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Aid to N.C. students cut to repay debts

By Emery P. Dalesio - The Associated Press

RALEIGH, N.C. -- The proposed state budget that passed the N.C. House last week would eliminate lottery funds for needy community college students in order to help keep counties out of trouble with lenders who made public school construction loans.

The change in dividing up \$425 million in state lottery revenues for education is one of many tough decisions confronting state leaders working to close a spending gap estimated at more than \$2 billion for the budget year beginning in July.

The head of the country's third largest community college system said in an interview Monday that the change made late in the House budget-writing process would eliminate the source of lottery-funded scholarships, money that now helps more than 15,000 students retrain for new jobs or start their college education.

"I think we were collateral damage," said Scott Ralls, president of the state's 850,000-student community college system. "If this was to hold, community college students lost lottery funding as a source for financial aid. That's what it means."

On the other side of the tussle over lottery profits are county officials, who warned they could be forced to raise property taxes to repay school construction loans unless they receive close to what they thought they'd been promised.

The 2005 law creating the lottery directed that half of the net proceeds go to a fund that pays teacher salaries so that classes in early grades and the More at Four preschool program would remain small. Forty percent is supposed to go to local school construction and 10 percent to need-based college scholarships.

But lawmakers have tinkered with the formula since then.

Legislators last year shifted an extra \$84 million that Democratic budget-writers said would keep classroom teachers from being laid off. Counties got about 25 percent of the lottery proceeds for school construction, not the 40 percent the law requires, according to a legislative staff report.

Sixty-two of the 100 counties have borrowed millions for school construction under the original formula, counting on a steady flow of gambling profits to repay the loans, according to the N.C. Association of County Commissioners.

Todd McGee, a spokesman for the county commissioners association said they had already spent it, counting on the full 40 percent.

"They would have no choice but to pay for the debt service out of other means," like raising property taxes, he added.

Rep. Tim Moore, R-Cleveland, who proposed the funding change last week, said Monday the potential harm to community college students didn't become clear until after the budget vote.

Moore expects changes once the Senate produces its version of the state spending plan.

"We're trying to protect the counties and allow for school construction," Moore said. "County governments would really be in a mess" without more funding.

Even with the House budget move last week that eliminates one scholarship fund and cuts another available to University of North Carolina students, local school construction would get just 23 percent of the gambling revenues.

There should be enough lottery money available for needy community college students for the next academic year, even if the Senate and Gov. Beverly Perdue go along with eliminating the scholarship fund, said Steven Brooks, executive director of the N.C. Education Assistance Authority. Community college students probably won't see any change in their financial aid packages until July 2012, he said.

Community college students also can continue to get need-based financial aid from a second state fund made up of unclaimed or forgotten funds like insurance policies and utility deposits. Students also can qualify for federal grants or loans, and for grants from nonprofit foundations created for most of the state's 58 community college campuses.

Read more: http://www.thesunnews.com/2011/05/10/2149925/aid-to-nc-students-cut-to-repay.html?story_link=email_msg#ixzz1NaC9N4o4