



**NORTH CAROLINA CENTER FOR
PUBLIC POLICY RESEARCH INC.**

NEWS RELEASE

Second release in a four-part series.

For release on Thursday, May 22, 2008.

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**STUDENTS IN NC'S COMMUNITY COLLEGES NEED IMPROVED FINANCIAL AID PROGRAMS
SAYS POLICY CENTER**

In a study released today, the N.C. Center for Public Policy Research says financial aid programs at the state's 58 community colleges need to be improved. A recent national study ranked the state third-worst in the percentage of community college students (47 percent) who have access to federal student loans. Though tuition and fees at the state's community colleges are low at \$1,344, students not living with their parents pay total expenses of \$15,600. Almost two-thirds of the 845,000 students in North Carolina's community colleges also are working full or part-time. About 71 percent are 25 years old or older.

Fifty-seven percent of the almost 270,000 students enrolled in curriculum instruction classes at the state's community colleges already receive some form of student financial aid. Yet, only 23 of the 58 colleges offer access to all of the need-based, low-interest loan programs offered by the federal government. The Center makes four recommendations to improve the Community College Grant Program, provide a more stable and sustainable source of funding, help all the colleges participate in federal aid programs, and make child care available to the almost 1,400 students who are eligible for help but are not being served.

"Financial aid programs often are designed for traditional college students who are financially dependent on their parents, live in a dormitory, and go directly from high school to college," says Sam Watts, the Center policy analyst who conducted the study. "But aid programs for community college students must address the reality that they are older, supporting families, working, or maybe between jobs," he adds. Watts says that community college students often are perceived as having less financial need than public university students. However, their needs are actually greater because they are poorer and tuition and fees are such a small part of their true total cost for attending school. Watts says the legislature needs to fix this.

North Carolina financial aid programs have been put together haphazardly over the years in response to particular problems, such as the work force shortages of teachers and nurses. The Center's study of financial aid programs for community colleges is the first comprehensive look at the state's underlying financial aid policy, including an analysis of problems with the programs and how they need to grow to meet unmet needs.

The state funds three parallel need-based programs that are specific to each sector of higher education – the N.C. Community College Grant, the UNC Need-Based Grant for students in the 16 public universities, and

the State Contractual Scholarship for students in the state's 37 private colleges and universities. The Community College Grant program receives \$10.5 million in state funds which go to 12,641 students, an average of \$827 per student. The UNC Need-Based Grant program receives \$58.1 million in state funds which go to 33,929 students, an average of \$1,712 per student. The Need-Based Contractual Scholarship program for private college students receives \$35.1 million in state funds for 14,531 students, an average of \$2,419 per student.

Special Financial Aid Programs for Community Colleges

There are six programs that are geared toward the particular needs of community college students.

1. N.C. Community College Grant, Targeted Financial Assistance, and Loan Program – The N.C. Community College Grant, Targeted Financial Assistance, and Loan Program was enacted by the legislature in 1999. The three goals of the program are to provide need-based grants, to offer incentives for individuals to enroll in programs with high local demand from employers but low student enrollment, and to offer short-term loans. The maximum grant award for students is \$900 per year.

2. Tuition Waivers – Tuition waivers are used as a form of student aid more often in community colleges than in other type of institutions. Waivers are grants of free or reduced tuition for certain groups that are identified by the legislature or the State Board of Community Colleges as needy or deserving of special access to college. Among the 40 groups entitled to waivers are volunteer firefighters, rescue squads, local law enforcement officers, the Civil Air Patrol, and senior citizens. The two main types of waivers are full tuition waivers or a waiver of the non-resident portion of tuition so that the student pays in-state tuition.

3. The Need-Based Teaching and Nursing Grant Program – The Need-Based Teaching and Nursing Grant Program was funded by the legislature for only one year using one-time state funds for a total of \$500,000 in 2006–07. The 2006 legislature's budget documents called this a start-up appropriation made with the intention that the program would be funded by the state lottery in subsequent years. The program was intended to help address work force shortages in the fields of teaching and nursing.

4. Federal Student Loan Programs – In North Carolina, 62 percent of the aid awarded to community college students is from the need-based Pell Grant program, the baseline *federal* student aid program designed to help the nation's neediest students. Many of the state's community colleges do not participate in all federal government student loan programs because any institution whose student loan default rate reaches 25 percent for three consecutive years will lose access to *all* federal aid programs for students. For most community colleges, the risk of that sanction outweighs the potential benefits of offering the loans.

5. The N.C. State Child Care Grant – The State Child Care Grant is a need-based program funded by the legislature to provide child care for the children of community college students. The services are locally controlled and managed by individual institutions. To be eligible, students must enroll at least half-time in a community college curriculum program and make satisfactory academic progress. The program pays local child care vendors rather than paying the students directly. The goals are to increase access to a college education for parents with young children and to increase the odds that a student will finish a program of study.

6. The Dreamkeepers and Angel Fund Emergency Financial Aid – The Dreamkeepers and Angel Fund Emergency Financial Aid programs are a national pilot project that offers emergency funds to community college students facing financial crises that could force them to drop out of school. However, the programs operate at only three community colleges in North Carolina – Durham Technical Community College, Martin Community College, and Wayne Community College. They are managed locally but administered by two national organizations – Scholarship America and the American Indian College Fund. Both efforts are in the third year of a three-year grant from the Lumina Foundation for Education of Indianapolis, Indiana.

