

# State Education Assistance Authority

**March 21, 2019**



# Statutory Purpose

(G.S. Chapter 116, Article 23, § 116-201)

To administer “a system of financial assistance...to assist qualified students to enable them to obtain an education ... by attending public or private educational institutions....”

*North Carolina's Education Assistance Agency Since 1965*

# Mission: We help North Carolina pay for college and....

We are the State agency that promotes access to higher education by:

- Administering financial aid, savings and loan programs
- Informing students and families about paying for college
- Training new aid administrators and school counselors about financial aid administration
- Advocating for resources to support students

# ...Help North Carolina families pay for K12 expenses

We are the State agency that provides financial support to families for K12 expenses by:

- Administering three programs that provide State funds to K12 students attending
  - Nonpublic schools
  - Home schools
  - Public schools where tuition is payable for out-of-district students

# State Education Assistance Authority Programs Administered, March 2019

## State Scholarship and Grant Programs

- Child Welfare Postsecondary Support Program (NCREACH) (*Disbursement*)
- North Carolina Community College Grant
- North Carolina Education Lottery Scholarship
- North Carolina National Guard Tuition Assistance Program
- North Carolina Need-Based Scholarship Program
- UNC Campus Scholarships
- UNC Need Based Grant

## State Career-Specific Forgivable Education Loan for Service Programs\*

### ▪ Forgivable Education Loans for Service

#### ▪ Principal Fellows Program

#### ▪ Teaching Fellows (new)

- Board of Governors' Dental Scholarship Loan (*Repayment*)
- Board of Governors' Medical Scholarship Loan (*Repayment*)
- Future Teachers of North Carolina Scholarship Loan (*Repayment*)
- Health, Science, and Mathematics Scholarship Loan (*Repayment*)
- Millennium Teacher Scholarship Loan (*Repayment*)
- North Carolina Optometry Scholarship Loan (*Repayment*)

- Nurse Education Scholarship Loan (*Repayment*)
- Nurse Educators of Tomorrow Scholarship Loan (*Repayment*) (Graduate Nurse Scholarship Program for Faculty Production)
- Nurse Scholars Program (*Repayment*)
- Physical Education-Coaching Scholarship Loan (*Repayment*)
- Prospective Teacher Scholarship Loan (*Repayment*)
- Social Work Education Loan (*Repayment*)
- Teaching Fellows (original) (*Repayment*)
- Teacher Assistant Scholarship Loan (*Repayment*)

\* While sometimes labeled “scholarships,” these programs are actually loans that carry a service obligation. The borrower earns forgiveness of the loan by working in a specific career in North Carolina. If the borrower does not complete the service obligation, the loan must be repaid in cash, with interest.

# SEAA Programs Administered (cont'd.)

## Federal Family Education Loan Program (Guaranty and Collections)

- Stafford Loans
- Unsubsidized Stafford Loans
- Graduate/Professional PLUS Loans
- Parental PLUS Loans
- Consolidation Loans

## School Services

- EX\$EL - Financial Education and Repayment Success
- ISIR Verification
- Residency Determination Service

## K12 Programs

- Opportunity Scholarships
- Personal Education Savings Account (ESA)
- Special Education Scholarship Grants for Children with Disabilities (Disabilities Grant)

## Savings Program

- North Carolina's National College Savings Program (NC 529 Plan)

## Other Programs

- Carolina Computing Initiative Loan Program (Alternative Loan Collections)
- College Foundation of North Carolina (Information Dissemination)
- National Board Certification Loan Program (National Board for Professional Teaching Standards)
- Principal Preparation Program
- North Carolina Assist Loan Program
- State Authorization Reciprocity Agreements

# Operational Funding

- Most State programs have allocation for administration
- Need implementation funding in advance of new programs to design and develop
- Program funds, including K12 and independent college funding, are in the UNC budget

# NC529 North Carolina's National College Savings Program

## Investment Options

- Vanguard age-based
- Vanguard individual portfolios
  - Ex. Vanguard Growth portfolio and Total Bond Market Index Portfolio
- Federally-insured deposit account
  - State Employees Credit Union
  - Currently paying 2.5%



# NC529

- Recent expansion of permissible uses:
  - Up to \$10,000/year to pay for K12 expenses
  - Impact on savings for college
- \$2.4 billion on deposit in 144,200 accounts
- Median account is less than \$6,800
- No broker fees/commissions
- Low cost fee structure

