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P.O. Box 28068
Raleigh, NC
27611-8068

EDITOR: Alexndra
Forter Sirota
919/861-1468
alexandra@ncjustice.org
www.ncjustice.org

OPENING OPPORTUNITY'S DOOR:

Financial Aid for NC Community Colleges Builds Prosperity

BY ALEXANDRA FORTER SIROTA, DIRECTOR

Executive Summary

- To meet the economy's demand for a more educated workforce, North Carolina must make completion of education and skills training a priority for adult workers. By 2018, nearly 60 percent of jobs in NC are projected to require post-secondary education.
- Nearly 2.5 million North Carolinians aged 25 to 54 have no post-secondary degree. That number is roughly equivalent to the next 30 high school graduating classes in the state.
- State-based financial aid is an essential tool to support student's access and completion of post-secondary education but requires specific tailoring to meet the needs of adult workers.
- Tuition alone at community colleges increased by 17.6 percent from 2004-2005 to 2009-2010. Over that same period the N.C. Community College Grant saw a 65 percent increase in the inflation-adjusted dollars awarded to eligible students. However, due to the increase in the number of eligible recipients for that program, the inflation-adjusted grant from this program actually declined for the average student.

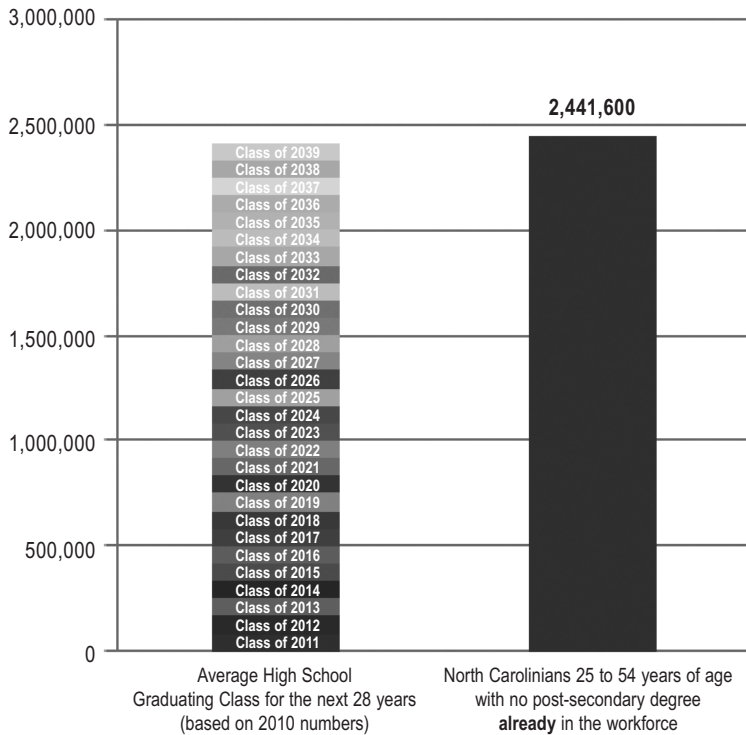
Overview

The North Carolina Community College System plays an essential role in training the workforce with the skills needed to prosper in the state's changing economy. Community colleges connect workers and employers, provide low-income workers with pathways to the middle class, and fuel the state's economic growth.

The wave of plant closings that began in the late 1990s dramatically decreased the number of jobs that do not require college degrees but still pay living wages. Today, low-wage work without benefits or the possibility of career advancement is the norm for many North Carolinians. Most of these jobs are in the low-paying service sectors, such as food service, retail, cleaning, customer service and day laboring. For North Carolina's hundreds of thousands of low-income working families, these jobs may enable them to stave off hunger and homelessness, but they offer families no opportunities for financial

FIGURE 1

Improving Education Levels of North Carolina's Adults is Equally as Imperative as Educating Our Younger Residents



SOURCE: Working Poor Families Project, 2008, North Carolinians with no HS; only HS; some post-secondary education with no degree and N.C. DPI 4-year cohort graduation rate (2009-2010)

stability and leave them vulnerable should illness or accident strike. Gaining additional skills and education provides families with an opportunity for greater economic security.

In recent years, however, erosion in the affordability of post-secondary education risks making accessing and completing post-secondary education or skills-training program more difficult. From 2000 to 2008, the National Center for Public Policy Higher Education found that the percent of the average family's income in North Carolina that would be needed to pay for college expenses minus financial aid increased from 16 percent to 20 percent.¹ Fewer North Carolinians with post-secondary education could represent challenges for businesses as they seek the skilled workers they need in coming years.

