

Patriot Foundation

North Carolina Patriot Star Family Scholarship Program

Reporting Period: 1 Jan - 31 Dec 2022

1. Introduction.

- a. Patriot Foundation (PF) operates as a contractor for the University of North Carolina (UNC), and receives funds appropriated under Session Law 2021-180, as modified by SL 2022-6 and SL 2022-71, to establish and administer scholarships under the Patriot Star Family Scholarship Program.
- b. This report is provided to the University of North Carolina as the disbursing agency, pursuant to provisions of the NCAC and the above cited legislation, for further distribution to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division as required.
- c. PF fiscal year is the calendar year; this report provides information on state funds received during CY 2022.
- d. Single audit will be forwarded when completed, by October 2023.

2. Funding Overview.

- a. At the start of CY 2022, PF retained no state funds received in previous years.
- b. PF received two tranches of funds in CY 2022.
 - i. We received \$700,000 on 12 Apr 22. These funds were required to be encumbered NLT 30 Jun 2022, the end of the state's budget year 21-22. With these funds, we supported scholarships for the Fall semester of 2022. A total of \$650,600 was disbursed, including \$3000 used for administrative expenses. The remainder has been returned to the state as of March 2023.
 - ii. We received \$700,000 on 21 Aug 22. These funds will be encumbered NLT 30 Jun 2023. In 2022, we supported scholarships for the Spring semester of 2023 in the amount of \$327,745. We retain funds to support scholarships for the Fall semester of 2023. We anticipate our administrative expenses will be around 5% of the total funds received. We do not anticipate returning state funds from this tranche unless funds are returned to us by receiving educational institutions due to non-matriculation or insufficient qualifying expenses. These returns may not happen until the subsequent calendar year.

3. Program Administration.

- a. For the Fall semester of 2022, we disbursed scholarship funds through our network of partner organizations. These partners are 501 (3) (c) entities which support some of the most deployed units in the U.S. military, all based here in NC. This was the same model as was used in the "pilot year" of this program (NC BY 2020-2021).

- b. Beginning with the Spring semester of 2023, and continuing in Fall/23, we are distributing scholarship funds directly to recipients while continuing to partner on a limited basis with our network of 501 (3) (c) organizations. We made this change based on lessons learned from previous iterations. Specifically, we found that discrepancies between state eligibility requirements and the charters of our partners meant that we were not serving as broad a constituency as was possible. We also found that staffing levels in our partner organizations made it more difficult and time-consuming to verify compliance with state requirements, and complicated data collection and privacy protection.
- c. We anticipate that NLT the Spring semester of 2024 all Star funds will be administered directly by us. To that end, we have hired dedicated personnel to administer scholarships with state funds; contracted with a private firm to manage our application portal and database; contracted with the NC State Educational Assistance Authority to serve as our fiscal agent to the schools that they service; and hired an accounting firm qualified to conduct a single audit as required by subchapter 03M of the North Carolina Administrative Code. This infusion of expertise, as well as access to a network of relationships with the bursars of many colleges and universities across the state, will ensure we have the capacity to manage current levels of funding and more, while keeping administrative costs very reasonable.

4. Results.

- a. Using funds drawn in April 2022:
 - i. For the Fall semester of 2022, we administered \$647,600 in scholarships for 140 North Carolinians who met the criteria laid out in the legislation, an average of \$4626 per recipient.
 - ii. These students are attending a wide variety of institutions, including 14 in the community college system, 15 at private universities, 8 at HBCUs, and 7 at UNC-Pembroke.
 - iii. Of the \$700,000 we drew from the state, we spent \$3000 (0.4%) on administrative expenses.
 - iv. Having drawn these funds in the last quarter of the budget year, we returned \$49,400 to the state unspent.
- b. Using funds drawn in August 2022:
 - i. For the Spring semester of 2023, we administered \$327,745 in scholarships for 90 students (an average of \$3642).
 - ii. These students included 10 attending community colleges, 16 at private universities, 2 at HBCUs, and 5 at UNC-P.
 - iii. We have retained \$369,755 for scholarships to be disbursed before Jul 2023 for the Fall semester of 2023.
 - iv. We have spent \$2500 on administrative expenses as of the end of CY 2022. We anticipate spending an additional \$30,000 (4.3%) on administrative expenses before the end of this state budget year (30 Jun 2023).

5. Potential Changes to Legislation.

- a. We have adopted the VA definition of “dependent child” – that is, a child of a service member may be considered a dependent up to the age of 26 if that child is a full-time student.
 - b. We have received applications for distance learning schools that are headquartered out of state but with a limited physical presence in the state, and for other schools that are on neither the SEAA list of schools nor the NCDMVA list of approved schools. In accordance with the provisions of the current legislation, we are not funding applications if students are attending these schools; that may merit further consideration by the legislature.
 - c. We are currently administering a separate scholarship program on behalf of the state for veterans and their families, funded with non-recurring federal dollars. This program is targeted at lower income households and is focused on helping some of our more vulnerable citizens recover from COVID-related learning loss. As our outreach expands across the state and into counties away from large concentrations of active duty and retirees, we are finding a constituency that is likely to be larger than we can accommodate in the future as these non-recurring funds expire. We believe this program is having the effect the legislature intended, and we believe there is room to do even more.
6. The Point of Contact at the Patriot Foundation is Barry Huggins, bfhuggins@gmail.com.

Barry F. Huggins
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Patriot Foundation