

# Financial Aid Overview

**Joint Subcommittee on Education Appropriations**

**February 17, 2011**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

## Agenda

- **Financial Aid Basics**
  - Tuition subsidies
  - Need-based aid
  - Scholarship-loans
  - Tuition waivers
  - Other assistance
- **Issues of Interest**
  - Funding sustainability
  - Study Committee recommendations
  - Community college Federal loans
  - Fraud and abuse
  - Flow of Federal funds
  - Tuition waivers report



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Student Financial Aid Basics Overview

- **Who** – NC resident students
- **What** – Tuition subsidy (in-state tuition), grants, loans, scholarship loans, tuition waivers
- **Where** – UNC System, Community College System, Private colleges and universities
- **When** – Undergraduate and graduate
- **Why** – Need, merit, career choice, residency
- **How** – General Fund, Escheat Fund, Lottery proceeds, institutional funds, Federal funds



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Tuition Subsidies

- Every North Carolina resident attending a UNC System school or a NC Community College receives a subsidy, by paying in-state tuition.
  - CC: \$3,675 per curriculum FTE for FY 2010-11
  - UNC: \$12,886 per full-time student for FY 2010-11
- Legislative Tuition Grant program assists NC residents attending eligible nonprofit colleges and universities.
  - \$1,850 for FY 2010-11



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Need-based Student Financial Aid

- Examples:
  - Pell Grant
  - UNC Need-based Aid and Community College Grant
  - Education Lottery Scholarship
- Federal government is the largest provider, and federal rules dominate the system
  - State aid programs work within the Federal rules to leverage federal dollars
- Need-based aid is designed to provide access to and choice of college.

## Need-based Student Financial Aid

- Federal grants are targeted to the neediest students.
- State and institutional funds assist low and middle income families – both those who get federal grants and those with incomes up to \$90,000 or more.
- The higher a student's income, the fewer need-based grants they receive.
- Federal loans are also available to students and families, based on need.

## Need-based Student Financial Aid

### What is “Need”?

- Determining a student’s need depends on two factors, cost of attendance and expected family contribution.

$$\begin{array}{ccccc} \text{Student's Cost} & & \text{Expected} & & \\ \text{of Attendance} & \text{---} & \text{Family} & \text{---} & \text{Demonstrated} \\ \text{(COA)} & & \text{Contribution} & & \text{Need} \\ & & \text{(EFC)} & & \end{array}$$

## Need-based Student Financial Aid

### What is “Need”?

$$\begin{array}{ccccc} \text{Student's Cost} & & \text{Expected} & & \\ \text{of Attendance} & \text{---} & \text{Family} & \text{---} & \text{Demonstrated} \\ \text{(COA)} & & \text{Contribution} & & \text{Need} \\ & & \text{(EFC)} & & \end{array}$$

## Need-based Student Financial Aid

### Cost of Attendance

- Tuition
  - Required fees
  - Room
  - Meals
  - Books and supplies
  - Transportation
  - Miscellaneous personal expenses
- Costs vary widely from college to college, and are determined by each college.
  - Costs also vary by student's living situation:
    - On campus
    - Off campus
    - With parents

## Need-based Student Financial Aid

### What is “Need”?

$$\text{Student's Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} = \text{Demonstrated Need}$$

## Need-based Student Financial Aid Expected Family Contribution

- Calculated using a federal formula, which considers:
  - Parents' income
  - Students' income
- Based on information submitted on the Free Application for Federal Student Aid (FAFSA)
- Expected Family Contribution (EFC) represents the share of expenses that the family is expected to bear.

Note: The UNC Need-based Grant currently uses a different method of calculating how much a family is expected to contribute, also based on FAFSA data.

## Need-based Student Financial Aid What is "Need"?

$$\text{Student's Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} = \text{Demonstrated Need}$$

## Need-based Student Financial Aid Application Process

- To apply for all need-based programs, the student only completes one FAFSA.
- The FAFSA is required for all federal aid programs, and State automatically considers NC FAFSA filers for NC need-based programs.
- College financial aid administrators evaluate applications for all eligible programs.
- Admitted students receive financial aid package from colleges.

## Need-based Student Financial Aid Major Programs - Federal

- Pell Grant
- Federal loans
- Work-study jobs

## Need-based Student Financial Aid Major Programs - State

Program	Where Available	Source of Funds
UNC Need-based Grant	UNC	Escheat and General Funds
Community College Grant	Community Colleges	Escheat Fund
State Contractual Scholarship Fund	Independent Colleges	General Funds
Education Lottery Scholarship	UNC, Community Colleges, and Independent Colleges	Education Lottery Proceeds

## Need-based Student Financial Aid Major Programs - Institutional

- Campus-based programs include:
  - Campus-based financial aid programs funded by campus-initiated tuition increases.
  - Endowed scholarships
  - Scholarships funded by outside donors or campus budgets



## Scholarship-loans

- As a condition of receiving funds, students agree to a service obligation.
- Students must sign agreements to repay the loan either in cash or through service in a certain geographical or subject area.
- NC programs can be categorized in two ways:
  - Teaching
  - Health, Science, and Mathematics

## Scholarship-loans

### Teaching

- NC Teaching Fellows
- Millennium Teacher
- Prospective Teacher
- Principal Fellows