# 529 Possible Enhancements

## Reinstate the state tax deduction

- Encourage North Carolinians to save by reinstating tax deduction for contributions
- NC is one of only seven states with income tax which does not offer deduction
  - 30 states offer a deduction
- Existence of a tax deduction requires financial advisors/brokers to inform clients of the deduction available in their states

# State Aid Programs

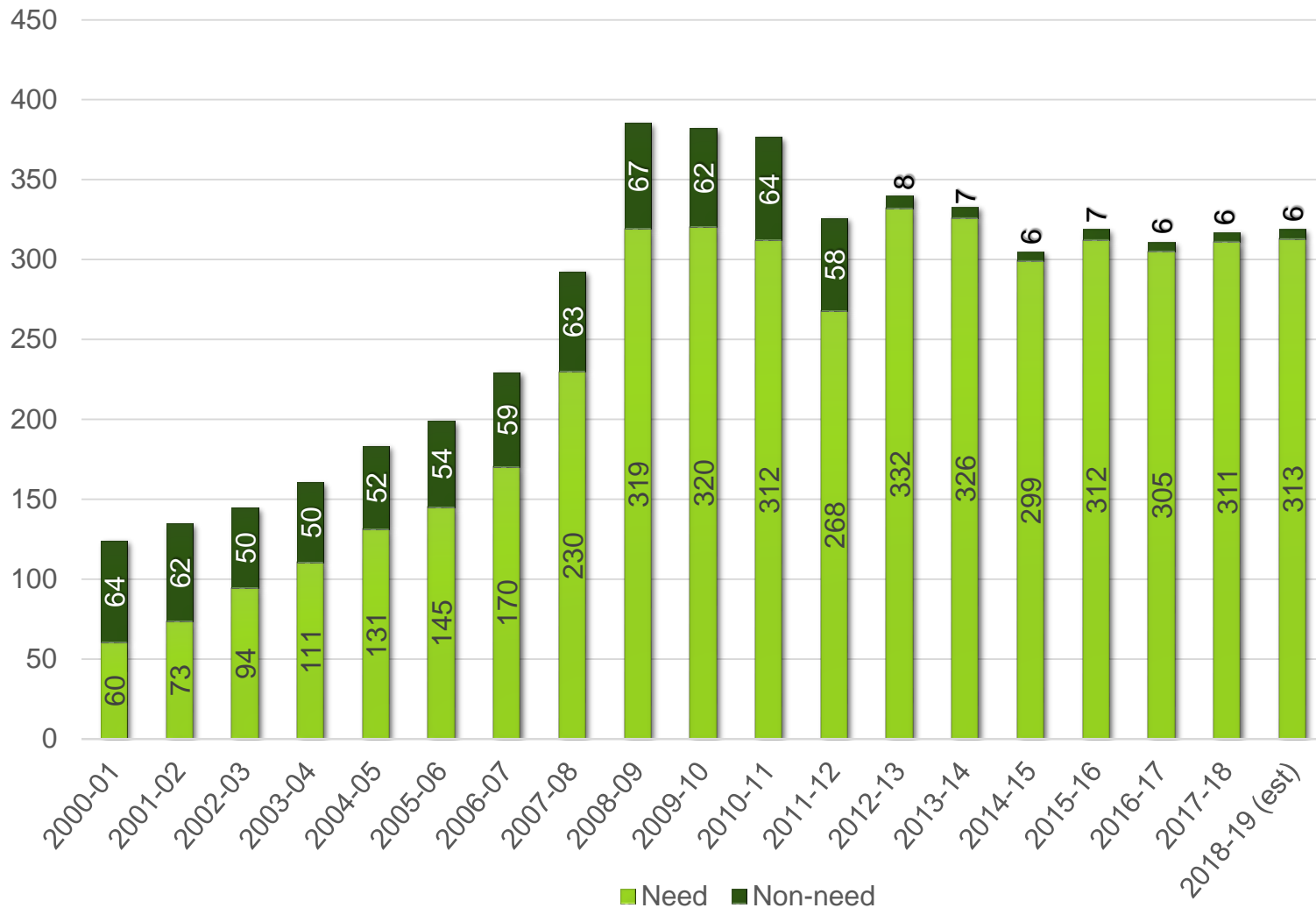
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**HIGHER EDUCATION**

