Rules Governing the
Education Lottery Scholarship Program

A Program of the State of North Carolina

Administered by the State Education Assistance Authority

10 Alexander Drive

P. O. Box 13663

Research Triangle Park, NC 27709-3663

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PART 1

SHORT TITLE, SCOPE AND DEFINITIONS

.0100. Short Title. The Rules for Governing the Education Lottery Scholarship program may hereinafter be cited as the "ELS Rules."

.0101. Scope. The Education Lottery Scholarship program was created by the 2005 General Assembly to provide financial assistance to needy North Carolina resident students attending eligible colleges and universities located within the State of North Carolina. As directed by the General Assembly, the State Education Assistance Authority administers the Program pursuant to the Act and the ELS Rules. Each eligible college and university plays a role in administering the Scholarships for the Eligible Students that it enrolls. Funds for the support of the Program are contingent each year upon appropriations made available to the Authority from the proceeds of the North Carolina State Lottery in accordance with G.S. § 18C-164(b)(2).

.0102. Definitions. Unless the context clearly indicates some other meaning, the capitalized words and terms below shall have the following meanings:

(a) "Academic Year" means a period of time in which a student is expected to complete the equivalent of at least two semesters or three quarters of academic work.

(b) "Act" means Section 2 of Chapter 344 of the Session Laws of North Carolina of 2005, being Sections 115C-499.1 through 115C-499.4 of the General Statutes of North Carolina, as existing at the date of adoption of the ELS Rules, or as thereafter amended, and any subsequent budget or appropriations act affecting the Program.

(c) "Approved Institution" means a postsecondary institution as defined in G.S. § 115C-499.1(3) that has executed the ELS Participation Agreement.

(d) "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.

(e) "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.

(f) “Central Processing System” means the United States Department of Education facility that processes FASFA, determines a student's eligibility for aid and conducts a series of quality control and eligibility checks on the application data.

(g) “Cost of Attendance” means a student’s total cost of attending a postsecondary institution as set forth in Section 472 of the Higher Education Act (20 U.S.C. § 1087ll) .

(h) “Eligible Student” means a student who:

(i) is seeking a degree, diploma, or certificate at an Approved Institution on at least a half-time basis, and

(ii) meets all of the requirements to receive a Scholarship under the Act and the ELS Rules.

(i) “Expected Family Contribution” (EFC) means the amount, as calculated under the FM, that a student and the student’s spouse or family are reasonably expected to contribute towards the student’s Cost of Attendance in a Academic Year.

(j) “FAFSA” means the Free Application for Federal Student Aid.

(k) “Federal Need Analysis Methodology” (FM) means the formula, mandated by the Higher Education Act that determines a student’s EFC.

(l) “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.

(m) “Foundation” means College Foundation, Inc., acting as an agent of the Authority.

(n) “Higher Education Act” means Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq.

(o) “Institutional Student Information Record” (ISIR) means the report of student information from the FAFSA that is processed and generated by the Central Processing System and transmitted electronically to the Approved Institution for use in determining the student’s eligibility for financial aid.

(p) “Matriculated Status” means the student is recognized by the Approved Institution as a student in a defined program of study leading to an associate’s degree, baccalaureate degree, diploma, or certificate.

(q) “Needy Student” means a student whose EFC as reported on the ISIR does not exceed five thousand dollars ($5,000) for the Academic Year.

(r) "Participation Agreement" means the agreement, in a form acceptable to the Authority, by which an Approved Institution agrees to administer the Program in compliance with the Act and the ELS Rules on behalf of the Eligible Students at the Approved Institution.

(s) "Payment Schedule" means the schedule determined and published by the Authority, based on funds available for the Program under G.S. § 18C-164(b)(2), that sets forth the amount of Scholarships to be paid to Eligible Students within various EFC ranges.

(t) "Program" means the Education Lottery Scholarship program.

(u) "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 Purposes* as adopted from time to time by the Board of Governors of The University of North Carolina.

(v) "Scholarship" means the scholarship for education awarded to an Eligible Student under the Program.

(w) "State Auditor" means the Office of the Auditor of the State of North Carolina .

PART 2

STUDENT ELIGIBILITY FOR SCHOLARSHIPS

.0200. General Rule. A student is eligible to receive a Scholarship for an Academic Year if the Approved Institution at which the student is enrolled, or admitted for enrollment, determines that the student:

(a) is a Needy Student;

(b) meets all of the eligibility requirements, except the EFC requirement, for the federal Pell Grant under the Higher Education Act and applicable federal regulations;

(c) is a North Carolina resident for tuition purposes under G.S. § 116-143.1 and the Residence Manual;

(d) is in Matriculated Status as an undergraduate student;

(e) has not received the Scholarship for more than the maximum Academic Years established by the Act and the ELS Rules;

(f) has complied with the registration requirements of the Military Selective Service Act or is exempt from the registration requirements; and

(g) is not in default, or does not owe a refund, under any federal or state loan or grant program.

