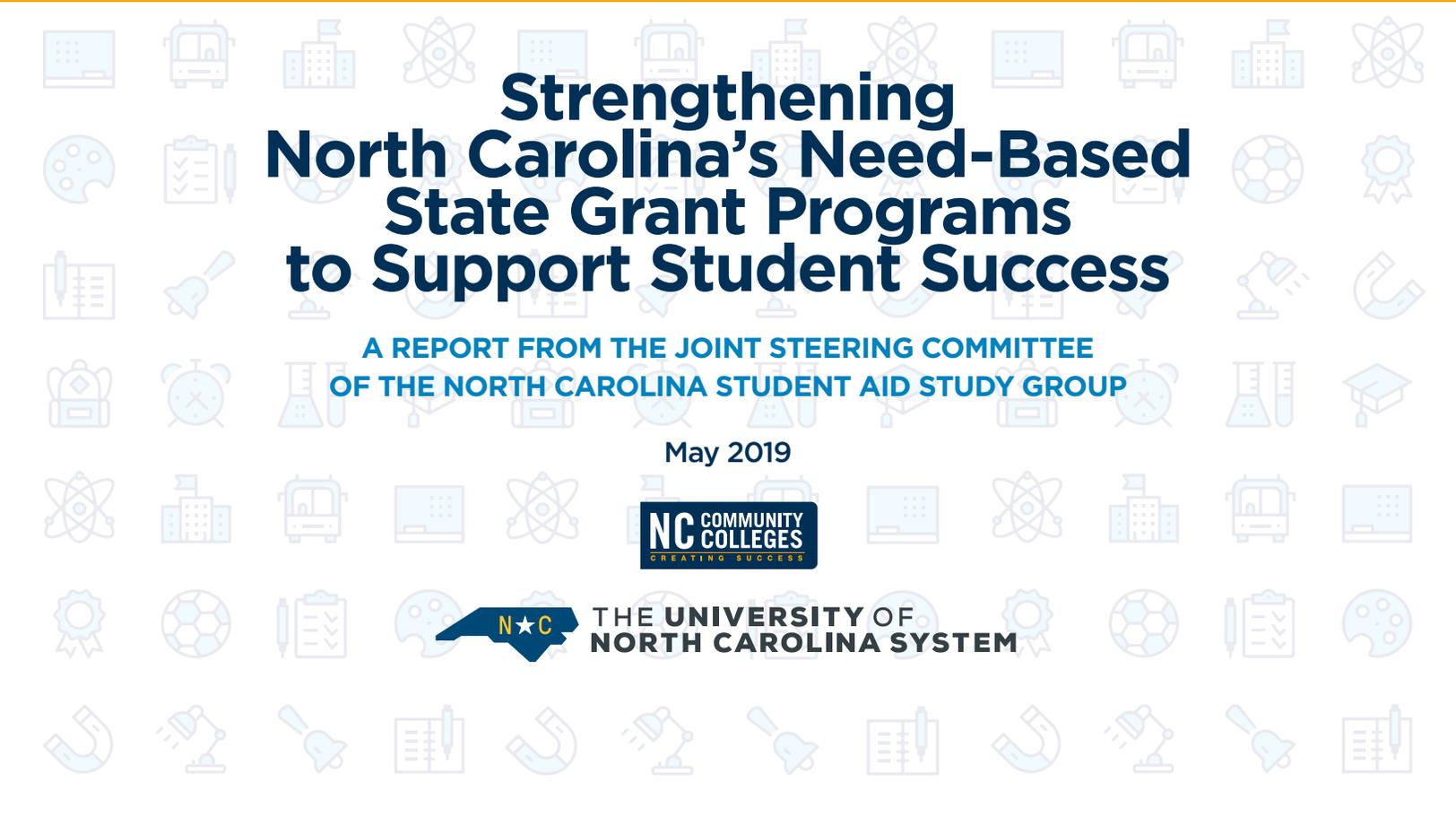# Strengthening
# North Carolina's Need-Based
# State Grant Programs
# to Support Student Success

## A REPORT FROM THE JOINT STEERING COMMITTEE
## OF THE NORTH CAROLINA STUDENT AID STUDY GROUP

May 2019

**NC Community Colleges** — CREATING SUCCESS

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

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# North Carolina's Need-Based
# State Grant Programs
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# Foreword

Financial aid can be one of our most effective tools to get more students *to* and *through* postsecondary education, but grant programs must be designed and delivered in ways that align with these goals.

In August 2018, we convened the North Carolina Student Aid Study Group to assess this important question. Over the past seven months, the study group—made up of leaders and financial aid practitioners from across the community college and university systems—engaged in a detailed examination of the state grant programs that serve public postsecondary students in North Carolina. The questions guiding our work were straightforward: Are our grant programs designed to maximize access *and* success? When and how do families learn about these opportunities? Are the programs well-designed to serve adult students?

To answer these questions, we consulted state and national experts to examine our current programs, lessons from research, and best practices in other states. From there we broke into small, cross-system workgroups focused on specific issues to generate recommendations. In the pages that follow, you'll find those recommendations and a summary of the study group's findings.

The work has already yielded results, as the group's draft recommendations shaped the financial aid requests in the joint 2019-2021 budget priorities put forward by the UNC and North Carolina Community College Systems. However, the full impact of the Study Group's work will be felt in the months and years ahead, as the recommendations provide a roadmap for more sweeping changes that will help more North Carolinians reach and complete the path to a postsecondary degree or certificate, thereby maximizing the return on state investments.

We are proud of the work this study group performed and wholeheartedly endorse its findings and recommendations. To move from recommendations to action will require continued refinement of these ideas, detailed policy development, and engagement with state policymakers.

We've built the roadmap for improvement. Now it's time to implement it.

**Peter Hans**
*President, North Carolina Community College System*
*Co-chair, North Carolina Student Aid Study Group*

**Margaret Spellings**
*President Emerita, University of North Carolina System*
*Co-chair, North Carolina Student Aid Study Group*

# Executive Summary

Labor market projections indicate that by 2027, about 70 percent of jobs in North Carolina will require education beyond high school.[1] With an attainment rate of 49% in 2017, North Carolina must help more students get *to* and *through* the state's community colleges, public four-year universities, and private institutions.

Financial aid programs are a key tool in addressing issues of affordability, access, and equity on the pathway to boosting college completion. The promise of financial aid can help to foster a college-going culture in the state, thereby ensuring that prospective students understand that education after high school is an option for them and encouraging them to make the transition to college. Aid programs help students pay tuition and living expenses, enabling them to afford the costs of enrolling and focus on their studies. But aid affects more than access and affordability; a growing body of research shows that student aid programs can also encourage students to stay on track to a degree and earn one in a timely fashion.

To ensure that aid programs are aligned with these multi-faceted goals, policymakers must thoughtfully examine the incentives built into aid programs' structure and implementation to ensure they are optimally designed to advance the goal of increasing attainment. Leaders across the country have worked to simplify aid programs, notify students about their aid eligibility and postsecondary options earlier, and redesign grants to encourage college completion. New research has shown that early notification can positively affect student beliefs and behavior in the years leading up to college;[2] that helping families complete aid applications can increase enrollment;[3] and that academic incentives can encourage students to take more credits and spend more time studying.[4]

The North Carolina Student Aid Study Group (Study Group) was born because University of North Carolina and North Carolina Community College Systems leadership recognized that it was time to assess the current design and delivery of the state's need-based grant programs for public higher education students. The study group focused on the North Carolina Education Lottery Scholarship (ELS), the North Carolina Community College Grant (CCG), and the UNC Need-Based Grant (NBG).

Co-chaired by UNC System President Emerita Margaret Spellings and North Carolina Community College System President Peter Hans, the Study Group thoroughly analyzed these student aid programs and their associated outreach efforts to identify strengths, weaknesses, and opportunities for improvement. Drawing on experts from North Carolina and across the nation, the Study Group examined North Carolina's programs in the context of lessons from research and promising programs from other states. This comprehensive analysis informed a set of recommendations to improve the simplicity, transparency, and accessibility of financial aid; promote early awareness; and incentivize student success. These actionable reform ideas will enhance our state's ability to meet access, affordability, and student success goals.

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1  Georgetown Center on Education and the Workforce projections of education requirements for North Carolina shared with the authors upon request.

2  Destin, Mesmin, and Daphna Oyserman. "From Assets to School Outcomes: How Finances Shape Children's Perceived Possibilities and Intentions." *Psychological Science* 20, no. 4 (2009): 414-418.