Center Recommendations

Based on its research, the N.C. Center for Public Policy Research makes these four recommendations:

(1) The N.C. General Assembly should appropriate additional funding for the N.C. Community College Grant Program so that more community college students have access to financial aid. The Center recommends that the maximum grant be raised to \$1,250 per year, an amount that would allow the working poor to qualify for grants and an amount more closely correlated to the average cost of in-state tuition and fees at community colleges. The N.C. Community College Grant is the program tailored to meet the needs of community college students, but it has fallen behind in funding relative to the state's parallel programs for public and private colleges and universities. Many of the students served by this program do not qualify for traditional aid programs such as Pell Grants, which are the baseline federal program to serve the nation's neediest students. This is because as working community college students, they earn too much money to get help but too little to afford school.

The Center says this recommendation would ensure that the working poor of North Carolina have access to the financial aid they need to acquire the skills necessary to succeed in our changing economy. Kennon Briggs, vice president for business and finance for the N.C. Community College System, says, "Financial aid eligibility formulas do a disservice to the working poor. People who work make a little too much to get a Pell Grant."

(2) The N.C. General Assembly should put the Community College Grant Program on more solid financial footing by shifting its funding source from escheats to the state's General Fund. The legislature funds this program with escheats, a source of funding that is unstable and may not be able to sustain current or future funding levels. The state's escheats account is comprised of abandoned and unclaimed money and property, such as cash that is left in safe deposit boxes. This type of funding is not stable because total receipts for the state's escheats account vary greatly from year to year, as does the interest earned on the account.

Currently, the state's escheats account is being used to fund six different student aid programs – the Community College Grant, the Child Welfare Postsecondary Support Program, the new Education Access Rewards North Carolina Grant, the Millennium Teaching Scholarship Loan Program, the UNC Need-Based Grant, and the state's Veterans Scholarships. The Center says the escheats account will probably not be able to meet projected funding needs in the future. Even though the balance of the escheats account has increased in each of the last 10 years, the amount of interest spent on student aid from the fund has decreased for three consecutive years.

(3) (a) The N.C. Community College System and the State Education Assistance Authority should help community colleges develop default management initiatives so that they can participate in federal student loan programs. (b) The N.C. General Assembly should provide the funding and personnel for the state system and local community colleges to develop successful default management programs. Currently, only 23 of the 58 community colleges in North Carolina offer access to all of the need-based, low-interest loan programs offered by the federal government. The national Project on Student Debt estimates that 47 percent of North Carolina's community college students have no access to federal student loans, ranking the state third-worst among the 50 states, bettering only Alabama and Georgia. Many community colleges do not participate in all federal government loan programs because a high default rate on the loans would put the schools at risk of losing access to Pell Grants and all other federal student aid programs. Community colleges need to develop default management initiatives, including entrance and exit counseling for students, financial literacy training for borrowers, counseling for those most at-risk for default, and many other campus-based tools to ensure lower default rates.

The Center praises the State Education Assistance Authority, the state agency responsible for managing most student aid in North Carolina, for being willing to help community colleges solve this problem. “The State Education Assistance Authority will be happy to serve as a resource for our community colleges in North Carolina in developing default management programs for campuses to use,” says Steve Brooks, director of the Authority. “We have good experience in the area as a guarantor of federal loans, and I believe that we can offer solid advice and support under current law.”

(4) The N.C. General Assembly should increase the annual appropriation to the N.C. State Child Care Grant Program. The average Child Care Grant for students in community colleges is \$174 per month. But, child care costs across the state average \$214 to \$1,009 per month, depending on location, level of care, and the child’s age. The program serves 1,146 students, but an additional 1,396 qualified students applied for the program but were not served because of insufficient funding. The Center says the N.C. General Assembly should meet this need by appropriating \$4 million for the N.C. State Child Care Grant program so that all qualified applicants can receive child care assistance. Wanda White, director of student development services for the Community College System, says, “If there is money for child care programs, students will graduate sooner, enter the work force sooner, and the number of people on public assistance will decrease.”

Representative Deborah Ross (D-Wake) introduced legislation in 2007 to increase funds for the child care grants, but the budget remained at \$1.9 million. “Many community colleges students are working adults who would not be able to further their education and skills without child care,” says Ross. “This is true particularly for single mothers.”

Sam Watts of the Center for Public Policy Research says, “A graduate with an associate’s degree from a community college earns \$11,900 more per year than a high school dropout. Yet 48 percent of community college students drop out in their first year, and 45 percent say that a lack of money is the reason. So it’s important to use student aid policy to help students stay in school and finish their degrees.”

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit research corporation created in 1977 to evaluate state government programs and to study public policy issues facing North Carolina. The Center is supported in part by a grant from the Z. Smith Reynolds Foundation in Winston-Salem, with additional support from nine other private foundations, 120 corporate contributors, and about 600 individual and organizational members. The Center recognizes and thanks the N.C. GlaxoSmithKline Foundation in Research Triangle Park and The Cannon Foundation in Concord for their grants in support of this research on community colleges in North Carolina. The Center publishes a journal called *North Carolina Insight*, a citizens’ guide to the legislature, and in-depth research reports such as a recent study of governance of the state’s public universities. The Center also has conducted studies of ways to prevent high school dropouts and ways to reduce domestic violence, as well as an evaluation of charter schools. Upcoming studies will examine state water policy and key issues facing the state’s aging population.

The Center’s 230-page study of the future of community colleges, in which this research on student financial aid policy appears, is available for \$24. To order, write the Center at P.O. Box 430, Raleigh, NC 27602, call (919) 832-2839, fax (919) 832-2847, or order by email from tbromley@nccppr.org.

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