.0201. Satisfactory Academic Progress Requirement. An Eligible Student may receive a Scholarship for the Eligible Student's subsequent Academic Years provided that, for each subsequent Academic Year, the Eligible Student meets the standards by which the Approved Institution measures a student's satisfactory academic progress toward completion of a program of study for the purposes of determining eligibility for federal financial aid under the Higher Education Act.

.0202. Limitation on Eligibility. An Eligible Student may not receive a Scholarship for more than eight semesters or the equivalent thereof.

PART 3

APPROVED INSTITUTIONS; REQUIREMENTS AND PROCEDURES

.0300. Participation Agreement Required. To administer Scholarships on behalf of Eligible Students, an Approved Institution shall enter into a Participation Agreement with the Authority. Each Participation Agreement between the Authority and an Approved Institution, upon proper execution, shall remain in effect until it is terminated pursuant to the terms of the Agreement.

.0301. Scholarship Application Procedures; Determination and Certification of Eligible Students.

(a) *Method of Applying for Scholarships*. In order to qualify for a Scholarship, a student must complete the FAFSA and submit it to the Central Processing System.

(b) *Determination of Eligible Students and Amounts of Scholarships:* The Approved Institution shall employ the Federal Need Analysis Methodology consistent with its institutional aid policy to determine whether or not each student for which it receives an ISIR is eligible for a Scholarship under the ELS Rules. The Approved Institution shall determine eligibility for a Scholarship using the same data elements on the ISIR that it uses to determine EFC for payment of federal financial aid and the Payment Schedule.

(c) *Scholarships within an Academic Year.* An Approved Institution may award a Scholarship to an Eligible Student for each of one or more semesters or quarters, provided that the Eligible Student's total financial aid, including the Scholarship, does not exceed the Eligible Student's Cost of Attendance.

(d) *Denial of Scholarship Applications.* If, after an initial Scholarship award, the Approved Institution determines that a student is not eligible to receive a Scholarship, the Authorized School Official shall notify the student of the determination in writing. The Approved Institution is not required to notify the Authority of the denial.

(e) *Certification of Scholarship Recipients*. Authorized School Official shall certify each Eligible Student and the amount of the Eligible Student's Scholarship, in accordance with the Payment Schedule and in a manner approved by the Authority. Certification via the software provided on the College Foundation of North Carolina website (www.CFNC.org) is approved by the Authority.

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

.0303. Designation and Role of Authorized School Official. The Authorized School Official shall maintain institutional records, consult with Eligible Students about Scholarships and perform such acts as may be necessary for the Approved Institution to comply with the Act and the ELS Rules.

.0304. Audit Requirements for Approved Institutions. Each Approved Institution shall be subject to audit and review by the Authority and the State Auditor to determine if the Approved Institution is complying with the Act and the ELS Rules.

.0305. Inspection of Records. Each Approved Institution shall make all Program records available to the Authority for inspection upon request. All Program records must be retained by the Approved Institution for a period of five years or until such time that the Authority notifies the Approved Institution that it may destroy its Program records, whichever is earlier.

.0306. Authority's Reliance Upon the Certification of the Approved Institution. For disbursement of Scholarships and other purposes, the Authority shall rely on the certifications of the Authorized School Official submitted in accordance with the ELS Rules.

.0307. Refund of Scholarship Funds to the Foundation.
Approved Institutions shall comply with the Authority's policies for return of funds for State-funded grant programs.

PART 4

PROGRAM ADMINISTRATION

.0400. College Foundation, Inc., as Central Administrator. The Foundation, as agent of the Authority, is hereby authorized and directed to develop, adopt, and implement such policies and procedures as may be necessary to assist the Authority in the administration of the Program, in accordance with the Act and the ELS Rules. In the event of any conflict between the Act and the ELS Rules, the executive director of the Authority is authorized to direct the Foundation to implement temporary policies in compliance with amendments to the Act pending action by the Board of Directors to amend the ELS Rules.

.0401. Interpretive Guidance. The executive director, or appropriate division director of the Authority, may from time to time issue guidance for interpreting the ELS Rules in the form of policy memoranda or questions and answers. The Authority shall disseminate such interpretive guidance to all Approved Institutions. All interpretive guidance shall have the force and effect of the ELS Rules. In the event of a conflict between any interpretive guidance and the Act, the Act shall be controlling.

I, Steven E. Brooks, Secretary of the Board of Directors of the Authority, DO HEREBY CERTIFY that the foregoing is a true and exact copy of the resolution duly adopted by the Board of the Authority on the 25th day of July, 2006; and such resolution is in full force and effect and has not been amended or rescinded.

WITNESS my hand and seal of the Authority, this the 25th day of July, 2006.

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Steven E. Brooks
Secretary of the Board of Directors