3  Bettinger, Eric P., Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu. "The role of application assistance and information in college decisions: Results from the H&R Block FAFSA experiment." *The Quarterly Journal of Economics* 127, no. 3 (2012): 1205-1242.

4  Barrow, Lisa, and Cecilia Elena Rouse. "Financial incentives and educational investment: The impact of performance-based scholarships on student time use." *Education Finance and Policy* (2016); Scott-Clayton, Judith. "On money and motivation: a quasi-experimental analysis of financial incentives for college achievement." *Journal of Human Resources* 46, no. 3 (2011): 614-646.

# Study Group Membership

## UNC System Representatives

- Darrell Allison
  *UNC Board of Governors*

- Robert Rucho
  *UNC Board of Governors*

- Imani Burwell, Advisor
  *Warren County High School,*
  *Carolina College Advising Corps*
  *University of North Carolina at Chapel Hill*

- Philip Dubois, Chancellor
  *University of North Carolina at Charlotte*

- Rachelle Feldman, Associate Provost
  *University of North Carolina at Chapel Hill*

- Louis Hunt, Senior Vice Provost
  *North Carolina State University*

- Sharon Oliver, Director of Financial Aid
  *North Carolina Central University*

- Deborah Tollefson, Director of Financial Aid
  *University of North Carolina at Greensboro*

- Sandy Baum, Senior Fellow
  *Urban Institute*

## NCCCS Representatives

- Kali Brown, Dean of Student Support Services
  *Vance-Granville Community College*

- Pamela Harrell, VP for Student Services
  *Johnston Community College*

- Rosemary Kelly, AVP for Student Services
  *Fayetteville Technical Community College*

- Lisa Koretoff, Director of Financial Aid
  *Guilford Technical Community College*

- Dennis King, President
  *Asheville-Buncombe Technical Community College*

- Laura Leatherwood, President
  *Blue Ridge Community College*

- Daniel "JJ" McEachern,
  Dean of Enrollment Management
  *Central Piedmont Community College*

- Christopher Sabin,
  Director of Veterans Programs
  *Coastal Carolina Community College*

- Chad Williams, VP for Student Services
  *Randolph Community College*

## Joint Steering Committee

- Lisa Chapman, Chief Academic Officer
  *NCCCS*

- Jennifer Haygood, Chief of Staff
  *NCCCS*

- James "JW" Kelley, Associate Vice President –
  Student Services
  *NCCCS*

- Andrew P. Kelly, Senior Vice President for
  Strategy and Policy
  *UNC System Office*

- Elizabeth McDuffie, Executive Director
  *North Carolina State Education Assistance Authority*

- Elizabeth Reilley, Director of Data Analysis
  and Policy Research
  *UNC System Office*

- Shun Robertson, Assistant Vice President
  for Policy Development and Analysis
  *UNC System Office*

## External Partners

- Annika Many, Principal
  *EdBridge Partners*

- Martha Snyder, Senior Director
  *HCM Strategists*

# Recommendations of the Study Group

## FOCUS AREA A:
### CREATE A SYSTEM THAT IS SIMPLE, TRANSPARENT, TARGETED, AND ACCESSIBLE

**1. Simplify the grant structure by offering a single, generically named "North Carolina Scholarship" to provide a base level of need-based student aid to eligible students.**

- Create one set of rules for determining eligibility and aid amounts based on the federal methodology for Expected Family Contribution and institutional costs of attendance.
- Promote simplicity and reduce confusion by ensuring that program details mirror the federal Pell Grant program where possible and appropriate; for example, in eligibility rules, proration, and satisfactory academic progress requirements.
- Take steps to minimize the effect of this simplification on the total amount of state aid that flows to individual institutions.
- Provide a method for students and families to estimate how much their federal and state need-based aid would be based on a combination of data inputs such as family income, EFC, institution, and number of credit hours.
- Structure the program to build upon Pell, assisting students beyond those Pell-eligible (e.g., 110% of Pell-eligible EFC) with the amount awarded decreasing for higher EFCs (awards should "slope").

**2. Allow summer awards consistent with Pell criteria.**

**3. To the extent possible, fund need-based grant programs at a level that allows grants to be awarded to all eligible students regardless of FAFSA filing date and start term.**

**4. Avoid limiting eligibility for state financial aid programs by age or time since high school enrollment.**

## FOCUS AREA B:
### PROMOTE EARLY AWARENESS

**5. Expand financial aid counseling efforts across the state with multi-pronged strategies for engaging and supporting students.**

These efforts could include:
- Establishing a statewide virtual financial aid center that offers technology-based counseling sessions (e.g., Skype, FaceTime, Facebook Live) with after-hours and weekend availability;
- Increasing the number of College Advising Corps, NC Career Coaches, and College Foundation of North Carolina's regional financial aid representatives;
- Leveraging evidence-based practices, like text messaging/nudging campaigns and artificial intelligence communication technologies (e.g., AdmitHub) to support students through application and financial aid process; and
- Continue incorporating financial aid counseling with college or university admission fairs (e.g., CACRAO).

**6. Invest in state-level communication and marketing to develop simple messages focused on the value of and opportunities to access a college education, and outreach strategies that are proactive, targeted and personalized for various student populations.**

These strategies could include:
- Accessing data from the NC Department of Public Instruction, including ACT data, to identify and reach out to high school students with simple messages for academic expectations, postsecondary options, and accessibility of financial aid;
- Expanding the use of social media and traditional marketing strategies that can engage both students and parents in a college-going campaign effort with simple messages about affordability/availability of financial aid; and
- Developing student-focused, story-telling narratives and information about college opportunities, such as career and technical education programs, that can (re)-engage non-traditional aged students.

**7. Simplify and modernize CFNC's web portal and governance to support future flexibility and efficiency.**

## FOCUS AREA C:
### INCENTIVIZE STUDENT SUCCESS AND REDUCE TIME TO DEGREE

**8. Create a separate bonus award for students who complete 30 or more credit hours per academic year and incorporate a parallel reward system for part-time students to encourage on-time completion.**

- Policymakers should work to ensure that the bonus award is structured to minimize administrative burden and fulfill the requirement in S.L. 2014-100, section 11.8.

**9. Expand availability of state grant funding in the summer to encourage students to complete their programs more quickly.**

**10. Enhance completion incentive programs with advising and student services that emphasize the same message to all students, not only financial aid recipients.**

- Advising should clarify the financial consequences of taking additional semesters to complete a credential and help students choose the right major for degree completion.
- A statewide campaign to promote on-time completion at 2- and 4-year institutions and highlight transfer initiatives should accompany advising efforts. This campaign should highlight initiatives like transfer articulation agreements and "2+2" co-admission programs.

**11. Implement and study a program to provide a one-time award to students who earn a college transfer associate degree covered by the Comprehensive Articulation Agreement prior to transferring to a UNC System institution.**

## FOCUS AREA D:
### TEST INNOVATIVE IDEAS AND EVALUATE CURRENT PROGRAMS FOR EFFECTIVENESS

**12. Evaluate the effectiveness of current programs and outreach efforts, and measure the impact of differing levels of state grant aid on enrollment and completion, in order to ensure the best use of state resources.**

This work could include, but would not be limited to:
- Studying the current NCSEAA Forgivable Education Loans for Service (FELS) to assess effectiveness of the program. Expand or modify based on the results.
- Evaluating current financial aid outreach activities to understand which efforts are effective, which efforts should be reduced or discontinued, and the return on investments. Scan other states' financial aid outreach efforts for best practices and innovative ideas.

**13. Pilot a statewide scholarship program to support short-term, career-focused training in high-demand fields. Such an initiative should include business and industry partnerships and may include matching funds from employers.**

**14. Study and pilot a program that forgives some portion of student account balances to encourage adult reentry into postsecondary education.**

This program could include, but would not be limited to:
- One-time forgiveness of non-tuition debts (e.g. parking tickets, fines, other fees) and Title IV money typically charged to students based on charges from the Department of Education (a limited/ "up-to" amount should be established after examining the typical amounts of these kinds of debts among stop-outs);
- Debt forgiveness over time upon completion of credit hours regardless of Satisfactory Academic Progress (SAP) standing.

**15. Pilot "Finish Line" support for students who are within striking distance of graduating.**

- For example, a program could award grants to students who complete student success sessions such as meeting with an academic advisor for a graduation audit, a career advisor, and complete financial literacy workshops.

# Introduction

The state of North Carolina invests hundreds of millions of dollars in student aid each year in service of its constitutional mandate to provide higher education that is "as free as practicable." These investments help ensure that the price of attendance will not be a barrier to college enrollment and completion for qualified North Carolinians of all ages.

