

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 1140 (Second Edition)

SHORT TITLE: Educ. Assistance for Minimum Wage Workers.

SPONSOR(S): Representatives Johnson, Blackwood, Pierce, and Wilkins

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES:					
State Lottery Fund			No Fiscal Impact		
EXPENDITURES:					
State Lottery Fund			No Fiscal Impact		
SEAA (various funds)			See Assumptions and Methodology		
ESC (various funds)			See Assumptions and Methodology		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
North Carolina State Education Assistance Authority (SEAA); Employment Security Commission (ESC)					
EFFECTIVE DATE: This act is effective when it becomes law. The first scholarships shall be awarded pursuant to this act for the 2010-2011 academic year.					

BILL SUMMARY:

The bill provides scholarships for state residents who have worked full time for at least 18 consecutive months in minimum wage jobs and are enrolled in a basic skills program at a community college or as an undergraduate student at an eligible postsecondary institution. The scholarship amount is \$11,000 per year maximum for students enrolled in basic skills programs and a \$12,500 per year maximum for Pell-Grant eligible students. The bill designates scholarships for minimum wage workers as a priority for 5% to 10% of the state lottery proceeds dedicated to college scholarships (percentage amount is based on the number of eligible applicants). HB 1140 requires that funds be committed to scholarships for minimum wage workers annually by September 1 and permits remaining funds to be used for other scholarships. The bill gives priority for scholarships to minimum wage workers if funds are not adequate to fully fund all scholarships.

BACKGROUND:

The North Carolina Education Lottery Scholarship receives 10% of the proceeds distributed each year from the North Carolina State Lottery Fund for educational purposes. This scholarship is for

public and private college students whose annual expected family contribution (EFC) is less than \$5,000. The scholarship amount ranges from \$100 to \$2,500 based on need determined by the FAFSA form filed by students seeking student aid. FY 2007-08 was the first year the scholarship was offered. The distribution of Lottery Scholarship funds in FY 2008-09 is as follows:

	# of students	Amount Awarded	Average Award
UNC system	12,443	\$15,618,430	\$1,255
Comm. Colleges	14,610	\$14,046,631	\$961
Private Colleges	3,704	\$4,295,341	\$1,160
Total	30,757	\$33,960,402	\$1,104

ASSUMPTIONS AND METHODOLOGY:

The proposed bill has no fiscal impact on the State Lottery Fund since it redistributes allotted scholarship funds. In FY 2010-11, the first year of the scholarships awarded under this bill, there will be an estimated \$36.25 million available for all Lottery scholarships. HB 1140 will allocate 5% or \$1.8 million of this amount to scholarships for minimum wage workers. Up to 10% of the Lottery Scholarship amount can be allocated to minimum wage workers in future years if there is demand from eligible students.

The new scholarship for minimum wage workers will increase administrative costs to the State Education Assistance Authority (SEAA) and the Employment Security Commission (ESC). The SEAA will have to set up a process with the ESC to confirm scholarship recipients’ period of employment at minimum wage. G.S. 115C-499.4(c) provides SEAA with up to 1.5% of the lottery scholarship funds to administer the current program. Since the number of eligible minimum wage scholarship recipients is unknown at this time, SEAA does not know how much additional manpower will be needed to administer the new scholarship and whether the 1.5% cap is sufficient to handle the new program. Any administrative costs for the minimum wage scholarship not covered by Lottery funds would be borne by the SEAA budget consisting of state and federal funds. As for the ESC, since the bill provides no compensation for the man-hours needed for this new program, ESC will have to absorb the costs in its budget made up of several state and federal funding sources.

SOURCES OF DATA: North Carolina State Education Assistance Authority

TECHNICAL CONSIDERATIONS: None

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