved Institution’s main permanent campus.
- (q) “Participation Agreement” means the agreement by which an Approved Institution agrees to administer the Program in compliance with the Act and the Program Rules on behalf of the Eligible Students and Licensure Students at the Approved Institution who qualify for the Scholarship.
- (r) “Program” means the State Contractual Scholarship Fund Program.
- (s) “Residence Manual” means the most current edition of *A Manual to Assist the Public Higher Education Institutions of North Carolina in the Matter of Student Residence Classification for Tuition Purpose* as adopted from time to time by the Board of Governors of The University of North Carolina.
- (t) “Satisfactory Academic Progress” means the standard or standards by which an Approved Institution measures a student’s academic progress toward completion of the program in which the Student is enrolled.
- (u) “Scholarship” means funds awarded from the State Contractual Scholarship Fund.
- (v) “School Term” means either the fall or subsequent semester, or an equivalent term during which the Approved Institution regularly provides instruction to students, including any term during the summer.
- (w) “State” means the State of North Carolina.
- (x) “State Auditor” means the Office of the Auditor of the State of North Carolina.

CHAPTER 2

REQUIREMENTS FOR ELIGIBLE STUDENTS AND LICENSURE STUDENTS TO RECEIVE SCHOLARSHIPS

.0200. General Rule.

(a) *Eligible Students.* An Eligible Student qualifies to receive a Scholarship for a School Term if the Approved Institution determines that the student:

- i. is in Matriculated Status;
- ii. is enrolled in an undergraduate program of an Approved Institution other than
 - (A) any program the institutionally planned objective of which is the attainment of a degree in theology, divinity, or religious education; or
 - (B) any other program that is designed by the institution primarily for career preparation in a religious vocation;
- iii. is a Needy Student;
- iv. is making Satisfactory Academic Progress;
- v. has complied with the registration requirements of the Military Selective Service Act or is exempt from the registration requirements;
- vi. is not in default, or does not owe a refund, under any federal or State loan or grant program; and
- vii. is certified by the Approved Institution as eligible to receive a Scholarship.

(b) *Licensure Students.* A Licensure Student qualifies to receive a Scholarship for undergraduate courses for a School Term if, on the Certification Date for that School Term, the student:

- i. has a bachelor's degree;
- ii. is enrolled in an Approved Institution on a full-time or part-time basis;
- iii. is enrolled in a program leading to licensure as a teacher or a nurse;
- iv. is a Needy Student;
- v. is making Satisfactory Academic Progress;
- vi. has complied with the registration requirements of the Military Service Act or is exempt from the registration requirements;
- vii. is not in default, or does not owe a refund, under any federal or State loan or grant program; and
- viii. is certified by the Approved Institution as eligible to receive a Scholarship.

.0201. Students Enrolled in Off-Campus Programs. An Eligible Student or a Licensure Student enrolled in an Off-Campus Degree Program offered by an Approved Institution may receive a Scholarship, provided that the Eligible Student or Licensure Student meets the requirements of Section .0200 and:

- (a) the Off-Campus Degree Program was established by the Approved Institution prior to May 14, 1987; or
- (b) the president of the Approved Institution certifies to the Authority, in a manner acceptable to the Authority, the following:
 - i. that the Approved Institution has previously notified and secured an agreement to offer the Off-Campus Degree Program from all other private institutions operating degree programs whose main permanent campus in the county where the Off-Campus Degree Program is located and in counties adjacent to that county; or
 - ii. the Off-Campus Degree Program is neither available nor planned by another private institution whose main permanent campus in the county where the Off-Campus Degree Program is located or in a county adjacent to that county.

.0202. Military Eligibility. Any member of the armed services as defined in G.S. § 116-143.3(a), who is living in the State incident to active military duty but does not qualify as a resident for tuition purposes under G.S. § 116-143.1, shall be eligible to receive a Scholarship provided that the applicant otherwise meets the requirements of Section .0200 of the Program Rules.

CHAPTER 3

INSTITUTIONAL REQUIREMENTS; APPLICATION, CERTIFICATION AND REFUND PROCEDURES

.0300. Participation Agreement Required. To participate in the Program, an Approved Institution shall sign a Participation Agreement with the Authority. Each Participation Agreement between the Authority and an Approved Institution shall remain in effect until it is terminated pursuant to the terms of the Agreement.