# State Aid Programs for North Carolinians

- North Carolina Community College Grant
- North Carolina Education Lottery Scholarship
- North Carolina Need-Based Scholarship
- University of North Carolina Need-Based Grant
  
- Forgivable Education Loans for Service (FELS)

# NC State Grants – Undergraduates 2000-01 to 2018-19 (est.)



# Average Debt at Graduation

	<u>2012</u>	<u>2015</u>	<u>2017</u>	<u>2 Year</u> <u>Change</u>	<u>5 Year</u> <u>Change</u>
North Carolina	23,893	25,645	26,526	3%	11%
% With Debt	59%	61%	57%		
United States	29,400	30,100	28,650	-5%	-3%
% With Debt	71%	68%	65%		
NC Average Debt	-19%	-15%	-7%		
Compared to US Average					

# State Grant Expenditures 2017-18

	Recipients	Funds	Average Grant
NC Ed Lottery Scholarship	25,919	\$ 27,971,331	\$ 1,079
NC Community College Grant	23,863	\$ 17,311,062	\$ 725
NC Need-Based Scholarship	22,368	\$ 88,138,300	\$ 3,940
UNC Need-Based Grant	50,154	\$ 123,672,458	\$ 2,466
Total	122,304	\$ 257,093,151	

# Education Lottery Scholarship

- Statutory criteria need to be updated to account for inflation
- Original statute defined eligibility and provided funding for students who just missed eligibility for the Federal Pell Grant
  - Cut-off expected family contribution of \$5,000
  - Pell currently cuts off at \$5,576; to keep original intent consider expanding increasing the cut-off to \$6,000 or more
- Statute also prohibited the combination of Pell and Lottery Scholarship from exceeding \$4,000
  - \$4,000 in 2006 equates to \$5,100 today



# NC School of Science and Mathematics Tuition Grant

## Class of 2018

- 315 graduates
- 176 Grant recipients at 9 institutions
- Total grants disbursed of \$1.1m

\$1.5m appropriated for disbursement in 2018-19

\$1m appropriated for disbursement in 2019-20

# Forgivable Loans for Service

## North Carolina Forgivable Education Loans for Service (FELS)

- Loans made to students who commit to work in **careers experiencing shortages**
  - Teaching, Nursing, Medicine, Allied Health
- Financial need not an eligibility requirement

Service cancellation and cash repayment administration continues for previous programs replaced by FELS through consolidation in 2012-13

# College Foundation of North Carolina

- Officially an “information dissemination program” of SEAA
- Helps North Carolina “**Plan, Apply, and Pay**” for college
- <http://www.CFNC.org> and toll free: 866.866.CFNC
- Field representatives in each area code

- Six-way strong relationship:

- SEAA
- College Foundation, Inc.
- DPI
- UNC
- Community Colleges
- Independent Colleges

**Pathways of  
North Carolina**



# CFNC Statistics

6/30/18 (fiscal year)

- More than 7.1m user accounts
- Average 15,341 visits/day
- Call center responded to more than 105,000 phone calls about paying for college, careers and admissions
- 2,439 presentations to nearly 96,000 people
- College applications submitted: 386,362
- Transcripts processed: 388,869 for 593 public high schools

# Residency Determination Service (RDS)

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# RDS Legislation

## Session Law 2013-360

- **Goal:** Remove the variation among 114 campuses/schools in application of statute by centralizing the determination of residency for in-state tuition and financial aid benefits

**Outcome:** Student receives one consistent and accurate determination to share with multiple campuses

# RDS Status

as of March 16, 2019

- Service launched December 2016 with independent colleges
- UNC's and community colleges followed in 2017
- UNC graduate schools on board in fall 2018
- Over 699,000 requests
  - 86% resident, 2% military, 12% non-resident
- 24,642 (4%) appeal requests with 40 2<sup>nd</sup> level appeals

# RDS

- Challenges with statutory requirement that parental domicile is prima facie evidence of student domicile
- Graduation from NC high school has strong correlation to NC residence and proposed solution to rebut the parental domicile evidence, particularly useful for community colleges



# RDS Needs

Community College System needs funding to pay for the service

- Cost is allocated based on enrollment at the institutions (curriculum only at cc's) and number of students receiving Need-based Scholarship (NBS) for attendance at independent institutions
- Open enrollment institutions that do not have application fees
- \$1,743,000 to cover their share of the operational expenses for FY2019 and \$1,794,000 for FY2020

