
Recommendations

Recommendation 1. The General Assembly should modify state law to remove restrictions that hinder the State Education Assistance Authority's ability to fully expend educational financial aid for the Education Lottery Scholarship.

As detailed in Finding 1, the State Education Assistance Authority (SEAA) faces several challenges in expending the full appropriations provided by the State to meet the financial needs of students seeking a postsecondary education. Failing to fully expend state appropriations for state-supported educational financial aid means the number of unserved students and level of unmet need are both greater than necessary. Among all state-supported educational financial aid programs, the Education Lottery Scholarship carries restrictions on aid provision that create the greatest hindrance to fully expending funds.

To increase the number of students eligible to receive the Education Lottery Scholarship, the General Assembly should modify state law to increase the maximum expected family contribution from \$5,000 to \$6,000. Loosening income eligibility requirements in this manner would facilitate the provision of approximately 6,500 additional awards.

Further, the General Assembly should also consider raising the maximum educational financial aid amount that a student can receive from the Education Lottery Scholarship when he or she has also been awarded aid from the Federal Pell Grant. Currently, students who are recipients of funds from both programs cannot receive more than \$4,000 total. To remedy issues presented by this restriction, the General Assembly should increase this amount to \$5,100.

Recommendation 2. The General Assembly should direct SEAA to develop methods to rectify data limitations for managing educational financial aid loan programs.

As described in Finding 2, current recordkeeping practices and the use of an outdated data system for managing records on educational loans such as the Forgivable Education Loans for Service program prevent the State from determining the rate at which these loans are discharged through service repayment and therefore hinders the State in assessing the effectiveness of state appropriations for this program. Absent such information, it is difficult to determine if the Forgivable Education Loans for Service program is an effective method of combating critical employment shortages or if other public policy options should be pursued.

SEAA has stated that efforts are underway to rectify this issue. The General Assembly should direct SEAA to modify its recordkeeping practices for educational financial aid loan programs to accurately detail whether students receiving funds from these programs undergo service or cash repayment for the monies borrowed.

The General Assembly should direct SEAA to report on the correction of this problem including progress and an expected date of completion to the

Joint Legislative Education Oversight Committee and Joint Legislative Program Evaluation Oversight Committee by January 1, 2021.

Recommendation 3. The General Assembly should direct stakeholders for the Common Follow-Up System (CFS) to pursue methods for including reporting from institutions of the North Carolina Independent Colleges and Universities (NCICU) system.

As described in Finding 3, the State's central data repository on educational and vocational outcomes is limited by a lack of reporting from private institutions. Although state-supported educational financial aid is provided to students attending private institutions, these institutions are not required to report to CFS and cannot access student-level data from the system; hence there is currently no means of holistically evaluating the success of these students and the effectiveness of state appropriations for the Need-Based Scholarship for Private Institutions. Current efforts are underway that would provide some student data to CFS, but this data is limited. Revisiting state interpretation of the Federal Educational Rights and Privacy Act may provide a more beneficial reporting arrangement for both private institutions and the State.

The General Assembly should request quarterly reports on the progress of establishing voluntary reporting arrangements from the NCICU system and the Department of Information Technology's Government Data Analytics Center beginning January 1, 2021. Quarterly reports should include associated costs for incorporating private institutions into CFS as well as mutually-agreed-upon data elements for reporting.

Should voluntary efforts fail to meet a 25% participation rate by private institutions within a two-year timeframe, the General Assembly should direct that the provision of state appropriations for educational financial aid for the Need-Based Scholarship for Private Institutions be tied to participation in CFS.

Recommendation 4. The General Assembly should direct SEAA to create a strategic plan outlining performance goals and increase reporting metrics.

As detailed in Finding 5, SEAA does not have a strategic plan, and although current annual reporting includes some strategic elements, it does not include performance goals, objectives, and measures. Additionally, SEAA could provide more information on state-supported educational financial aid programs by making end-of-year program reports publicly available. Doing so would increase transparency and more aptly demonstrate aid program effectiveness.

The General Assembly should direct SEAA to develop and maintain a strategic plan in addition to its current annual reporting requirements. This strategic plan should outline the performance goals, objectives, and measures SEAA seeks to achieve and should track its progress towards

accomplishing these goals. The strategic plan should be made publicly available and be regularly updated.

The General Assembly should also direct SEAA to make additional data metrics on aid programs available by publishing its current end-of-year program reports that focus on state-supported educational financial aid for students seeking a postsecondary education.

The General Assembly should direct SEAA to report on the progress of its actions related to this recommendation to the Joint Legislative Education Oversight Committee and Joint Legislative Program Evaluation Oversight Committee by January 1, 2021.

Recommendation 5. The General Assembly should consider appropriating program administration funding for the UNC Need-Based Grant and should direct the Office of State Budget and Management to provide options to modify state law to include SEAA activities related to the Need-Based Scholarship for Private Institutions in its financial statements.

As described in Finding 6, SEAA receives program administration funding to offset costs associated with disbursing and administering state-supported educational financial aid for students pursuing postsecondary education. However, SEAA currently does not receive such funding to administer the UNC Need-Based Grant and instead uses earnings associated with a federal loan portfolio to support its costs. This source of funding is not sustainable because federal loans originating from this portfolio ceased in 2010 and associated earnings are declining. The Program Evaluation Division additionally determined that the program funding SEAA receives for its administration of awards for the Need-Based Scholarship for Private Institutions is not reflected in SEAA's financial statements.

To combat sustainability issues, the General Assembly should consider providing \$700,000 in annual appropriations to SEAA to support program administration of the UNC Need-Based Grant.

Further, the General Assembly should direct the Office of State Budget and Management to provide options to modify statutory language to include all SEAA activities related to the Need-Based Scholarship for Private Institutions in its financial statements.

The General Assembly should direct SEAA and, where applicable, OSBM to report on the progress of its actions to the Joint Legislative Education Oversight Committee and Joint Legislative Program Evaluation Oversight Committee by January 1, 2021.