

The House Committee on Higher Education offers the following substitute to HB 1413:

A BILL TO BE ENTITLED

AN ACT

1 To amend Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia
2 Annotated, relating to the Georgia Student Finance Authority, so as to provide for
3 postsecondary scholarship opportunities; to establish the DREAMS scholarship; to provide
4 for eligibility; to create an endowment fund for such scholarship; to provide for reports; to
5 provide for definitions; to amend Part 6 of Article 7 of Chapter 3 of Title 20 of the Official
6 Code of Georgia Annotated, relating to medical scholarships, so as to establish a scholarship
7 for students enrolled medical school; to provide for eligibility; to provide terms and
8 conditions; to provide definitions; to amend Code Section 50-27-13 of the Official Code of
9 Georgia Annotated, relating to disposition of lottery proceeds, budget report by Governor,
10 appropriations by General Assembly, and shortfall reserve subaccount, so as to increase the
11 minimum amount of the lottery shortfall reserve; to provide for related matters; to provide
12 for an effective date and applicability; to repeal conflicting laws; and for other purposes.

13 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

H. B. 1413 (SUB)

- 1 -

39 (8) 'Student aid index' means the student aid index calculated in accordance with
40 Title IV.

41 (9) 'Title IV' means Title IV of the federal Higher Education Act of 1965, as amended,
42 20 U.S.C. Section 1070, et seq.

43 (10) 'Unmet financial need' means the amount of the cost of attendance remaining after
44 the student aid index and all other financial aid received by the student have been applied.

45 20-3-367.1.

46 (a) To be eligible for a DREAMS scholarship, a student seeking an undergraduate degree
47 at an eligible postsecondary institution shall:

48 (1) Meet the requirements provided for in paragraph (1) of subsection (a) and
49 subsection (b) of Code Section 20-3-519.1;

50 (2) Complete the Free Application for Federal Student Aid (FAFSA);

51 (3) Meet enrollment standards by being admitted, enrolled, and classified as an
52 undergraduate student in a matriculated status;

53 (4) Be enrolled for not less than six semester hours, or the equivalent quarter hours, in
54 any given semester or quarter;

55 (5) Have not yet earned a baccalaureate or first professional degree; and

56 (6) Have unmet financial need.

57 (b) To maintain eligibility for a scholarship under this subpart, a student shall:

58 (1) Continue to meet the eligibility requirements provided for in subsection (a) of this
59 Code section; and

60 (2) Maintain a minimum 2.0 grade point average and satisfactory academic progress in
61 accordance with the standards and practices used for Title IV programs by the institution
62 at which such student is enrolled.

63 (c) Using moneys from the endowment fund, the authority shall provide scholarships to
64 eligible students in accordance with the following conditions:

65 (1) The maximum award amount per student per academic year shall be \$3,000.00;
66 provided, however, that no student shall be awarded an amount that is more than such
67 student's unmet financial need; and

68 (2) No student shall receive a scholarship award for more than eight semesters or 12
69 quarters.

70 (d) Each student who is awarded a scholarship shall:

71 (1) Complete a financial literacy course; and

72 (2) Be engaged in paid or unpaid work at least part-time, which may include, but shall
73 not be limited to, employment, an internship or externship, volunteer work, or military
74 service.

75 20-3-367.2.

76 (a) There is created the DREAMS Scholarship Endowment Fund as a separate fund in the
77 state treasury. The endowment fund shall be administered by the authority. Moneys in the
78 endowment fund shall be used only as provided for in this subpart. All appropriations
79 made by the General Assembly for the scholarship and all public or private grants, gifts,
80 donations, or contributions received for the scholarship shall be credited to the endowment
81 fund. Unless specifically designated otherwise, all moneys credited to the endowment fund
82 shall be credited to the principal account. All moneys appropriated or otherwise paid or
83 credited to the endowment fund shall be presumptively concluded to have been committed
84 to the purpose for which they have been appropriated, paid, or credited and shall not lapse.