0301. Computation of FTE, Certification of Enrollment and Allocation of Program Funds.

- (a) *Computation of FTE Total.* To compute the number of FTE at an Approved Institution, the Approved Institution shall count only the hours of instruction taught directly by the Approved Institution unless otherwise directed by the Authority. The Approved Institution shall include both full-time and part-time Eligible Students and Licensure Students in order to derive its FTE total as of October 1 of each Academic Year.
- (b) *Submission of Invoice and FTE Enrollment Roster.* Each Approved Institution shall submit a certified invoice and enrollment roster of its FTE as of October 1 each Academic Year. The certified invoice and roster shall contain the required data elements and be submitted in a format acceptable to the Authority no later than October 20 of each Academic Year.
- (c) *Allocation of Program Funds to Each Approved Institution.* The total amount of funds allocated to each Approved Institution for a Fiscal Year shall be based on the appropriations made available to the Program and the FTE maximum established by the General Assembly. Each Approved Institution shall receive an appropriation equal to its FTE enrollment, as certified as of October 1 of each Academic Year, multiplied by the legislative-approved maximum for the Fiscal Year. If funds are not sufficient to pay each Approved Institution the maximum authorized allocation, a uniform pro rata reduction may be applied to all Approved Institutions. No disbursement of Program funds to any Approved Institution shall occur until after the Authority determines that the Program appropriation is sufficient to disburse the maximum approved award to each Approved Institution for the current Academic Year. The amount of each disbursement of Program funds shall be rounded to the nearest whole dollar.

- (d) *Effect of Tardy Submission of Invoice and Roster.* Approved Institutions that fail to submit their certified invoices and enrollment rosters by the October 20 deadline may create an unforeseen shortfall after the determination by the Authority that the Program appropriation is sufficient for disbursement of funds to the Approved Institutions. Only the Approved Institutions contributing to the unforeseen shortfall by their tardy submissions shall be subject to a pro rata reduction in their allocation.
- (e) *Method and Finality of Disbursement.* The Authority shall disburse the aggregate amount of Program funds due an Approved Institution for a Fiscal Year by a single payment. Once the Authority disburses funds to an Approved Institution based on its certified invoice and roster, the disbursement is deemed final, subject only to a finding by the Authority or by an auditor that the disbursement was made in violation of the Program Rules.

.0302. Institutional Method for Handling Program Funds. Immediately upon receipt of Program funds from the Authority, each Approved Institution shall deposit the Program funds into a separate account identified as the "State Contractual Scholarship Fund" within the Approved Institution's accounting system. An award to each Eligible Student and Licensure Student who qualifies for a Scholarship under the Program Rules shall be made by a debit against the State Contractual Scholarship Fund and a credit to the Eligible Student's or the Licensure Student's account at the Approved Institution. The Approved Institution shall notify each Eligible Student or Licensure Student in writing of the source and amount of the Scholarship award.

.0303. Application Procedures and Certification of Recipients.

- (a) *Requirements for Scholarship Applications.* In order to qualify for a Scholarship, an applicant shall complete the Free Application for Federal Student Aid, the CSS PROFILE, or a comparable need analysis form as required by the Approved Institution. The Approved Institution shall determine whether the applicant is a Needy Student, employing its institutional aid policy in conjunction with the IM or with the FM, and shall collect from the applicant sufficient information to determine the applicant's eligibility for a Scholarship under Section .0200 of the Program Rules.

- (b) *Number of School Terms Covered by the Program.* An Eligible Student or a Licensure Student may receive a Scholarship for one or more School Terms, provided that the award is made during the same Academic Year and does not exceed the Eligible Student's or the Licensure Student's demonstrated need as determined by the Approved Institution.
- (c) *Designation and Role of Authorized School Official.* The Authorized School Official shall maintain institutional records and perform such acts as may be necessary for the Approved Institution to comply with the Program Rules.
- (d) *Denial of Scholarship Applications.* If an Approved Institution determines that an Eligible Student or a Licensure Student is no longer eligible to receive a Scholarship, the Authorized School Official shall notify the Eligible Student or Licensure Student of the determination in writing. The Approved Institution is not required to notify the Authority of the determination or any application denials. In such cases, the decision of the Approved Institution shall be final.
- (e) *Certification of Scholarship Recipients.* The Authorized School Official at each Approved Institution shall certify each Scholarship recipient as eligible for the Program. The certification and a supporting roster of Eligible Students and Licensure Students shall be submitted to the Authority, in a format acceptable to the Authority, no later than August 1. If an Approved Institution fails to meet this certification deadline, the Authority may delay disbursement of Program funds for the following Academic Year.

.0304. Audit Requirements for Approved Institutions.

- (a) Each Approved Institution shall be subject to examination by the State Auditor and any other audit process designated by the Authority to determine the following:
 - i. whether the Approved Institution properly certified enrollment of its FTE;
 - ii. whether the Approved Institution properly certified the eligibility of Scholarship recipients in accordance with the Program Rules; and
 - iii. whether the Approved Institution properly credited Scholarships on behalf of the Eligible Students and Licensure Students receiving Scholarships as required by the Program Rules.