As the UNC System and North Carolina Community College System work to build on this strong foundation, both institutions are intensely focused on increasing postsecondary access and success. The importance of those priorities is reflected in both systems' strategic plans, which emphasize increases in completion rates, improved access for key groups, and smoother transitions from K-12 to college. These system priorities are also of critical importance to the state's new attainment goal to reach 2 million adults between the ages of 25 and 44 with a high-quality postsecondary credential or degree by 2030.

Student aid is an essential tool in our pursuit of these goals. But to meet the challenge, our state aid programs must adapt. A growing body of research has provided many lessons on how student aid design and delivery can influence college aspirations, enrollment decisions, and student success. We also know that particular design features—like complicated application processes, poor timing, and insufficient flexibility—can weaken and ultimately undermine the goals of financial aid programs.

As such, the University of North Carolina and North Carolina Community College Systems' leadership recognized that it was time to assess the current design, outreach, and delivery of the state's three need-based grant programs for public higher education students: the NC Education Lottery Scholarship, the NC Community College Grant, and the UNC Need-Based Grant.

The systems jointly created the North Carolina Student Aid Study Group (Study Group), co-chaired by UNC System President Emerita Margaret Spellings and North Carolina Community College President Peter Hans. With a formal launch in August 2018, the Study Group convened national and state higher education leaders, financial aid experts, and state policymakers to examine state aid programs, identify lessons from research and other states about the optimal design of student aid, and develop evidence-based reforms to enhance the effectiveness of state aid investments.

In seeking to answer key questions, the Study Group was guided by core principles and clear goals.

## Key questions

- Are our grant programs designed to maximize access *and* success for all UNC System and community college students?
- How do students and families learn about these opportunities, and can the state do more to reach back into the K-12 pipeline to inform students about their options?
- Do the programs create incentives for timely degree completion?
- Are our student aid programs designed to meet the needs of nontraditional students?

## Principles

- Student aid programs should be as simple, predictable, and transparent as possible to the end users.
- The state should work to ensure that prospective students and their families have opportunities to learn about student aid opportunities and postsecondary options early in their school careers.
- State aid should be targeted at those on whom it will have the largest effect on enrollment and success.
- State aid rules and procedures should encourage student progress and timely degree completion without compromising access.
- State aid rules and procedures should provide sufficient flexibility to serve the needs of different types of students.
- Potential reforms should focus primarily on making the most productive use of existing state investments.

## Goals

1. Conduct a detailed assessment of the strengths, weaknesses, and opportunities for improvement in existing state student aid programs and outreach efforts in the context of new goals and economic conditions.
2. Examine lessons gleaned from rigorous research and from other states about the effective design and targeting of student aid programs and associated outreach efforts.
3. Use the findings from 1 and 2 to develop a set of evidence-based reforms that can increase the efficiency and effectiveness of the state financial aid programs and outreach efforts that serve UNC System and NCCCS students.

- **Steering group**
  Guided content development, agenda planning, and overall process

- **Five in-person meetings**
  Focused on content areas reinforced by findings from a survey of financial aid directors at UNC System and NCCCS institutions. *(See online Appendix D.)*

  September 10, 2018
  - Overview of existing NC programs

  October 10, 2018
  - *Targeting, Predictability, and Simplicity*
  - *Outreach and Accessibility*

  October 31, 2018
  - *Optimizing Aid for Student Success*
  - *Supporting Non-Traditional Students*

  November 28, 2018
  - Review of draft recommendations
  - Technical analysis framework

  December 12, 2018
  - Review of financial modeling
  - Discussion of recommendations

- **Four working groups organized around key issues**
  Supported by steering group staff and commissioned policy briefs by national experts, working groups developed draft recommendations for each issue (in italics above)

- **Technical analysis**
  Financial modeling enabled analysis of core recommendations' budgetary and distributional impact

The state of North Carolina invests hundreds of millions of dollars in student aid each year in service of its constitutional mandate to provide higher education that is "as free as practicable." These investments help ensure that the price of attendance will not be a barrier to college enrollment and completion for qualified North Carolinians of all ages.

# The Status Quo in North Carolina Student Aid

To begin its review, the Study Group assessed the current state of North Carolina's three primary financial aid programs for public college and university students: the North Carolina Education Lottery Scholarship (ELS); North Carolina Community College Grant (NCCCG); and University of North Carolina Need-Based Grant (UNCNBG). Additional state aid programs for special populations were beyond the scope of the group's review.

North Carolina's financial aid expenditures were examined in a national context[5]:

- North Carolina's ratio of grant dollars per undergraduate FTE has been consistently above the national average.
- Nearly all (98 percent) of North Carolina's investment in grant aid is need-based, well above the national average of 75 percent.
- The total amount of undergraduate aid in North Carolina increased by 109% from 2000-2016—and the total invested in need-based aid increased by over 300%. Investments in the three main programs have leveled off in recent years despite growth in enrollments at UNC System institutions.

North Carolina's three primary need-based aid programs are targeted at needy students for whom the cost of attending higher education may be a barrier. These programs share some basic eligibility criteria, such as requiring students to be North Carolina residents for tuition purposes and to make satisfactory academic progress. But they differ in terms of how financial need is calculated and how awards are determined. See Table 1 for a basic description of the three grant programs.

Two programs (ELS and NCCCG) use what is known as the Expected Family Contribution (EFC) to determine aid amounts. The EFC is calculated via a federally-defined formula that uses family income and assets, number in the family, and number in college. The UNCNBG uses a different formula to calculate the family contribution.

### TABLE 1: *Primary need-based aid programs in North Carolina* (page 9)

The following tables (Table 3 and Table 4) illustrate how the Community College Grant and North Carolina Need Based Grant are determined.

For the Community College Grant, the maximum award a student can receive from all three (Pell, ELS, and CCG) totals $4,680. As a result, students from the lowest-income families (i.e. those with a lower EFC) are likely to receive little or no state support through the ELS and CCG because their Pell Grant approaches or exceeds $4,680. Similarly, those students with EFCs over 5,000 are not eligible to receive support from the ELS.

### TABLE 2: *Community College Grant (Sample Students)* (page 9)

The UNC Need-Based Grant works in a different manner. The family contribution for that grant is calculated using a unique formula that is different from the federal EFC, which makes understanding specific award levels less transparent. The UNC NBG fills in any gap left between EFC and COA after Pell and other awards are factored in. Table 3 provides an illustration of how award levels work.

### TABLE 3: *UNC Need-Based Grant (Three Students Attending Same University)* (page 9)

These programs are part of a larger framework of student aid that includes federal grants and loans, local grant aid, institutional aid—which varies widely across institutions—and private scholarships. Table 5 uses institution-level data from the Integrated Postsecondary Education Survey (IPEDS) to provide a snapshot of the different sources of grant aid received by all undergraduates (the top rows) and by first-time, full-time undergraduates (the bottom rows) at UNC System and NCCCS institutions in 2016-17.

Just over half of students in both systems receive some grant aid, and UNC System students receive more grant aid in total than do students at NCCCS. NCCCS institutions receive more Pell Grant aid in total than UNC System institutions, which reflects the fact that community college students are more likely to be low-income and to qualify as independents. Indeed, only a fraction of the students included in NCCCS IPEDS reporting are first-time, full-time students. In contrast, institutional aid is much more prevalent at UNC institutions, and accounts for more grant aid than the state grant programs. Data reported to the UNC Board of Governors indicate that UNC System institutions budgeted $208 million in tuition revenues to need-based institutional aid for undergraduate and graduate students.

