

# Improvements Needed to Gauge Effectiveness and Expend State Funds Available for Postsecondary Financial Aid

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A presentation to the  
Joint Legislative Program Evaluation Oversight Committee

October 21, 2019

Adora Thayer, Program Evaluator



# Handouts

Full Report

Slides

Handout

**Improvements Needed to Gauge Effectiveness and Expend State Funds Available for Postsecondary Financial Aid**



**Final Report to the Joint Legislative Program Evaluation Oversight Committee**

**Report Number 2019-08**


**October 21, 2019**

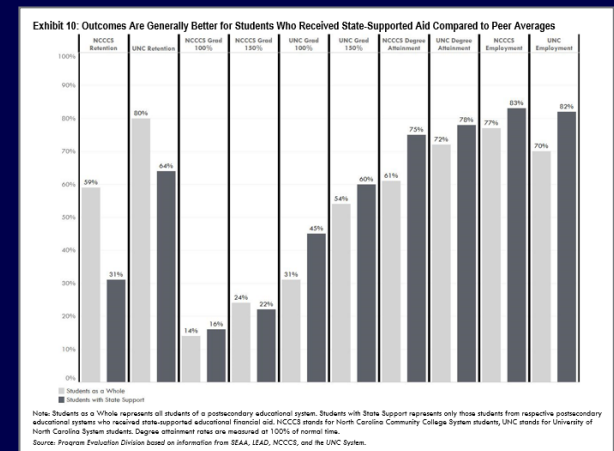
**Improvements Needed to Gauge Effectiveness and Expend State Funds Available for Postsecondary Financial Aid**

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Joint Legislative Program Evaluation Oversight Committee

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Program Evaluation Division  North Carolina General Assembly



# Our Charge

- Directed to examine
  - extent to which state-supported scholarships, grants, and educational loans met their goals
  - educational and vocational outcomes of students who received state aid
- Team: Carol Shaw and Jacob Ford

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SCHOLARSHIPS

Aid Program	Program Description	Number of Awards 2017-18	Value of Awards 2017-18
Child Welfare Postsecondary Support Program (NC Reach)	Increase postsecondary education opportunities for foster youth by assisting with the cost of attendance	289	\$ 1,949,968
Community College Grant	Make funds available to students when other financial aid programs do not fully cover required educational expenses	23,863	17,311,062
Education Lottery Scholarship	Provide financial assistance to students with need	25,919	27,971,676
Need-Based Scholarship for Private Institutions	Provide financial assistance to students with need who seek to attend a private college or university	22,368	88,138,300
UNC Need-Based Grant	Meet the needs of students who would find it difficult or impossible to gain access to higher education at a UNC system school even with other forms of aid	50,154	123,672,458
Forgivable Education Loans for Service	Provide financial assistance in the form of forgivable loans for service to qualified students who are committed to working in the state in order to respond to critical employment shortages	1,851	18,374,834
Principal Fellows Program	Provide financial aid to individuals who wish to pursue employment in education administration in North Carolina public schools	84	2,470,790

LOANS

**Total:** **124,528** **\$279,889,088**

# Overview: Findings

- The State Education Assistance Authority
  - promotes access and reduces cost for students but does not fully expend appropriations for educational financial aid
  - cannot verify educational loans encourage employment
  - does not have a strategic plan and does not include enough data in annual reports
  - faces sustainability challenges
  - produces financial reports that inhibit assessment of financial health
- Private institutions do not centrally report on student outcomes
- Outcomes of students who receive state support at public institutions are positive in comparison to students as a whole



# Overview: Recommendations

- The General Assembly should
  - modify law to remove statutory language that hinders fully expending state-supported educational financial aid and prevents SEAA including the Need-Based Scholarship for Private Institutions on its financial statements
  - direct increased reporting by private institutions;
  - direct SEAA to create an organizational strategic plan, improve recordkeeping, and increase reporting metrics
  - consider appropriations for the UNC Need-Based Grant



# Background



# North Carolina's Need-Based System for Educational Financial Aid

- Reduces costs for students
  - State objective to make “... higher education, as far as practicable, be extended to the people of the State free of expense”  
(NC Const. art. IX, sect. 9)
- Promotes access
- Encourages employment