### Health, Science, & Math

- Nurse Scholars
- Nurse Education
- Master's Nurse Scholars
- Nurse Educators of Tomorrow
- BOG Medical
- BOG Dental
- NC Student Loan Program for Health, Science, and Mathematics

## Tuition Waivers

### UNC System

- \$72 million in FY 2008-09
- Over 60% for non-resident graduate student tuition remissions
- Other major waivers include:
  - Waiver to in-state tuition for Armed Service personnel
  - Faculty/staff tuition waiver
  - Non-resident scholars

### CC System

- \$69 million in FY 2009-10
- Over half for public-safety personnel in training courses.
- Other major waivers include:
  - High school students
  - Human Resources Development Courses
  - Prison inmates

## Other Assistance

- Education assistance can come in other forms, including vouchers for child care, vouchers for education, and subsidized employment.
  - Community College Child Care Grants
  - Federal work-study
  - Workforce Investment Act funds

## Agenda

- ~~Financial Aid Basics~~
  - ~~— Tuition subsidies~~
  - ~~— Need-based aid~~
  - ~~— Scholarship loans~~
  - ~~— Tuition waivers~~
  - ~~— Other assistance~~
- Issues of Interest
  - Funding sustainability
  - Study Committee recommendations
  - Community college Federal loans
  - Fraud and abuse
  - Flow of Federal funds
  - Tuition waivers report



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Funding Sustainability

### Escheat Fund

#### What are Escheats?

- Unclaimed property, including:
  - Money in bank accounts,
  - Utility deposits,
  - Insurance proceeds,
  - Stocks and bonds,
  - abandoned paychecks, and
  - the contents of safe deposit boxes.
- By law, funds are “escheated” or turned over to the Department of State Treasurer for safekeeping.
- The Department’s Unclaimed Property Division locates the rightful owners.



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Funding Sustainability

### Escheat Fund

NC Constitution, Article IX, Section 10:

“(2) Escheats after June 30, 1971. All property that, after June 30, 1971, shall accrue to the State from escheats, unclaimed dividends, or distributive shares of the estates of deceased persons **shall be used to aid worthy and needy students who are residents of this State and are enrolled in public institutions of higher education in this State.** The method, amount, and type of distribution shall be prescribed by law.”



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Funding Sustainability

### Escheat Fund

- Historically, financial aid was funded only from the interest earnings on the fund.
- In FY 2003-04, principal was first used for aid.
- Without a change in appropriations, the Escheat Fund is projected to be unable to fund financial aid programs in 2013.



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011

## Joint Select Committee on State-funded Student Financial Aid Recommendations

1. Continue to study a unified need-based financial aid program, for implementation in FY 2012-13 to combine:
  - UNC Need-based Grants
  - Community College Grants
  - Education Lottery Scholarships (at UNC and CCs)
2. Consolidate scholarship-loans into the Forgivable Education Loans for Service Program.
  - Includes all programs except Teaching Fellows, Millennium Teacher, and Principal Fellows.

## Joint Select Committee on State-funded Student Financial Aid Recommendations

### Teaching

- NC Teaching Fellows
- Millennium Teacher
- Prospective Teacher
- Principal Fellows
  
- Teacher Assistant  
Scholarship

### Health, Science, & Math

- Nurse Scholars
- Nurse Education
- Master's Nurse Scholars
- Nurse Educators of Tomorrow
- BOG Medical
- BOG Dental
- NC Student Loan Program for  
Health, Science, and  
Mathematics

## Community College Federal Loans

- 2010 budget amended G.S. 115D-40.1 to require that all community colleges participate in the federal loan program by 7/1/2011.
- 20 of the 58 colleges were participating
- Colleges generally were not participating for two reasons:
  1. Desire to avoid student debt
  2. Concern about default rates and future impact on Pell Grant eligibility

## Community College Federal Loans

- 2010 budget also directed the System Office to transfer \$50 million from instruction to student services due to:
  - Increased federal requirements in student services
    - (\$31-31 million)
  - Required participation in direct lending
    - (\$18-19 million)
- This issue may come up again in 2011.

## Fraud and Abuse Protections

- In the 2010 budget, the General Assembly requested an examination of any significant abuses of the financial aid system.
- Joint Select Committee on State-funded Student Financial Aid determined no action was necessary to address this issue.

## Fraud and Abuse Protections

- There are a number of safeguards currently in place to protect against abuses.
  - Students do not receive financial aid if they have not attended class.
  - Students who earn all “Fs” receive a special evaluation.
  - Students must remain enrolled to “earn” their aid.
  - Students must make satisfactory academic progress.

## Pell Grants in College Budgets

- Before the semester starts, students enroll and tuition and other costs are charged to their account.
  - Some campuses provide a system for students to purchase books and other supplies.
- When Pell Grants (and other aid) arrive at the college, the college charges a student's award against the student's outstanding balance.
  - If any funding is remaining, students receive a check for the difference.
- To the extent that Pell Grants are used to pay for a student's tuition, room and board, and book store sales, funding would be recorded in those line-items (as it would for self-paying students).

## Tuition Waivers Report

- Major recommendations include:
  - Removal of unused waivers from the statute
  - Only authorize waivers in statute
  - Examine new ways to fund primarily waived classes
  - More specifically define terms



# Questions?



FISCAL RESEARCH DIVISION  
A Staff Agency of the North Carolina General Assembly

2/17/2011