# K12 Programs

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# Opportunity Scholarship

- Expands school choice for eligible students in kindergarten through 12<sup>th</sup> grade
- Covers tuition and required fees at a participating nonpublic school
- Awards \$4,200 per school year
- Distinguishing eligibility requirement: *household income*

# Household Income Eligibility Guidelines 2018-19

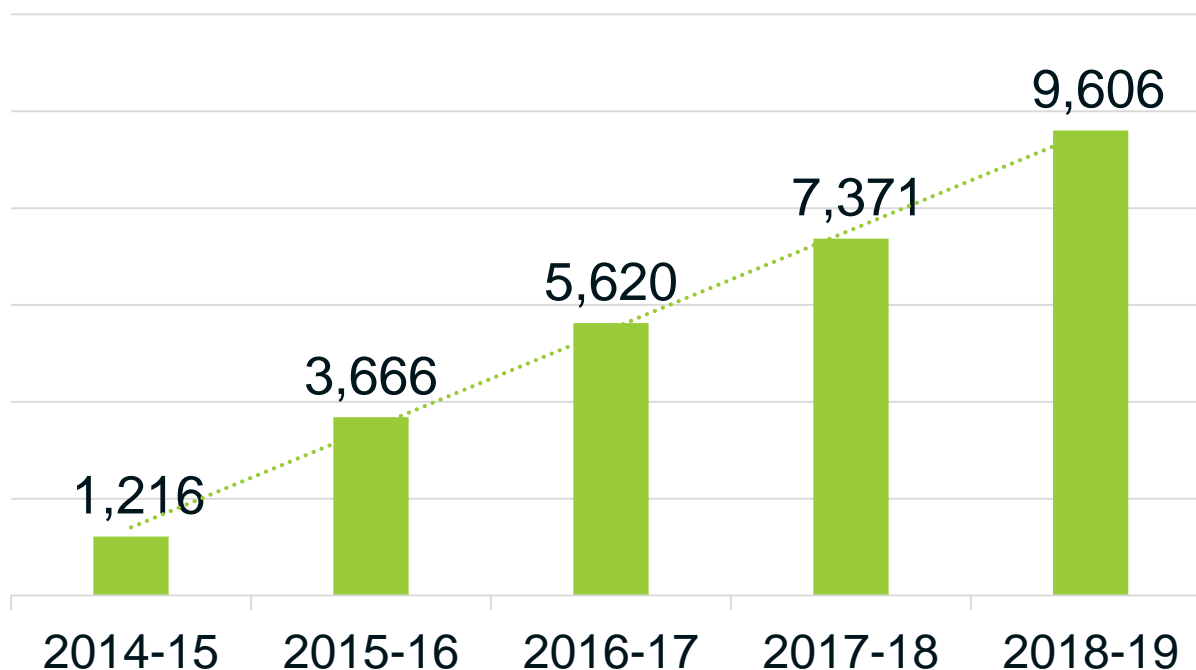
[Household Income Worksheet](#)

# in Household	Maximum Household Gross Income for 2017	
	To receive full tuition up to \$4,200	To receive 90% of tuition
2	\$30,451	\$40,500
3	\$38,443	\$51,129
4	\$46,435	\$61,759
5	\$54,427	\$72,388
6	\$62,419	\$83,017
7	\$70,411	\$93,647
8	\$78,403	\$104,276
9	\$86,395	\$114,905
10	\$94,387	\$125,535
11	\$102,379	\$136,164
12	\$110,371	\$146,793