85 (b) Three separate accounts shall be created within the endowment fund:

86 (1) The principal account shall constitute the permanent endowment corpus. Except as
87 otherwise provided in this Code section, moneys credited to such account shall not be
88 appropriated, transferred, expended, encumbered, or otherwise diverted. The authority
89 shall determine the minimum amount of moneys needed in the principal account in order
90 to produce sufficient funds to sustain scholarship awards;

91 (2) The scholarship account shall consist of moneys allocated to such account pursuant
92 to the spending policy adopted by the authority. Moneys in such account shall be used
93 to provide scholarship awards in accordance with this subpart; and

94 (3) The transitional scholarship account shall consist of funds appropriated for
95 scholarship awards during the first two fiscal years of the scholarship. Moneys in such
96 account shall be used to provide scholarships in accordance with this subpart.

97 (c) The authority shall adopt an investment policy which provides for the investment of
98 moneys in the principal account as a pooled portfolio in accordance with prudent investor
99 standards applicable to public trust funds. Such investment policy shall include provisions
100 to preserve and grow the long-term value of the principal account while promoting the
101 stability and sustainability of scholarship awards.

102 (d) In the event of a shortfall in moneys available for scholarship awards compared with
103 projected expenditures for scholarship awards over the same period, and if such shortfall
104 will have a materially adverse effect on scholarship awards, the authority shall be
105 authorized to adopt an emergency stabilization authorization to allow the distribution or
106 transfer of moneys from the principal account so as to mitigate any reduction in such
107 awards. Such authorization shall:

108 (1) Require a two-thirds' majority vote of the board of the authority for adoption;

109 (2) Be limited to the minimum amount necessary to mitigate any reduction in awards;

110 (3) Not be used to permanently increase award levels;

111 (4) Provide for the principal account to be replenished to not less than the minimum
112 amount determined by the authority pursuant to paragraph (1) of subsection (b) of this
113 Code section; and

114 (5) Expire within one year; provided, however, that this shall not prohibit consecutive
115 emergency stabilization authorizations.

116 (e) The authority shall adopt a spending policy which provides for the allocation of
117 earnings to the principal account and to the scholarship account at the end of each fiscal
118 year. Such spending policy shall:

119 (1) Require that earnings allocated to the principal account shall be used to grow the
120 permanent endowment corpus in accordance with the investment policy; and

121 (2) Require that earnings allocated to the scholarship account shall be used to provide
122 scholarships in accordance with Code Section 20-3-367.1

123 (f) During the first two fiscal years following capitalization of the endowment fund,
124 scholarship awards shall be paid from the transitional scholarship account. The transitional
125 scholarship account shall terminate at the end of the second fiscal year following
126 capitalization of the fund, and any remaining moneys shall be transferred to the principal
127 account. In the third fiscal year following capitalization of the fund and each fiscal year
128 thereafter, scholarship awards shall be paid from the scholarship account.

129 (g) Not later than December 1 of the second fiscal year following capitalization of the fund
130 and each fiscal year thereafter, the authority shall prepare and publish on its website an
131 annual report regarding the endowment fund for the immediately preceding fiscal year.
132 Such report shall include the endowment fund's market value, investment performance,
133 scholarship distributions, any distributions or transfers from the principal account, and
134 confirmation of compliance with the requirements of this Code section and the policies
135 adopted pursuant to this Code section.

136 20-3-367.3.

137 Not later than December 1 each year, the authority shall provide a report on the DREAMS
138 scholarship and the endowment fund to the Governor, the Speaker of the House of
139 Representatives, the President of the Senate, the chairpersons of the House Committee on
140 Higher Education and the Senate Higher Education Committee, the chancellor of the

141 University System of Georgia, and the commissioner of the Technical College System of
142 Georgia."

143 **SECTION 2.**

144 Part 6 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia Annotated,
145 relating to medical scholarships, is amended by designating the existing provisions of said
146 part as Subpart 2, by replacing "this part" and "This part" with "this subpart" and "This
147 subpart", respectively, everywhere such terms occur in the new Subpart 2, and by adding a
148 new subpart to read as follows:

149 "Subpart 1

150 20-3-505.

151 As used in this subpart, the term:

152 (1) 'Academic year' and 'full-time' shall have the same meanings as set forth in Code
153 Section 20-3-519.

154 (2) 'Applicant' means an individual who applies for a scholarship under this subpart.

155 (3) 'Authority' means the Georgia Student Finance Authority.

156 (4) 'Cost of attendance' means the estimate of a student's educational expenses as
157 calculated by the eligible postsecondary institution at which such student is enrolled
158 pursuant to Title IV.

159 (5) 'Eligible applicant' means an applicant who meets the eligibility criteria provided for
160 in this subpart.