- (b) Each audit shall conform to the audit requirements set forth in the Audit Compliance Supplement.
- (c) Each Approved Institution shall provide the Authority with a copy of its annual independent audit report, including cover letters and all pertinent documents, within nine months of the end of the Approved Institution's Fiscal Year. If the audit report for any Approved Institution documents significant findings regarding the Approved Institution's administration of the Program, and the Approved Institution does not, in the opinion of the Authority, take immediate action to rectify those findings, the Authority may withhold Program funds from that Approved Institution for the next Fiscal Year and until the findings are resolved.
- (d) The purpose of the audit required by this Section .0304 is to assess each Approved Institution's capability to administer the Program for the benefit of its Eligible Students and Licensure Students who qualify for Scholarships under the Program Rules. Nothing in the Program Rules shall be construed to interfere with the autonomy of an Approved Institution to determine admissibility of students, to control its own curriculum, philosophy and purpose, or to administer any of its other programs.

.0305. Inspection of Records. Each Approved Institution shall make all Program records available to the Authority and the State Auditor for inspection upon request. All Program records must be retained by the Approved Institution for a period of five years from the close of the grant or until all audit exceptions have been resolved, whichever is longer.

.0306. Authority's Reliance Upon the Certification of the Approved Institution. For disbursement of Program funds and other purposes as may be required, the Authority shall rely on the certifications of the Authorized School Official submitted in accordance with Chapter 3 of the Program Rules.

.0307. Refund of Scholarship Funds to the Authority.

- (a) *Erroneous FTE Determination by an Approved Institution.* If an Approved Institution errs in determining the total number of FTE enrolled at the Approved Institution as of October 1 of any Academic Year, and the error results in the Approved Institution receiving Program funds in excess of the amount due the Approved Institution based upon the correct FTE calculations,

the Approved Institution shall refund the excess Program funds to the Authority. The excess Program funds shall equal the difference between the erroneous FTE calculation and the corrected calculation multiplied by the amount per FTE provided to the Approved Institution for the corresponding Fiscal Year. The refund shall be made to the Authority within thirty (30) days of the determination.

- (b) *Scholarship Funds Not Expended Due to Student Ineligibility.* If, after October 1, an Eligible Student or a Licensure Student awarded a Scholarship withdraws from the Approved Institution or otherwise becomes ineligible for the Scholarship during the Academic Year for which the Scholarship was awarded, the Approved Institution shall refund the amount of the Scholarship to the Approved Institution's State Contractual Scholarship Fund account and award the refunded amount to another Eligible Student or Licensure Student.
- (c) *Scholarship Funds Not Expended Prior to the End of the Fiscal Year.* Any Program funds not disbursed to an Eligible Student or a Licensure Student by an Approved Institution for the Program by the close of the Fiscal Year shall be returned to the Authority by the Approved Institution within thirty (30) days of the end of the Fiscal Year.
- (d) *Effect of Delay in Remitting Refunds.* The Authority shall withhold disbursement of Program funds to an Approved Institution for a subsequent Fiscal Year if the Approved Institution does not remit a refund as required by this Section .0307.

CHAPTER 4

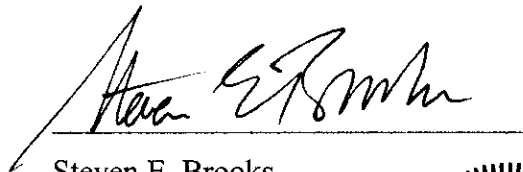
INTERPRETIVE GUIDANCE AND ADJUDICATION OF DISPUTES

.0400. Interpretive Guidance. The Authority may issue guidance for interpreting the Program Rules in the form of policy memoranda or questions and answers. The Authority shall distribute interpretive guidance to all Approved Institutions. All interpretive guidance shall have the force and effect of the Program Rules.

.0401. Adjudication of Disputes. Any disagreement between or among Approved Institutions pertaining to eligibility of an Off-Campus Degree Program shall be resolved through the adjudication process of Board of North Carolina Independent Colleges and Universities (NCICU). The Authority may request certification from the president of NCICU with regard to the resolution or settlement of any such dispute prior to disbursing Scholarships to an Approved Institution.

I, Steven E. Brooks, Executive Director and Secretary of the Board of Directors of the Authority, DO HEREBY CERTIFY that the foregoing is a true and exact copy of the Rules Governing the State Contractual Scholarship Fund as adopted by the Board of Directors of the Authority, and as approved as final pursuant to the authority delegated to me; these Rules are in full force and effect and have not been amended or rescinded.

WITNESS my hand and seal of the Authority, this the 16th day of February, 2007



Steven E. Brooks
Executive Director