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# State Education Assistance Authority

- SEAA
  - Created in 1965
  - Administers educational financial aid programs
  - Disburses state funds to postsecondary systems
  - Calculates and provides student awards
  - Verifies eligibility for loan forgiveness
  - Partners with other state entities

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# State-Supported Aid Awarding Process

- Step 1: Student completes FAFSA
- Step 2: Student eligibility for federal aid determined
- Step 3: Student receives federal aid
- Step 4: SEAA uses FAFSA information to determine student eligibility for state-aid
- Step 5: Student is awarded state-aid

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# Findings



# Finding 1

The State Education Assistance Authority seeks to promote access and reduce costs for students, but challenges exist that prevent fully expending state appropriations for educational financial aid

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## Previous Year(s)

## Current Year

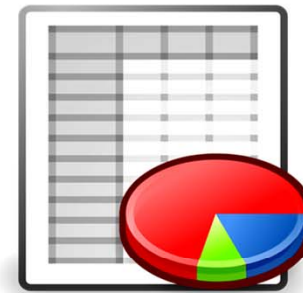


Past  
Funding  
Amounts



Past Eligible Award  
Numbers and  
Award Amounts

Informs



Calculation of  
Eligible Students  
and Award  
Amounts



Commitment  
to Current  
Incoming  
Students

# Award Commitment

- Does not ensure state funds are fully expended
- From Fiscal Year 2014 to 2018
  - Three out of five programs met forecasting target
  - Unspent funding by program ranged from \$850,000 to \$2.6 million
  - Unspent percentage ranged from <1% to 7%

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# Specific Challenges Exist

- Community College Grant
  - Reserve amounts not included in forecasting
  - When included, unspent funds average \$3.3 million
- Education Lottery Scholarship
  - Statutory limits on award amounts
  - Statutory limits on eligibility threshold
- Forgivable Education Loans for Service
  - Additional application procedures
  - Award amounts not tied to student need

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## Finding 2

The State Education Assistance Authority cannot verify that educational loan programs encourage employment in fields with critical shortages

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# Fulfilling Critical Employment Shortages

- Two Repayment Methods
  - Service or cash repayment
- SEAA is responsible for tracking repayment

Cannot verify forgiven educational loans were achieved by students who fulfilled service obligations

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## Finding 3

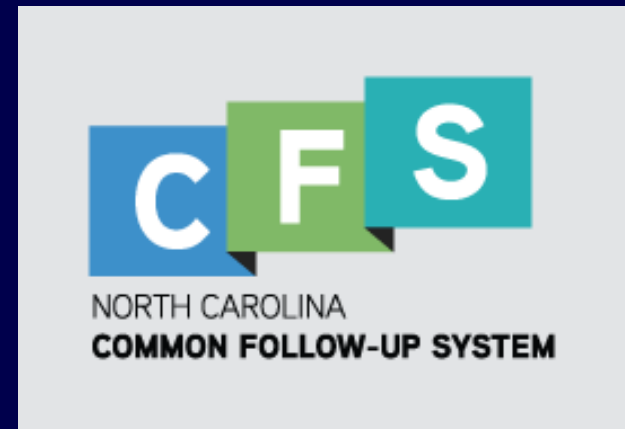
Private institutions do not centrally report student outcomes to the State's central data repository, limiting the State's ability to determine the effectiveness of state appropriations

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# Common Follow-Up System (CFS)

- Collaboration across stakeholders
- Longitudinal data repository
- Data records including
  - Educational
  - Vocational



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# Interpretation of Federal Law Hinders Data Collection and Tracking Outcomes

- Need-Based Scholarship for Private Institutions
  - Almost 145,000 awards
  - \$512.6 million in state appropriations
- Private institutions are not considered agents of government and therefore are not allowed access to data from CFS at the student level
- Private institutions could voluntarily provide data, but because they lack access, choose not to do so

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# Voluntary Reporting Efforts

- Possible issues exist:
  - No expected date for full implementation
  - Limited ability to evaluate success
  - Difficult to achieve full participation
- Some states require reporting:
  - Minnesota
  - Virginia

