

**Report on Use of Additional Administrative Funds from the
Scholarship Reserve Fund for Public Colleges and Universities
May 31, 2024**

Background. North Carolina General Statute 116-209.85 establishes the Scholarship Reserve Fund for Public Colleges and Universities. These funds are allocated to the UNC Reserve and the Community College Reserve for scholarships awarded from the North Carolina Need-Based Scholarship for Public Colleges and Universities (Scholarship). In order to be eligible, students must be North Carolina residents for tuition purposes, submit a FAFSA, and enroll in an undergraduate program at a UNC constituent institution or a North Carolina community college.

Administrative Funds. The North Carolina State Education Assistance Authority (SEAA) is authorized to use up to one and one-half percent (1.5%) of Reserve Funds for administrative costs related to administering the Scholarship. If SEAA determines that funds in excess of one percent (1%) are necessary to administer the Scholarship, including one-time or recurring costs, SEAA is required to consult with the President of The University of North Carolina and the President of the North Carolina Community College System on the use of the funds.

Use of Additional Administrative Funds. The Scholarship, combined with federal Pell Grant funds, make up the Next NC Scholarship. The Next NC Scholarship guarantees students whose household income is \$80,000 or less and whose federal need calculation is 7,500 or less a minimum of \$5,000 to attend a UNC institution and a minimum of \$3,000 to attend a North Carolina community college.

The only application for the Next NC Scholarship is the Free Application for Federal Student Aid (FAFSA). However, numerous problems with the launch of the 2024-25 FAFSA caused both a drastic drop in FAFSA completions statewide and widespread delays in awarding financial aid. Through April 19th, the National College Attainment Network estimated that only 30.8% of North Carolina's high school seniors completed a FAFSA – almost a 29% drop from the same time last year and also behind the national FAFSA completion rate of 32.9%. The drastic drop in FAFSA completions also means a drastic drop in Next NC Scholarship applications. On May 2, 2024, SEAA consulted with both System Presidents on using the additional one-half of one percent (0.5%) of administrative funds for increased FAFSA completion efforts over the summer. A description of the use of those additional funds is included in the attached letter to the System Presidents.



May 2, 2024

Transmitted via Electronic Mail Only

Peter Hans
President
University of North Carolina
223 S. West Street, Ste 1800
Raleigh, NC 27603

Dr. Jeff Cox
President
North Carolina Community College System
200 West Jones Street
Raleigh, NC 27603

Dear President Hans and President Cox,

Pursuant to G.S. 116-209.85(d), the Authority is moving forward with its proposal to use additional funds in FY 2023-24 to administer the Need-Based Scholarship for Public College and University Students (Next NC Scholarship) to the full 1.5% allowable under the law. I appreciate your input on the proposal and continued support of the increase in the use of administrative funds to focus on expanding student applications to the Next NC Scholarship for the upcoming academic year.

As we have discussed, to streamline and simplify the financial aid process for students, North Carolina uses the Free Application for Federal Student Aid or FAFSA as the only application for our state grant programs, including the Next NC Scholarship. Unfortunately, the launch of the "Better FAFSA" for the 2024-25 year has caused both a drastic drop in FAFSA completions and widespread delays in financial aid awarding in NC and nationally. Through April 19, the National College Attainment Network estimates that only 30.8% of NC's high school seniors have completed a FAFSA, a 28.6% drop from this time last year and behind the national rate of 32.9%. This also, of course, means a drastic drop in applications for the Next NC Scholarship.

To mitigate this damage and ensure that as many interested and eligible students apply for their Next NC Scholarship as possible, we intend to use these additional funds for increased FAFSA completion efforts, including funding experts to continue to work with potential students over the summer making up for the months lost in the delayed launch, and augmenting our public awareness efforts for Next NC and CFNC. The additional 0.5% would allow up to \$900,000. In addition to these funds, I am committed to redirecting \$100,000 in additional resources for a total budget of \$1 million.

To further these efforts, after additional consultation with President Hans on the impacts to the UNC System, for this year I will extend the priority filing date for UNC System students from June 1 to August 15, to ensure as many potential students have access to the scholarships as possible.

Once again, I appreciate your support for this plan to address this year's challenges and am happy to answer any questions.

Sincerely, Andrea

A handwritten signature in black ink that reads "Andrea Poole". The signature is written in a cursive, flowing style.

Poole
Executive Director