*continued*

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5  National Association of State Student Grant & Aid Programs (NASSGAP)

## TABLE 1. PRIMARY NEED-BASED AID PROGRAMS IN NORTH CAROLINA

| | Institutions | Financial Need 2018-19 | Grant Value | Recipients 2017-18 | Average Award 2017-18 | Total Amount Awarded |
|---|---|---|---|---|---|---|
| **NC Education Lottery Scholarship (ELS)** | NC Community Colleges / UNC System institutions | EFC > 2,200 and ≤ 5,000 | In combination with Pell, not to exceed $4,000 | 25,919 | $1,079 | $27,971,676 |
| **NC Community College Grant (CCG)** | NC Community Colleges | EFC > 700 and ≤ 8,500 | Combines with Pell and ELS | 23,863 | $725 | $17,311,062 |
| **UNC Need-based Grant (UNCNBG)** | UNC System institutions | Unmet need determined by unique program formula | Does not use federal EFC; separate formula Range: $500-$4,200 | 50,154 | $2,410 | $120,991,629 |

## TABLE 2. COMMUNITY COLLEGE GRANT (SAMPLE STUDENTS)

| | Student A | Student B | Student C | Student D | Student E |
|---|---|---|---|---|---|
| Expected Family Contribution | $100 | $1,850 | $2,650 | $5,150 | $7,050 |
| Pell | $6,045 | $4,245 | $3,445 | $945 | 0 |
| Edu. Lottery Scholarship | 0 | 0 | $552 | 0 | 0 |
| | (Pell > $4,000) | (Pell > $4,000) | | (EFC > 5,000) | (EFC > 5,000) |
| **CC Grant** | **0** | **$435** | **$683** | **$2,000** | **$1,700** |
| Total Grants | $6,045 | $4,680 | $4,680 | $2,945 | $1,700 |

## TABLE 3. UNC NEED-BASED GRANT (THREE STUDENTS ATTENDING SAME UNIVERSITY)

| *COST OF ATTENDANCE* | | *$15,000* | *$15,000* | *$15,000* |
|---|---|---|---|---|
| Minus: | | | | |
| Family Contribution (not Federal EFC) | | $100 | $3,500 | $6,000 |
| | | | | |
| Pell Grant (capped at $5,730) | | $5,730 | $2,645 | 0 |
| NC Education Lottery Scholarship | | 0 | $1,352 | 0 |
| Federal American Opportunity Tax Credit Estimate | | $900 | $900 | $2,500 |
| Self Help | | $5,325 | $5,325 | $5,325 |
| **Difference Paid by UNC Need-Based Grant** | | **$2,945** | **$1,278** | **$1,175** |
| Total Grant Aid | | $8,675 | $5,275 | $1,175 |

## TABLE 4. A SNAPSHOT OF STUDENT AID AT UNC AND NCCCS INSTITUTIONS (AY2016-17)

| All Undergraduate Students | UNC System | NCCCS |
|---|---|---|
| Number and Percentage of Undergraduate Students Awarded Any Grant Aid | 104,911 (57%) | 117,900 (53%) |
| Total grant aid from federal, state, institutional, and other sources | $881,094,205 | $516,471,482 |
| Total recipients | 104,911 | 117,900 |
| Average per recipient | $8,398 | $4,381 |
| Total Pell Grant aid | $284,953,528 | $389,479,700 |
| Total recipients | 66,464 | 91,827 |
| Average per Pell Grant recipient | $4,287 | $4,241 |
| Average per student receiving <u>any</u> aid | $2,716 | $3,303 |

| First-Time, Full-time Students | UNC System | NCCCS |
|---|---|---|
| Number and Percent of First-time Full-time Students Awarded Grant Aid | 19,425 (58%) | 13,561 (68%) |
| Total Grant Aid[6] | $177,671,490 | $63,520,243 |
| Total Recipients | 19,425 | 13,561 |
| Average per recipient | $9,147 | $4,684 |
| Total Pell Grant Aid | $55,150,855 | $52,995,891 |
| Pell Grant recipients | 12,166 | 11,379 |
| Average per Pell Grant recipient | $4,533 | $4,657 |
| Average per student receiving <u>any</u> aid | $2,839 | $3,908 |
| Total State and Local Aid | $35,406,039 | $6,757,035 |
| State and local aid recipients | 11,634 | 4,225 |
| Average per state/local grant recipient | $3,043 | $1, 599 |
| Average per student receiving <u>any</u> aid | $1,823 | $498 |
| Total Institutional Aid | $84,489,981 | $3,034,039 |
| Institutional aid recipients | 17,186 | 2,335 |
| Average per institutional aid recipient | $4,916 | $1,299 |
| Average per student receiving <u>any</u> aid | $4,350 | $224 |

### Key Issues

In consultation with specialists from the North Carolina State Education Assistance Authority and the UNC and NCCC Systems, as well as national postsecondary finance and financial aid experts, the Study Group identified four key issues to examine:

1. *Targeting, Predictability, and Simplicity*
2. *Outreach and Accessibility*
3. *Optimizing Aid for Student Success*
4. *Supporting Non-Traditional Students*

A survey of financial aid administrators at UNC System and NCCC institutions reinforced the need to address these core topics. (See online *Appendix D* for detailed survey results.) Respondents agreed that North Carolina's aid programs are overly complex, making them difficult for students and families to understand and anticipate how much aid they may receive. Respondents were uncertain how the programs promote student success and indicated that the programs were not well designed for adult learners.

The Study Group commissioned a set of policy briefs by national experts that evaluated North Carolina's aid programs and outreach efforts relative to best practice in each core area. Authors presented their findings before the group and served as resources for the member working groups. See *Appendix E* for full briefs.

6  Note: Pell, State or Local, and Institutional grants do not add up to Total Grant Aid due to exclusion of federal grant programs other than Pell Grants.

# Findings and Recommendations

Each focus area was assigned a team of study group members who examined data and policy briefs and developed a set of recommendations that were discussed, debated, and ratified by the full study group. This process included technical analysis by researchers at the State Higher Education Executive Officers Association (SHEEO) who examined the budgetary and distributional impact of enacting key recommendations under varying scenarios.

The following is a summary of the research, best practice, and analysis that informed each set of recommendations. *The commissioned policy briefs in online Appendix E include citations for a host of relevant studies and state policy examples.*

## FOCUS AREA A: CREATE A SYSTEM THAT IS SIMPLE, TRANSPARENT, TARGETED, AND ACCESSIBLE[7]

### Research/Best practice

Research suggests that the complexity of applying for aid can lead to inaction.[8] **Simplicity** can be addressed in several ways, including limiting the number of separate programs so that students receive a clear, coherent message about aid availability and ensuring that the process for applying, receiving, and maintaining eligibility for aid is as streamlined as possible. States can simplify the aid process for students by:

- Streamlining the number of programs to maximize the number of eligible students that receive aid from a single program;
- Eliminating conflicting, arbitrary, or early deadlines that disproportionately harm underserved students, who often apply too late after funding is exhausted.[9]

Oregon Opportunity Grants, for instance, are awarded based on EFC until funds are exhausted, regardless of application date;

- Designing specific supports based on where students struggle in the process to ease application burdens and administrative hurdles;
- Creating a centralized application portal; and
- Coordinating state aid with federal and institutional sources of aid.

Uncertainty about the cost of college can also depress aspirations and enrollment. **Transparency** and predictability regarding financial aid can help families understand and plan for college, which has positive effects on enrollment. States can increase transparency by making students and families aware of their eligibility early and providing estimates of what they may be eligible to receive. Better transparency can be addressed through:

- Providing students and families with early information. Several early commitment programs, such as those in Indiana and Oklahoma, make students aware of their eligibility for aid while they are still enrolled in middle school. While these programs come with other academic and behavioral parameters for students, research suggests that such programs impact the enrollment of students who are eligible; and
- Creating look-up tables or aid calculators based on family income to help parents and students estimate aid and plan. While the actual formula within the aid program may be driven by EFC calculations, a more general estimate, using understandable parameters such as income and family size, can provide families with the simple information they need to prepare for college-going.

Aid programs also differ in what groups of students they target, and those design choices have implications for program effectiveness. Evidence indicates that **targeting** aid to students with high financial need can have a significant impact on enrollment. Studies find an additional $1,000 in aid is associated with a 3-4 percentage point increase in college enrollment.[10] While the targeting

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7  See Appendix E: Baum, Sandy, "North Carolina Student Aid Study Group Policy Issue Brief: Improving the Targeting, Predictability, and Simplicity of North Carolina's State Grant Programs," (2018).

8  Castleman, Benjamin, Saul Schwarz, and Sandy Baum (eds.) (2015), *Decision Making for Student Success: Behavioral Insights to Improve College Access and Persistence*. New York: Routledge; Dynarksi, Susan and Judith E. Scott-Clayton. "The Cost of Complexity in Federal Student Aid: Lessons from Optimal Tax Theory and Behavioral Economics." *National Tax Journal*, 59, no. 2 (2006): 319-356; Dynarski, Susan and Judith Scott-Clayton. Financial Aid Policy: Lessons from Research. Working Paper 18710. National Bureau of Economic Research (2013); Bettinger, Eric P., Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu. "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment." *Quarterly Journal of Economics* 127, no. 3 (2012): 1205-1242.

9  Hoover, Eric and Scott Carlson, "Students on the Margins: For many low-income families, college is a question mark," *The Chronicle of Higher Education* (2017); Pingel, Sarah, Brian Sponsler, and Neal Holly. "Redesigning State Financial Aid: Principles to Guide State Aid Policymaking." Denver, CO: Education Commission of the States (2018).