# Opportunity Scholarship Growth

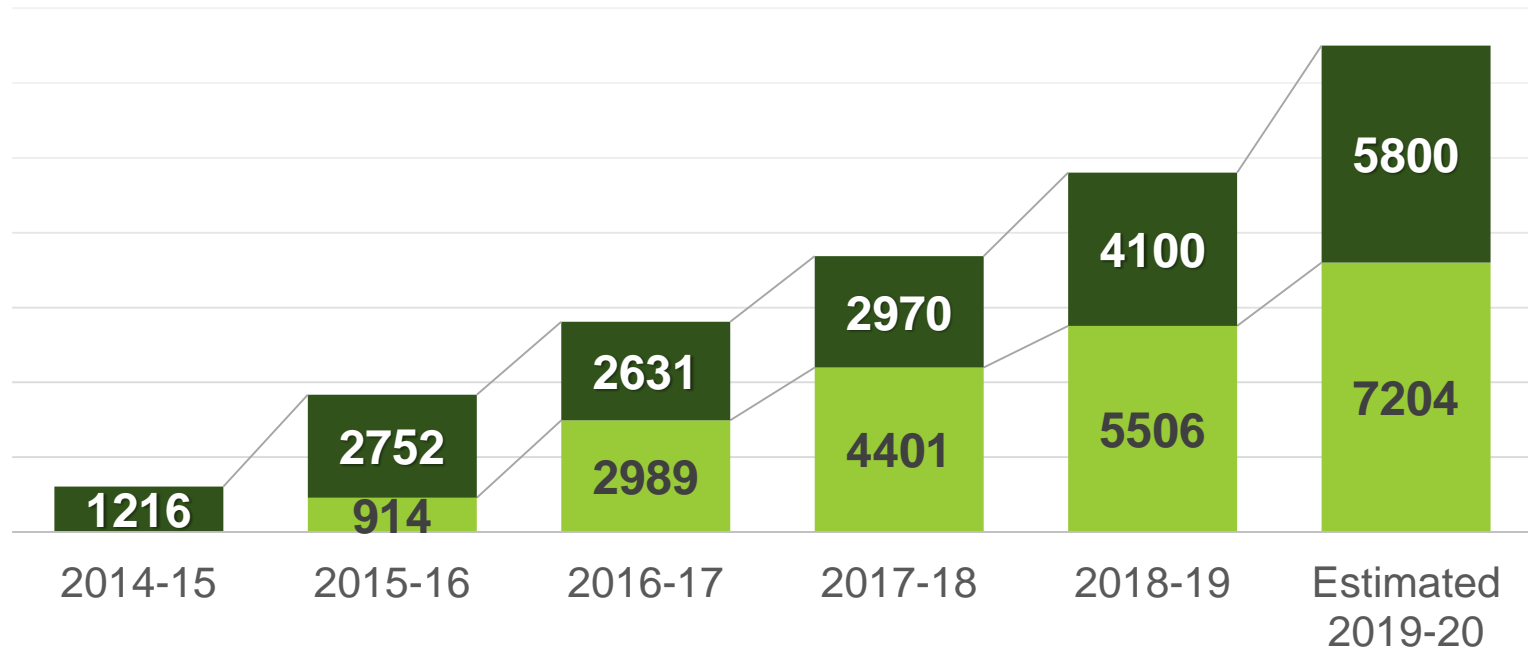
*(total student recipients)*

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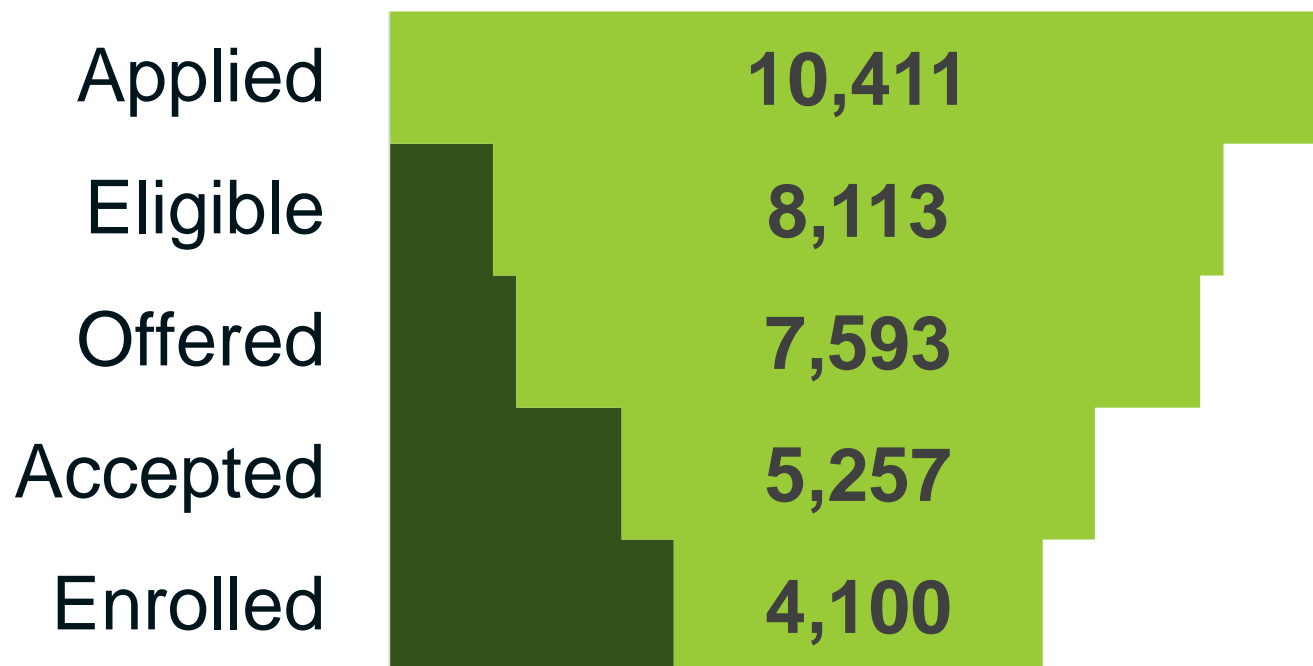