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## Finding 4

Most outcomes for students who receive state-supported educational financial aid and attend public institutions exceed outcomes for students as a whole

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# Outcomes Measure Student Success

- Educational Outcomes
  - Institutional Retention
  - Graduation
  - Degree Attainment
- Vocational Outcomes
  - Employment
  - Earnings
- Cohort Analysis
  - Longitudinal
  - Initial Entry = 2010
  - Public Institutions
  - Financial Aid Records
  - Student Records
  - Wage Records

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<b>Outcome Measure</b>	<b>Students with State Support</b>	<b>Students as a Whole</b>	<b>Percentage Point Difference</b>		<b>Result</b>
NCCCS Retention	31%	59%	↓	(0.28)	<b>WORSE</b>
UNC Retention	64%	80%	↓	(0.16)	<b>WORSE</b>
NCCCS Graduation 100%	16%	14%	↑	0.02	<b>BETTER</b>
NCCCS Graduation 150%	22%	24%	↓	(0.02)	<b>WORSE</b>
UNC Graduation 100%	45%	31%	↑	0.14	<b>BETTER</b>
UNC Graduation 150%	60%	54%	↑	0.06	<b>BETTER</b>
NCCCS Degree Attainment	75%	61%	↑	0.14	<b>BETTER</b>
UNC Degree Attainment	78%	72%	↑	0.06	<b>BETTER</b>
NCCCS Employment	83%	77%	↑	0.06	<b>BETTER</b>
UNC Employment	82%	70%	↑	0.12	<b>BETTER</b>



## Finding 5

The State Education Assistance Authority does not have an organizational strategic plan with performance goals; further, annual reports lack data on postsecondary state-supported educational financial aid programs

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# Improving Performance and Reporting

- No existing strategic plan
- Annual reporting can be improved
  - Additional data elements are available
  - End-of-year reports contain information that could improve transparency and better demonstrate effectiveness if made public
  - Similar publications exist in other states

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## Finding 6

The State Education Assistance Authority faces sustainability challenges in its administration of the UNC Need-Based Grant, and current financial reporting practices inhibit a detailed assessment of financial health

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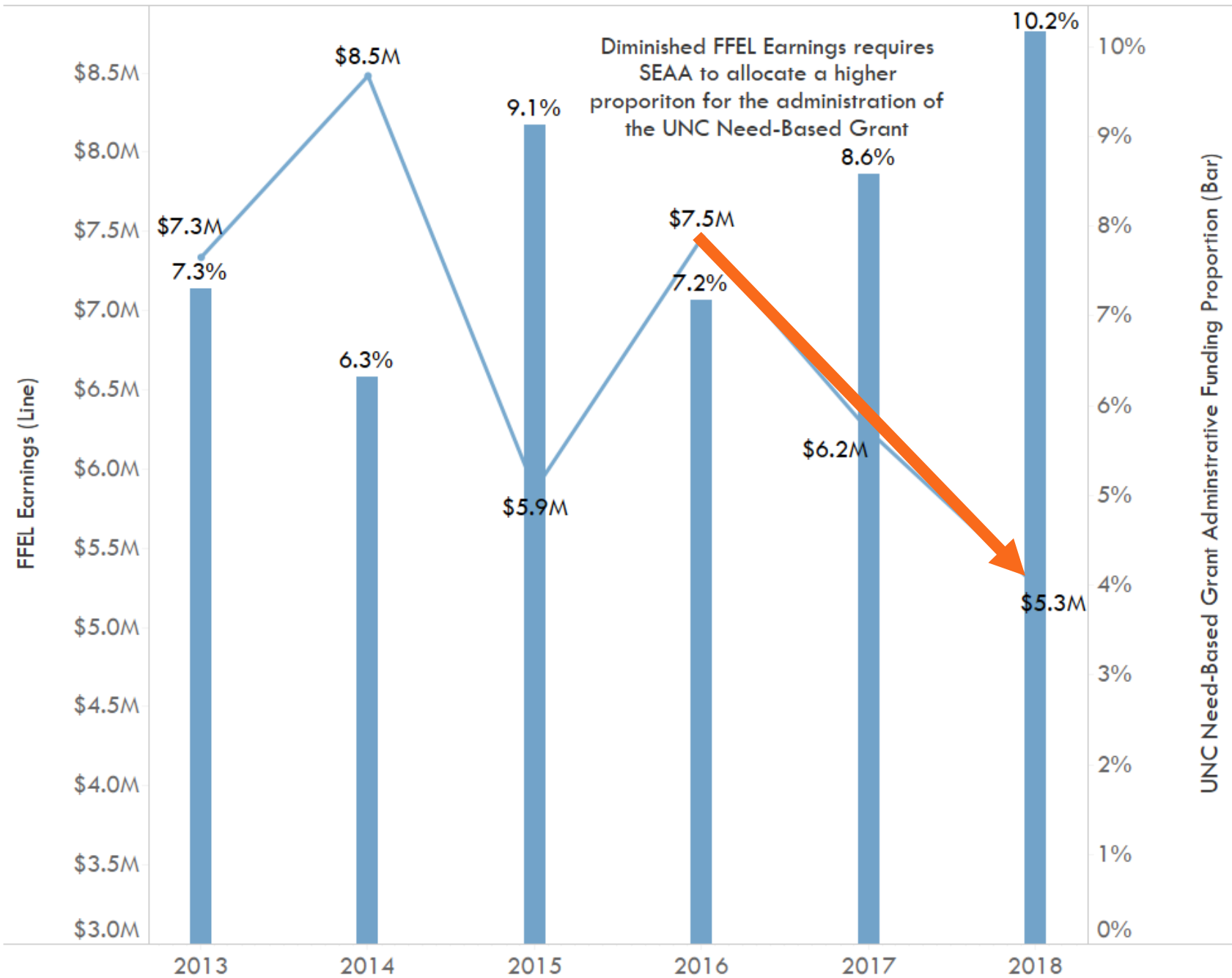