10  Dynarski, Susan and Scott-Clayton, Judith. "Financial Aid Policy: Lessons from Research." *Future of Children* 23 no. 1 (Spring 2013): 67-91.

of aid to students with greater financial need is key, the structure of the aid programs is also important; if students cannot access the aid due to enrollment intensity requirements or burdensome application requirements, they cannot benefit from the program. State financial aid programs can increase accessibility and target more efficiently by:

- Minimizing sharp differences between students on either side of an eligibility determination, known as cliff effects. Grants such as the Cal Grant, for which students are either eligible or ineligible, create steep cliff effects for students who do not meet the determined income or EFC eligibility level. These all-or-nothing scenarios can have significant impact on students. State programs should be tapered to gradually decline for higher EFCs; and

- Ensuring that eligibility is not limited to students who enroll full-time or who have recently graduated from high school. These eligibility parameters particularly impact access for older students, who may be several years removed from high school or have other obligations such as work and family that prevent them from enrolling in full course loads. Recognizing the unintentional impacts of these limitations, several states have adjusted programs to ensure access for non-traditional students:

  - After determining that some adult students enrolled in more credits than they could manage to qualify for aid, the Illinois Student Aid Commission changed state policy to allow students enrolled in three or more credit hours per semester to access aid.[11]
  - Initial participation in the Tennessee Reconnect program is exceeding projections after enrollment intensity requirements were lowered to part-time (six credits per semester); a program pilot found that participation suffered when nearly full-time enrollment (nine credits per semester) was required.[12]
  - Indiana's adult grant requires enrollment in six credit hours per semester—but traditional students receive additional aid when they exceed 12 credit hours.

- Providing the same level of grant funding for summer courses as for those taken in the fall and spring can facilitate progress and credit accumulation.

### North Carolina Analysis

- North Carolina minimizes the effort required for students to apply for state aid by using the FAFSFA as its application. However, multiple programs create unnecessary complexity and a lack of transparency.
- UNC's Family Contribution—an alternative to the federal Expected Family Contribution—adds complexity, reduces predictability for students and aid officers, and is not transparent.
- In accordance with best practice, aid programs currently do not have fixed deadlines beyond which otherwise eligible students are denied aid.
- The structure of the ELS and CCG programs counteract some of the Pell Grant program's progressivity. Rather than increasing in value in step with the Pell Grant, North Carolina's state grants decline as the Pell Grant increases.
- Aid programs include part-time students who are enrolled at least half time and those who are not recent high school graduates.
- Adult students are less likely to receive any state grant aid compared to traditional-age students, even though adult students are more likely to be low-income and to have higher unmet need.
- Some adult and transfer students lose aid before completing a degree due to financial aid term limits (six for an associate degree, ten for a bachelor's degree).

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11  Illinois Student Assistance Commission, "Initiative to aid Illinois adult workers," (2000), https://www.isac.org/dotAsset/eadbf229-cd07-477d-bae7-269d64daab1a.pdf

12  Gonzales, Jason, "Free Tennessee community college for adults program shatters expectations in its first year," *Nashville Tennessean*, (2018), https://www.tennessean.com/story/news/ education/2018/08/27/tennessee-reconnect-community-college/1109159002/

*Study Group recommendations: Create a system that is simple, transparent, targeted, and accessible.*

**1. Simplify the grant structure by offering a single, generically named "North Carolina Scholarship" to provide a base level of need-based student aid to eligible students.**

- Create one set of rules for determining eligibility and aid amounts based on the federal methodology for Expected Family Contribution and institutional costs of attendance.
- Promote simplicity and reduce confusion by ensuring that program details mirror the federal Pell Grant program where possible and appropriate; for example, in eligibility rules, proration, and satisfactory academic progress requirements.
- Take steps to minimize the effect of this simplification on the total amount of state aid that flows to individual institutions.
- Provide a method for students and families to estimate how much their federal and state need-based aid would be based on a combination of data inputs such as family income, EFC, institution, and number of credit hours.
- Structure the program to build upon Pell, assisting students beyond those Pell-eligible (e.g., 110% of Pell-eligible EFC) with the amount awarded decreasing for higher EFCs (awards should "slope").

**2. Allow summer awards consistent with Pell criteria.**

**3. To the extent possible, fund need-based grant programs at a level that allows grants to be awarded to all eligible students regardless of FAFSA filing date and start term.**

**4. Avoid limiting eligibility for state financial aid programs by age or time since high school enrollment.**

**Cost Implications**

*Consolidation into one "North Carolina Scholarship:"* The recommendation to consolidate programs can be implemented in a way that is budget neutral. Consolidation will require shifting the UNC NBG from the current "total family contribution" to the federal EFC, which would result in changes to the amount of aid going to different groups of students. Adjustments to the other components of the formula (e.g., cost of attendance) can limit changes to the aggregate amount of state aid that institutions receive.

*To the extent possible, fund programs such that all eligible students receive grant funding regardless of FAFSA filing date:* Technical modeling indicates that about 12,500 students would have been eligible for a UNC Need-Based Grant but filed their FAFSA after grant funds had been depleted. Funding these students at current rates regardless of filing date would cost an additional $22 million. Funding the ~7,500 of those who filed prior to July would have cost an additional $13 million. Grant amounts and schedules could be adjusted to minimize additional costs.

Research suggests that the complexity of applying for aid can lead to inaction when it comes to applying for aid and for college. Simplicity can be addressed in several ways, including limiting the number of separate programs so that students receive a clear, coherent message about aid availability and ensuring that the process for applying, receiving, and maintaining eligibility for aid is as streamlined as possible.

## FOCUS AREA B: PROMOTE EARLY AWARENESS [13]

### Research/Best practice

Behavioral economics research provides insights into the factors that drive individuals to participate in certain programs or respond to incentives. Generally, this research points to the importance of "Simple, Often, and Easy" as principles that should guide outreach and informational strategies.[14] When it comes to financial aid, building early awareness through simple messages, establishing easy processes that remove or limit administrative burdens, and issuing frequent reminders or follow-ups are all important strategies that can encourage students to take timely action toward applying for and maintaining aid. Some specific outreach strategies include:

- Simplify and target messaging around aid, affordability, and net price.
  - Tennessee Promise features a simple slogan: "Two years of tuition-free attendance at a community college." The state created a simple initial form requiring minimal information to authorize outreach to parents over an extended period.
- Provide students with early, easy-to-access information, including details about academic expectations, potential aid amounts, and how aid may vary by institution type and/or enrollment intensity.
  - Early commitment programs guarantee college financial aid to students from low-income families beginning in middle school, contingent upon the student meeting certain academic and other requirements. Indiana's 21st Century Scholars programs enrolls low-income seventh and eighth graders, while Oklahoma's program enrolls students in eighth, ninth and tenth grades with family incomes up to $55,000.

- Open resources and toolkits such as Lumina Foundation's KnowHow2Go can help high schools provide college workshops more easily, particularly in underserved areas.
- Use data to identify particular student populations, then reach out to them earlier and more often with specific messages.
  - University of Michigan's HAIL Scholarship used simple messaging and direct outreach to parents and schools—identified through targeted data—to attract low-income students.
- Use frequent reminders ("nudges") to refocus attention.
  - Text-messaging campaigns can help students progress through complex processes.
  - Community college students who received a series of text messages about financial aid resources and deadlines were 12 percentage points more likely to return to campus sophomore year, a randomized control trial found.[15]
  - Leveraging access to student information systems, Georgia State's artificial intelligence bot generated outreach messages geared toward the specific tasks students had to complete next.[16]
- Facilitate FAFSA completion with outreach, assistance, and financial and recognition incentives.
  - One study found that FAFSA completion increased when workshop attendees knew that a $1,000 scholarship would be awarded to one attendee.[17]
  - Tennessee's "FAFSA Frenzy" and California's "Race to Submit" campaigns displayed schools' FAFSA completion rates publicly to encourage greater support for students.

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13 See Appendix E: Gurantz, Oded, "North Carolina Student Aid Study Group Policy Issue Brief: Improving Outreach and Accessibility of Financial Aid," (2018).

14 Thaler, Richard, Cass R. Sunstein, and John P. Balz. "Choice Architecture" in E. Shafir (ed.) *The Behavioral Foundations of Public Policy.* Princeton, NJ: Princeton University Press (2012); Guyton, John, Day Manoli, Brenda Schafer and Michael Sebastiani. "Reminders & Recidivism: Evidence from Tax Filing and EITC Participation among Low-Income Families." Unpublished working paper (2016); Manoli, Day and Nick Turner. "Do Notices Have Permanent Effects on Benefit Take-Up? *NYU Tax Law Review* 70 (2017): 439-533; Bettinger, Eric P., Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu. "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment." *Quarterly Journal of Economics* 127, no. 3 (2012): 1205-1242.