# Opportunity Scholarship Renewal vs New

■ RENEWAL STUDENTS ■ NEW STUDENTS



# New Student Applicants → Enrolled Students



# Opportunity Scholarship Forward Funding

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	<i>Appropriated</i>	<i>Available</i>
2017-18	44,800,000	
2018-19	54,800,000	44,800,000
2019-20		54,800,000



# Opportunity Funding 2018-19

Appropriation designated for 18-19	\$ 44,840,000
(Less) Administrative costs	<u>\$ - 1,500,000</u>
Total available	\$ 43,340,000
Anticipated renewals 85%	\$ 23,850,000
Total offers to new students	\$ 30,000,000
Funds accepted/student (est.)	
Renewal Students (5506 x \$3900)	\$ 21,473,400
New Students (4100 x \$3900)	<u>\$ 15,990,000</u>
	\$ 37,463,400

# “Opportunity” for Admin Savings

- Align income requirements to poverty guidelines rather than free and reduced price lunch to simplify verification
- Require schools to retain test scores rather than submit to SEAA; SEAA can test compliance by sampling
- Remove requirement for schools to report aggregate test data
  - Cannot aggregate across grades and few schools have more than 25 students in grade three or above
  - No comparison that can be made across tests
- Remove the gains and losses report requirement
  - Common testing is not required across public and nonpublic schools; unable to conduct comparisons
  - Study of Opportunity Sch Student Evaluations (March 2018)

# Disabilities Grant

- Awards up to \$8,000 per school year
- Distinguishing eligibility requirement:
  - *public school IEP*
- Funds used for tuition and fees or other qualified expenses such as curriculum or technology
- Disbursement in two streams
  - Direct to nonpublic school
  - Reimbursement to parent

# Disabilities Grant

## 2018-19

- Appropriation = \$13m
- New students
  - 1,637 applicants
  - 1,164 eligible
  - 833 grants offered
  - 825 accepted
- Total new and renewal grants: 1,952
- Funds paid to date: \$10.4m to 1,546
  - Excludes fall 2018 reimbursements for ~300 students

# Education Savings Account (ESA)

- Began in 2018-19
- ClassWallet selected as electronic account vendor
  - SEAA deposits 25% of award quarterly
  - Online marketplace assists in fraud prevention
- Family chooses how to allocate their funds to tuition and fees or other qualified expenses such as curriculum or technology
- SEAA approves all expenses prior to online transaction

# Education Savings Account (ESA)

Application opened February 1, 2018 for 2018-19

- 1,430 applications
- 1,100 eligible
- 347 offered funding
- 308 accepted
- 277 recipients (\$2,493,000)