161 (6) 'Eligible medical school' means a medical school in the University System of
162 Georgia.

163 (7) 'Scholarship' means a scholarship provided for in this subpart.

164 (8) 'Title IV' means Title IV of the federal Higher Education Act of 1965, as amended,
165 20 U.S.C. Section 1070, et seq.

166 20-3-506.

167 (a) To be eligible for a scholarship under this subpart, an applicant seeking a medical
168 degree at an eligible medical school shall:

169 (1) Meet the requirements provided for in paragraph (1) of subsection (a) and
170 subsection (b) of Code Section 20-3-519.1;

171 (2) Complete the Free Application for Federal Student Aid (FAFSA);

172 (3) Meet enrollment standards by being enrolled full-time in an eligible medical school
173 and making satisfactory academic progress in accordance with the standards and practices
174 used for Title IV programs by the medical school at which such student is enrolled;

175 (4) Have not yet earned a medical degree; and

176 (5) Submit an application for such scholarship.

177 (b) Subject to appropriations, the authority shall award scholarships to eligible applicants
178 in accordance with the following terms and conditions:

179 (1) The maximum award amount per applicant per academic year shall not exceed such
180 student's cost of attendance;

181 (2) No applicant shall receive a scholarship award for more than eight semesters; and

182 (3) Each scholarship awarded pursuant to this subpart shall be conditional upon the
183 applicant agreeing that the full amount of the scholarship shall be repaid to the State of
184 Georgia in services to be rendered by such applicant by practicing medicine in this state
185 for not less than four years after graduation from an eligible medical school.

186 (c) Before being awarded a scholarship, each eligible applicant shall enter into a contract
187 with the authority agreeing to the terms and conditions upon which such scholarship is
188 granted, including such terms and conditions as set forth in this subpart. Each such
189 contract shall provide that, in the event such recipient does not complete medical school
190 and fails to receive a medical degree, fails to obtain licensure from the Georgia Composite
191 Medical Board to practice medicine, or fails to practice medicine in this state in accordance
192 with the requirements of this subpart, the recipient shall repay any and all scholarship

193 awards received pursuant to this subpart; provided, however that for each year of practicing
 194 medicine in this state, such applicant shall receive credit for the amount of the scholarship
 195 received during any one year in an eligible medical school."

196 **SECTION 3.**

197 Code Section 50-27-13 of the Official Code of Georgia Annotated, relating to disposition of
 198 lottery proceeds, budget report by Governor, appropriations by General Assembly, and
 199 shortfall reserve subaccount, is amended by revising paragraph (3) of subsection (b) as
 200 follows:

201 "(3)(A) ~~A Beginning in Fiscal Year 2025,~~ a shortfall reserve shall be maintained within
 202 the Lottery for Education Account in an amount equal to at least ~~50~~ 100 percent of the
 203 average amount of net proceeds deposited into such account for the preceding three
 204 fiscal years, hereinafter referred to as the minimum reserve. Beginning in Fiscal
 205 Year 2025 and for each fiscal year thereafter, if on the last day of the preceding fiscal
 206 year the total reserve fund balance exceeds the minimum reserve, an amount equal
 207 to 10 percent of the excess reserve funds, meaning the amount that the total reserve
 208 fund balance exceeds the minimum reserve, shall be appropriated for educational
 209 purposes and programs.

210 (B) If the net proceeds paid into the Lottery for Education Account in any year are not
 211 sufficient to meet the amount appropriated for educational purposes and programs, the
 212 shortfall reserve may be drawn upon to meet the deficiency and any amount so drawn
 213 may count for purposes of appropriations in subparagraph (A) of this paragraph.

214 (C) If the shortfall reserve is drawn upon and falls below ~~50~~ 100 percent of the average
 215 amount of net proceeds deposited into such account for the preceding three fiscal years,
 216 the shortfall reserve shall be replenished to the level required by subparagraph (A) of
 217 this paragraph in the next fiscal year and the lottery funded programs shall be reviewed
 218 and adjusted accordingly."

219 **SECTION 4.**

220 This Act shall become effective on July 1, 2026. Sections 1 and 2 of this Act shall apply to
221 all academic years beginning with the 2026-2027 academic year. Section 3 of this Act shall
222 apply to all fiscal years beginning in Fiscal Year 2027.

223 **SECTION 5.**

224 All laws and parts of laws in conflict with this Act are repealed.