15 Castleman, Benjamin L. and Lindsay C. Page, "Freshman Year Financial Aid Nudges: An Experiment to Increase FAFSA Renewal and College Persistence." *The Journal of Human Resources* 51, no.2 (2016): 389-415.

16 Page, Lindsay C. and Hunter Gehlbach, "How an Artificially Intelligent Virtual Assistant Helps Students Navigate the Road to College." *AERA Open* 3, no. 4 (2017).

17 Gurantz, Oded, "A Little Can Go a Long Way: The Impact of Advertising Services on Program Take-Up." *Educational Evaluation and Policy Analysis* 40, no. 3 (2018): 382-398.

- New research on the postsecondary pipeline in North Carolina suggests that there is a fair number of qualified students who do not enroll in any postsecondary education. A study of high school graduates from North Carolina public high schools found that, among graduates who met three out of four college readiness benchmarks, 20 percent had not enrolled in any postsecondary institution by the following fall.[18] Among those who met two out of four, 27 percent had not enrolled.[19] In total, this study suggests about 19,000 students who met two or more benchmarks on the ACT did not enroll "on-time." More effective outreach could potentially encourage more of these qualified students to consider postsecondary enrollment.

- North Carolina does not notify students of their potential eligibility before they begin the aid application process. The state could improve transparency by sharing a summary of current aid opportunities and average grant amounts as well as a simple look-up table with potential aid amounts.

- Seven CFNC regional representatives are positioned across the state and conduct topical sessions about choosing colleges, careers, financial aid and saving for college as early as elementary school, but usually for middle and high school ages. In the year ending June 30, 2018, nearly 96,000 people attended sessions with CFNC representatives.

- Students are not identified for outreach communication early enough. In general, much of the college access information developed by CFNC is housed on the website, meaning it only reaches students who seek it out.

- The CFNC website is undergoing a major update to provide users with a more streamlined interface, which will make the website more user-friendly and easier to navigate. In addition to this website, CFNC provides call centers with specialists trained to answer calls and emails about college admissions, careers and financial aid. In the year ending June 30, 2018, the centers answered more than 105,000 calls and over 9,000 emails.

- North Carolina has initiatives to increase FAFSA completion, such as FAFSA Day at local colleges, community centers and credit union branches, but it is unclear whether current offerings are convenient for low-income families.

- The State Education Assistance Authority partners with CFNC to provide high school counselors with the names of high school seniors and their FAFSA status. This information enables counselors to contact students who have not completed the FAFSA. At present, over 300 high schools have joined the "Finish the FAFSA" initiative.

- CFNC sets an annual goal for the statewide FAFSA completion rate and works directly with school counselors along with the counseling liaison at the Department of Public Instruction to encourage FAFSA completion. The myFutureNC Commission identified FAFSA completion as a key indicator of success as part of its work on a statewide attainment goal, which may make the FAFSA completion rate even more salient.

Behavioral economics research provides insights into the factors that drive individuals to participate in certain programs or respond to incentives. When it comes to financial aid, building early awareness through simple messages, establishing easy processes that remove or limit administrative burdens, and issuing frequent reminders or follow-ups are all important strategies that can encourage students to take timely action toward applying for and maintaining aid.

18 Graduates were matched through the National Student Clearinghouse, which allowed researchers to track their outcomes even if they left the state for college.

19 Tippett, Rebecca and Nicole Kahn, "Postsecondary Enrollments Report: 2009-2016 North Carolina Public High School Graduates," myFutureNC Commission (2018), https://www.myfuturenc.org/wp-content/uploads/2018/09/DataBrief-College-Access-FINAL2.pdf

*Study Group recommendations: Promote early awareness.*

### 5. Expand financial aid counseling efforts across the state with multi-pronged strategies for engaging and supporting students.

These efforts could include establishing a statewide virtual financial aid center that offers technology-based counseling sessions (e.g., Skype, FaceTime, Facebook Live) with after-hours and weekend availability;

- Increasing the number of College Advising Corps, NC Career Coaches, and CFNC's regional financial aid representatives;
- Leveraging evidence-based practices, like text messaging/nudging campaigns and artificial intelligence communication technologies (e.g., AdmitHub) to support students through the application and financial aid process; and
- Continue incorporating financial aid counseling with college or university admission fairs (e.g., CACRAO).

### 6. Invest in state-level communication and marketing to develop simple messages focused on the value of and opportunities to access a college education, and outreach strategies that are proactive, targeted and personalized for various student populations.

These strategies could include accessing data from the NC Department of Public Instruction, including ACT data, to identify and reach out to high school students with simple messages for academic expectations, postsecondary options, and accessibility of financial aid;

- Expanding the use of social media and traditional marketing strategies that can engage both students and parents in a college-going campaign effort with simple messages about affordability/availability of financial aid; and
- Developing student-focused, story-telling narratives and information about college opportunities, such as career and technical education programs, that can (re)-engage non-traditional aged students.

### 7. Simplify and modernize CFNC's web portal and governance to support future flexibility and efficiency.

### Cost Implications

*Expand financial aid counseling efforts.* Efforts are underway in the long legislative session to expand both the College Advising Corps and the North Carolina Career Coaches programs. A bill introduced in the House would provide $2,183,333 in recurring funding in 2019-20, with an increase to $2,550,000 by 2020-21, to expand the number of advisers in Tier 1 and Tier 2 counties. Another bill has called for an additional $2.8 million in recurring funds to expand the NC Career Coach Program by 20-30 additional career coaches.

*Invest in state-level communication and marketing.* The UNC System, the North Carolina Community College System, and the Department of Public Instruction have developed a pilot marketing campaign to promote FAFSA completion. Estimated costs will not exceed $100,000, and funding will be drawn from the UNC System Office's federal GEAR UP grant.

## FOCUS AREA C:
### INCENTIVIZE STUDENT SUCCESS AND REDUCE TIME TO DEGREE[20]

### *Research/Best practice*

With student demand for financial aid exceeding available resources, increasing the effectiveness—not just the amount—of aid is important. In addition to increasing access, need-based aid has been shown to impact persistence. For instance, a randomized control trial of the Wisconsin Scholars Grant found that awarding $3,500 to full-time Pell Grant recipients increased retention by one to three percentage points per term and increased on-time graduation by 4.7 percentage points.[21]

Beyond ensuring that states' aid programs are targeting aid to reduce the financial barriers for low-income students, there are other design elements that can further support student success. Too often, however, states build in GPA-based incentives, which can reduce student course loads, discourage STEM majors, and decrease retention rates for low-income students. More effective strategies for encouraging persistence and timely completion include:

- Supporting enrollment beyond 12 credit hours. By adopting the Pell Grant definition of full-time enrollment as 12 credit hours per semester, many state aid programs reinforce the incentive to enroll in fewer than the 15 credit hours per semester they need to graduate on time. Awarding additional grant aid to students who enroll in 15 or more credits can help more students make timely progress toward a degree.
  - Indiana students must complete 30 credit hours

annually to maintain maximum grant awards. The requirement has shown positive impact on credit completion.
  - In Minnesota, longstanding policy prorates grant awards for students enrolled in fewer than 15 credit hours per semester.
- Creating incentives for students to enroll in and complete more credits. Rigorous evidence suggests that performance-based bonuses can encourage students to enroll in and earn more credits, spend more time studying, and earn better grades.[22]
- Using aid as a tool to encourage associate degree completion. Research suggests that transfer students who complete an associate degree prior to transferring to a four-year university have a higher probability of eventually completing a bachelor's degree.[23] In many states including North Carolina, completion of particular associate degrees activates statewide articulation agreements that entitle students to transfer with junior standing. In response, some states have created programs that provide scholarships or tuition discounts to students who complete an associate degree prior to transferring. Massachusetts' MassTransfer initiative provides tuition credits of $900 to $1,500 to associate degree recipients that graduate with a 3.0 GPA and transfer within one year of receiving their associate degree.
- Providing clear information for students through proactive advising and other resources. For incentives to be effective students must understand the benchmarks, the requirements must be attainable, and the awards must closely follow the performance of required action.[24]
- Expanding access to non-financial supports, such as advising, support services, and mentoring.[25]

20 See Appendix E: Richburg-Hayes, Lashawn and Zoe Jacobson, "North Carolina Student Aid Study Group Policy Issue Brief: Optimizing State Financial Aid for Student Success," (2018).