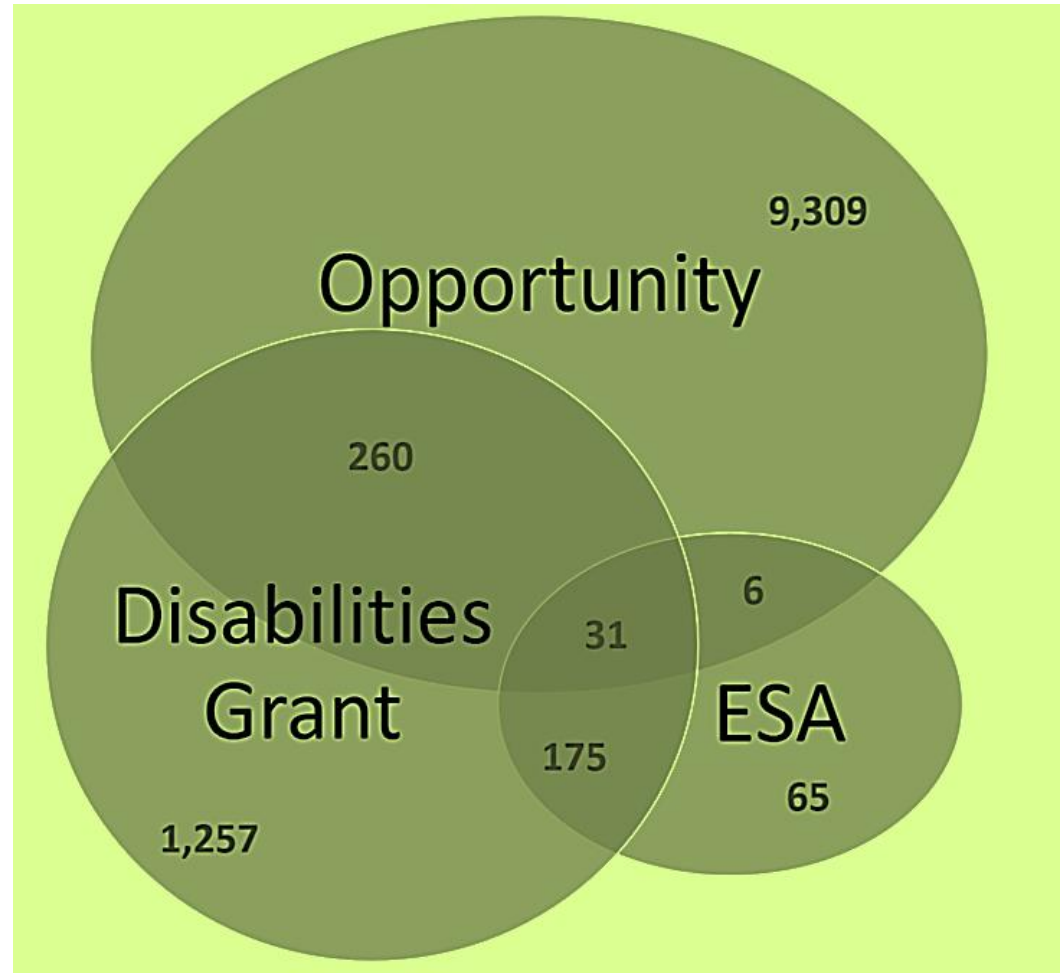
# ESA Expenditures

- \$1,813,613 expended by families as of 2/12/19
- 12 students have not spent any funds
  - Not eligible for renewal if they do not spend any funds
- Additional students have spent less than 25% of funds in account
  - Unspent funds carry forward for the family to use in future years
- Statute requires the families to spend a portion in order to be eligible for renewal
  - Consideration: Should a specific minimum percentage be specified in the statute?

# Stacking Programs

Of the 9,606 total Opportunity Scholarship students:

- 260 also receive Disabilities Grant
- 6 also receive ESA
- 31 receive all three program awards





# K12 Possible Enhancements

## Combine Disabilities Grant with ESA

- Participants overlap significantly
- Allow for tiered funding
- Reduce variety in methods of payment and improve experience for families
  - Direct to the school (Opportunity)
  - Direct to school and/or reimbursement at the end of the semester (Disabilities Grant)
  - Payment via an electronic account (ESA)
- Avoid chance of overpayment to schools (ESA transfers)
- Reduce administrative costs

# Program Requests

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## SUMMARY

# SEAA Request Summary

1. Remove \$1.5m cap on administrative allowance for Opportunity Scholarship Program
2. Adjust the Education Lottery Scholarship eligibility parameters for inflation effective for FY 2021
3. Provide funding for the Community College share of RDS
4. Provide/adjust administrative funding for programs
  - UNC Need-based Grant
  - NC Reach
  - NC National Guard Tuition Assistance Program
  - NCSSM Tuition Grant
5. Reinstate the state tax deduction for contributions made to NC529 accounts
6. Consider merging the ESA and Disability Grant programs

# Questions