# Program Administration Funds

- Used to support the costs associated with administering state aid programs
  - Three mechanisms:
    - flat percentage of state appropriations
    - separate appropriations
    - contractual arrangements
  - Varies by aid program

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# Financial Reporting is Not Transparent

- Need-Based Scholarship for Private Institutions
  - Program administration costs since 2012:
    - Almost \$8 million
    - Average of \$1.3 million per year
    - Award costs not captured

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# Recommendations



# Recommendation 1

- Modify state law to remove restrictions that hinder SEAA's ability to fully expend the Education Lottery Scholarship
  - Increase EFC to \$6,000
  - Raise funding limit to \$5,100

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## Recommendation 2

Direct SEAA to develop methods to rectify data limitations for managing educational financial aid programs

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## Recommendation 3

Direct stakeholders for the  
Common Follow-Up System to  
pursue methods to include  
private institutions

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# Voluntary Effort Outcomes

- Should voluntary efforts fail to meet a 25% participation rate within a two-year timeframe:
  - General Assembly should direct the provision of state appropriations for the Need-Based Scholarship for Private Institutions be tied to participation in the Common Follow-Up System

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## Recommendation 4

Direct SEAA to create a strategic plan outlining performance goals and increase reporting metrics

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## Recommendation 5

- Consider appropriating program administration funds (\$700,000) for the UNC Need-Based Grant
- Modify state law to include activities related to Need-Based Scholarship for Private Institutions on SEAA financial statements

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# Follow-Up Reporting

Report on to the Joint Legislative  
Education Oversight Committee and  
Joint Legislative Program Evaluation  
Oversight Committee by  
January 1, 2021



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# Summary: Recommendations

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  - direct increased reporting by private institutions
  - direct SEAA to create an organizational strategic plan, improve recordkeeping, increase reporting metrics, and develop a transition plan for program administration funding related to the UNC Need-Based Grant
  - consider appropriations for the UNC Need-Based Grant for administration





# Summary: Response

- Formal responses to this evaluation can be found at the end of the report from
  - State Education Assistance Authority
  - University of North Carolina System
  - North Carolina Community Colleges System
  - North Carolina Independent Colleges and Universities



Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)