21 Goldrick-Rab, Sara, Robert Kelchen, Douglas Harris, and James Benson. "Reducing Income Inequality in Educational Attainment: Experimental Evidence on the Impact of Financial Aid on College Completion." *American Journal of Sociology* 121, no. 6 (2016): 1762-1817.

22 Barrow, Lisa, and Cecilia Elena Rouse. "Financial incentives and educational investment: The impact of performance-based scholarships on student time use." *Education Finance and Policy* (2016); Barrow, Lisa, Lashawn Richburg-Hayes, Cecilia Elana Rouse and Thomas Brock. "Paying for Performance: The Education Impacts of a Community College Scholarship Program for Low-Income Adults." *Journal of Labor Economics* 32, no. 3 (2014): 563-599.

23 Kopko, Elizabeth M. and Peter M. Crosta, "Should Community College Students Earn an Associate Degree Before Transferring to a 4-Year Institution?" *Research in Higher Education* 57, no. 2 (2016): 190-222.

24 Richburg-Hayes, Lashawn. "Incentivizing success: Lessons from experimenting with incentive-based grants," in Andrew Kelly and Sara Goldrick-Rab (eds.), *Reinventing financial aid*. Cambridge, MA: Harvard Education Press (2014).

25 Evans, Willliam N., Melissa S. Kearney, Brendan C. Perry, and James Sullivan. "Increasing Community College Completion Rates Among Low-Income Students: Evidence from a Randomized Controlled Trial Evaluation of a Case Management Intervention." Working Paper 24150. National Bureau of Economic Research (2017); Horng, Eileen, Brent J. Evans, Anthony L. Antonio, Jesse D. Foster, Hoori S. Kalamkarian, Nicole F. Hurd, and Eric P. Bettinger. "Lessons learned from a data-driven college access program: The National College Advising Corps." *New Directions for Youth Development* 140 (2013): 55-75.

- When provided access to in-person supports, individuals are more likely to enroll in and persist through college. For example, access to H&R block accountants increased FAFSA completion and college enrollment. In another randomized study, access to academic success coaching services increased retention rates.[26]
- Virtual advising can minimize costs and increase geographical spread. Students completed more aid application steps on time after receiving personalized text messages and outreach from a "conversational artificial intelligence" bot piloted at Georgia State.[27]

- Connecting students to academic supports shown to increase the likelihood of completion and to other financial supports (i.e. SNAP).
  - Indiana's "You Can. Go Back" campaign provides information for adults on not only financial aid, but also employment opportunities, child care, and other resources.

### North Carolina Analysis

- The 2013 budget bill required the State Educational Assistance Authority (SEAA) to study how state grant award schedules could be structured to encourage students to complete 30 credits per academic year and to revise grant payment schedules accordingly (the provision was amended in 2014).[28] In response, the Community College Grant was restructured to add a "Full-time plus" status to the award schedule that currently provides an additional $400/semester in aid to students who attempt 15 or more credits in a semester. In the case of the UNC Need-Based Grant, policymakers concluded that students already had financial incentive to enroll in 30 credits during the fall and spring because they do not pay additional tuition for attempting credits beyond a 12-credit load. To incentivize completion of 30 hours in an academic year, SEAA reserved UNC Need-Based Grant

money for summer aid to help students who could reasonably meet the 30-credit benchmark with summer coursework.[29]

- Data from the UNC System indicate that a sizable proportion of state grant recipients do not attempt or earn 30 credits per academic year. In the 2017-18 school year, for instance, 42% of students who received a Need-Based Grant or Education Lottery Scholarship attempted 30 credits across fall and spring; 28% earned 30 credits across those two semesters. Including hours attempted and earned in the summer, those proportions grow to 52% and 38%, respectively.
- Traditionally, state grants have not been available to defray the cost of summer courses. As noted above, however, in the summer of 2018 the SEAA provided $2.8 million in Need-Based Grant aid to UNC System institutions for summer scholarships to be used by eligible students who were within one or two courses of meeting 30 credit benchmarks for the year. The pilot project provided grants to about 3,840 Need-Based Grant recipients at an average grant amount of $725. The summer scholarships helped more students meet the 30-credit benchmark; of the 3,769 grantees who entered the summer having not earned 30 credits in the fall and spring, 82% were able to reach that 30-credit benchmark by the end of the summer. Nearly 6% of grantees graduated that summer, thereby avoiding another semester. In all, 6% more Need-Based Grant and Education Lottery Scholarship recipients reached 30 credits in 2018 than in 2017.
- Completion of particular associate degrees activates the terms of the Comprehensive Articulation Agreement between the NC Community College and UNC Systems, which ensures that degree completers can enroll in a UNC System institution with junior standing. Bachelor's degree completion rates are higher among transfer students who transfer to a UNC System institution having already earned an associate of arts or associate of science.

26 Bettinger, E. P., & Baker, R. B. (2014). The Effects of Student Coaching: An Evaluation of a Randomized Experiment in Student Advising. Educational Evaluation and Policy Analysis, 36(1), 3–19.

   Bettinger, Eric P., Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu. "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment." *Quarterly Journal of Economics* 127, no. 3 (2012): 1205-1242.

27 Page, Lindsay C. and Hunter Gehlbach, "How an Artificially Intelligent Virtual Assistant Helps Students Navigate the Road to College." *AERA Open* 3, no. 4 (2017).

28 General Assembly of North Carolina, Session 2013, Session Law 2014-100, Senate Bill 744, https://www.ncleg.net/enactedlegislation/sessionlaws/html/2013-2014/sl2014-100.html

29 State Education Assistance Authority, "Report on Incentive for Students to Enroll in Thirty Semester Hours," (2016), https://www.ncleg.gov/documentsites/committees/JLEOC/Reports%20Received/Archives/2015%20Reports%20Received/30%20Hour%20Financial%20Aid%20Incentive%20Grant%20April%202016.pdf

## TABLE 5: COST ESTIMATES FOR PROVIDING BONUS AWARDS TO EDUCATION LOTTERY, COMMUNITY COLLEGE GRANT AND UNC SYSTEM NEED-BASED GRANT RECIPIENTS

| Model | 2016-17 | 2017-18 |
|---|---|---|
| (1) $800 Bonus for earning 30+ Hours in Fall and Spring | $8,933,600 | $9,346,400 |
| (2) $800 Bonus for earning 30+ Hours in Fall, Spring, and Summer | $14,581,600 | $15,627,200 |
| (3) Half bonus for earning 15+ in fall semester and also half bonus for earning 15+ in spring | $9,775,600 | $10,171,600 |

***Study Group recommendations: Incentivize student success and reduce time to degree.***

**8. Create a separate bonus award for students who complete 30 or more credit hours per academic year and incorporate a parallel reward system for part-time students to encourage on-time completion.**

- Policymakers should work to ensure that the bonus award is structured to minimize administrative burden and fulfill the requirement in S.L. 2014-100, section 11.8.

**9. Expand availability of state grant funding in the summer to encourage students to complete their programs more quickly.**

**10. Enhance completion incentive programs with advising and student services that emphasize the same message to all students, not only financial aid recipients.**

- Advising should clarify the financial consequences of taking additional semesters to complete a credential and help students choose the right major for degree completion.
- A statewide campaign to promote on-time completion at 2- and 4-year institutions and highlight transfer initiatives should accompany advising efforts. This campaign should highlight initiatives like transfer articulation agreements and "2+2" co-admission programs.

**11. Implement and study a program to provide a one-time award to students who earn a college transfer associate degree covered by the Comprehensive Articulation Agreement prior to transferring to a UNC System institution.**

### Cost Implications

*Create a Bonus Award for Students Who Complete 30 or More Credit Hours per Academic Year:* Analysts modeled a number of different scenarios, including per-semester bonuses for students attempting or earning 15+ credits and per-academic year bonuses for those attempting/earning 30+ credits in an academic year. Table 5 summarizes what the costs of such bonuses would have been in the most recent years under three models based on an $800 bonus for 30 earned credits.

As noted above, the Community College Grant already features a "Full-time plus" category, which provides $400/semester in additional grant money to those who attempt 15+ credits in the fall and/or the spring. The modeling suggests that about $2 million a year would have gone to NCCCS students attempting 15+ credits in the fall or spring of 2017-2018. If that bonus program replaces the "Full-Time plus" program, those funds could be put toward a new bonus program, summer scholarships, or reinvested in the standard grant.

*Expand availability of state grant funding in the summer:* As a result of the Study Group's efforts, the UNC and Community College systems included a request for expanded summer grants modeled on the NCSEAA's summer 2018 pilot. The request is for $10 million recurring in the first year of the biennium ($7 million UNC, $3 million NCCCS), rising to $12 million recurring in year two ($8 million to the UNC System, $4 million to NCCCS).

*Offer a one-time award to students who earn a college transfer associate degree prior to transferring to a UNC institution:* Also thanks to the work of this Study Group, the UNC-NCCCS joint budget priorities also request $4 million in recurring funding for an associate degree scholarship as described above. That budget request would provide $1,000 scholarships to 4,000 transfers who complete their transfer associate degree prior to transferring.

## FOCUS AREA D: TEST INNOVATIVE IDEAS AND EVALUATE CURRENT PROGRAMS FOR EFFECTIVENESS[30]

### Research/Best practice

As the demographics and needs of students continue to shift,[31] states have worked to address the unique needs of nontraditional students by piloting various strategies. These tactics include providing financial supports to pathways that are not always eligible for core financial aid programs, such as workforce credentials and other alternative strategies to address gaps in aid, advance opportunities for underserved populations, and meet critical workforce and economic demands include:

- Conduct a policy audit to identify potential barriers for students and consider innovative solutions.
- Recruit and support adult students through targeted outreach and assistance.
  - Tennessee's Reconnect grant program allows adults who have not previously earned an associate or bachelor's degree to enroll in a degree or certificate program tuition-free.
  - Mississippi's Complete to Compete campaign reviews prior credits earned, helps students find the most efficient path to a degree, and offers personalized coaching and one-time $500 grants to help students afford the costs of returning to school.[32]
- Consider ways to provide financial aid for specific, high-demand occupations to support students who want to earn a credential and see return on investment more quickly.
  - Oklahoma's Adult Promise initiative covers tuition and fees for students enrolling in degree programs related to the state's 100 critical occupations list.
- Assess options to allow aid to be used for non-credit programs that meet workforce needs.
- Remove existing barriers due to adults' prior postsecondary attempts.
  - Offer flexibility on Satisfactory Academic Progress requirements vis-a-vis state grant programs.
  - Help adult students navigate financial holds at prior institutions that prevent re-enrollment.

### North Carolina Analysis

- Just over 900,000 North Carolinians over the age of 25 have some college, but no degree. An additional 1.3 million have a high school/GED and no college credit.
- Currently, short-term workforce programs offered in the North Carolina Community Colleges are subsidized at a lower rate than programs designed for transfer students, and those enrolled in many short-term programs are not eligible for the Community College Grant. Prospective students face higher out-of-pocket costs.
- The UNC System's "Part-Way Home" initiative identified financial aid as both a key concern of students who had stopped out of a UNC System institution and as an important tool in recruiting adults back to complete their degrees.[33] Nearly half of stop-outs surveyed cited inadequate financial aid as a key factor in their decision to leave college.

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30 See Appendix E: Laderman, Sophia, Dustin Weeden and Andy Carlson, "North Carolina Student Aid Study Group Policy Issue Brief: Advancing Financial Aid Programs to Support Adult Students," (2018).

31 Lapovsky, Lucie. "Rethinking Student Aid: Nontraditional Students" in Sandy Baum, Michael McPherson and Patricial Steele (eds.), *The Effectiveness of Student Aid Policies: What the Research Tells Us*. New York: The College Board (2008).

32 Brown-Graham, Anita R. and Catherine Moga Bryant, "A Focus on Non-Completers: One Strategy for Upskilling the Existing Workforce in NC," (2018), https://www.myfuturenc.org/wp-content/uploads/2018/06/Policy-Brief-Non-Completers-Brown-Graham.pdf

33 The University of North Carolina General Administration, "The University of North Carolina Report on Part-Way Home Initiative," (2017), https://myapps.northcarolina.edu/alstakeholder/download/2/research-on-north-carolina-adult-learners/557/pwh-final-report.pdf

*Study Group recommendations: Test innovative ideas and evaluate current programs for effectiveness.*

**12. Evaluate the effectiveness of current programs and outreach efforts, and measure the impact of differing levels of state grant aid on enrollment and completion, in order to ensure the best use of state resources.**

This work could include, but would not be limited to:
- Studying the current NCSEAA Forgivable Education Loans for Service (FELS) to assess effectiveness of the program. Expand or modify based on the results.
- Evaluating current financial aid outreach activities to understand which efforts are effective, which efforts should be reduced or discontinued, and the return on investments. Scan other states' financial aid outreach efforts for best practices and innovative ideas.

**13. Pilot a statewide scholarship program to support short-term, career-focused training in high-demand fields. Such an initiative should include business and industry partnerships and may include matching funds from employers.**

**14. Study and pilot a program that forgives some portion of student account balances to encourage adult reentry into postsecondary education.**

This program could include, but would not be limited to:
- One-time forgiveness of non-tuition debts (e.g. parking tickets, fines, other fees) and Title IV money typically charged to students based on charges from the Department of Education (a limited/ "up-to" amount should be established after examining the typical amounts of these kinds of debts among stop-outs);
- Debt forgiveness over time upon completion of credit hours regardless of Satisfactory Academic Progress (SAP) standing.

**15. Pilot "Finish Line" support for students who are within striking distance of graduating.**

- For example, a program could award grants to students who complete student success sessions such as meeting with an academic advisor for a graduation audit, a career advisor, and complete financial literacy workshops.

**Cost Implications**

The cost of these pilot programs would vary depending on the scale of the pilot, proposed award amounts, and evaluation costs.

As the demographics and needs of students continue to shift, states have worked to address the unique needs of specific populations by piloting various strategies. These tactics include providing financial supports to pathways that are not always eligible for core financial aid programs, such as workforce credentials and alternative learning pathways.

# From Recommendations to Action

Moving the Study Group's multifaceted recommendations from ideas to implemented policy will require varying levels of action by policymakers across the state, including the General Assembly, UNC System Board of Governors, and the North Carolina State Board of Community Colleges. This section identifies short-term, medium-term, and long-term actions.

### SHORT-TERM *(In Progress)*

Action has already begun on several NC Student Aid Study Group recommendations:
- Advocate for proposals that reflect the Study Group's recommendations that are currently in front of the General Assembly:
    - expanded college and career counseling (Focus Area B)
    - summer scholarships (Focus Area C)
    - transfer associate degree scholarships (Focus Area C)
- Pilot the joint communication effort focused on promoting FAFSA completion.
- Engage State Board of Community Colleges and UNC Board of Governors on the report and the recommendations of the Study Group.
- Ask relevant Board of Governors and State Board of Community College committees to examine current governance of financial aid and outreach programs, and then to make recommendations for improvement.
- Conduct further research and analysis on effectiveness of existing aid programs and support efforts of the Program Evaluation Division (PED) of the General Assembly to evaluate grant program outcomes.
- Identify any necessary statutory, regulatory, or policy changes necessary to facilitate consolidation of the need-based aid programs serving UNC System and NCCCS students.
- Redesign the cfnc.org website. A previously planned website redesign is currently underway and will take recommendations from the Study Group under advisement.

### MEDIUM-TERM *(Summer/Fall 2019)*

While some progress has been made toward actualizing the recommendations of the Study Group, there is more work to do. The sustained engagement and will of the NCCCS System, UNC System, NCSEAA, and the General Assembly will be required to implement the recommendations. Potential steps include:

- Launch a collaborative effort between the UNC System, NCCCS, and SEAA to draft a plan for the initial consolidation of aid programs into one North Carolina Scholarship and prepare a list of any statutory changes needed for the short legislative session.
- Develop new grant schedule and "look-up tables" to reflect the consolidated North Carolina Scholarship.
- Seek philanthropic funding to implement and study pilot projects.

### LONG-TERM *(Fall 2019 onward)*

- In concert with financial aid officers, develop a proposal for a 30-credit bonus award in anticipation of a request for additional funding for such a program in the 2020 short legislative session.
- Convene representatives from the UNC System, NCCCS, and SEAA staff to analyze the feasibility of aligning additional components of the consolidated program between sectors (e.g., grant formulae).
- Work with the State Board of Community Colleges and UNC Board of Governors to include bonus proposal in joint budget priorities.
- Rigorously evaluate pilot projects in an effort to inform state policy and investment.

# Online Appendices

The online Appendices include relevant studies and examples. Visit: https://www.northcarolina.edu/sasg19

A. Meeting agendas and materials
B. Working group roles with group rosters
C. North Carolina state student aid programs
D. Financial aid administrator survey results
E. Policy briefs (4)

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