North Carolina must close the gap between the skills of its workforce and the skills required for future good jobs in the state. Recent analysis suggests that by 2018, 59 percent of jobs in North Carolina

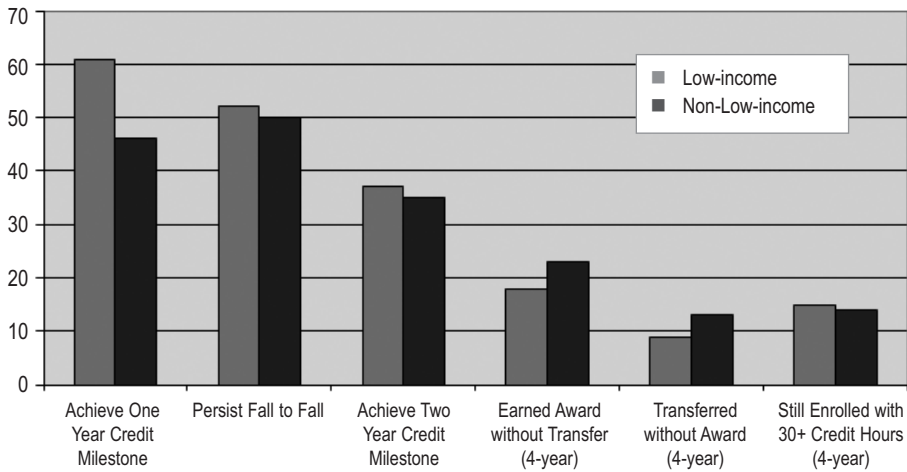
will require some type of education or skills training after high school.² In 2008, just half of North Carolina's working age population (aged 25 to 54) had either some post-secondary education or an associate's degree or higher.³ The nearly 2.5 million North Carolinians of working age who have no post-secondary degree is roughly equivalent to the next 30 graduating classes of North Carolina's high schools. While it is important to continue to improve graduation rates and college completion rates for young North Carolinians, increasing the education and skills training of adults must also be a priority if North Carolina is to meet the economy's demand for skilled workers and grow its middle class.

This issue of *BTC Reports* looks at the state-based financial aid system for adult workers attending community colleges, analyzes the funds available and their distribution, and considers some of the upcoming challenges facing the state's financial aid system. The report concludes with strategies to align the state's financial aid system with the goal of student access and success.

Community College Affordability and Adult Workers Who Study

Low-income working adults who want to earn the credentials they need to qualify for better jobs and move into the middle class face numerous obstacles. Indeed, analysis by the community college system finds that just 13 percent of older students entering community colleges in the fall of 2002 completed an associate's degree in six years while an additional 13 percent completed some other award in the same time period.⁴ The challenges of juggling work, family and community college courses are significant. However, tuition and other costs associated with getting an education represent a significant obstacle—and the one with which the state is in the best position to provide assistance.

In 2009-2010, the average in-state tuition and fees at a North Carolina community college was

FIGURE 2**Low-income students on par with classmates in key persistence and completion metrics**

SOURCE: N.C. Community College System, Office of the President. September 11, 2009. Data Trends and Briefings: Achieving Intermediate Milestones for Benchmarks of Student Success: Fall 2002 and 2004 Cohort.

\$1,672.⁵ But tuition is not the only cost students in community college must incur. Books, transportation and living expenses must be considered in the calculation of the true costs of a community college education. Moreover, non-traditional students may have child care and housing payments. All together, these additional yet necessary expenses are estimated by the community college system to represent a system-wide average cost of attendance of \$15,914.⁶ While these costs are less for students who attend community college part-time, they are still considerable, especially for low-income working adults with dependents.

Financial aid plays an important role in providing students with limited means the resources to access post-secondary education. Research shows that students with financial aid packages are more likely to enroll in post-secondary education, and when aid is combined with additional supports like mentoring programs and access to additional work supports, students are more likely to persist and complete their educational programs.⁷ While limited research has been conducted on the connection between financial aid and completion, studies of pilot programs like the Opening Doors demonstration, which offered supplemental financial aid along with incentive payments for reaching benchmarks, have demonstrated a positive effect on completion.⁸

STATE-BASED FINANCIAL AID SYSTEM IN NORTH CAROLINA

North Carolina has a strong state-funded financial aid system. However, additional investment to better meet the financial needs of low-income working adult students is needed to support increased post-secondary attainment.

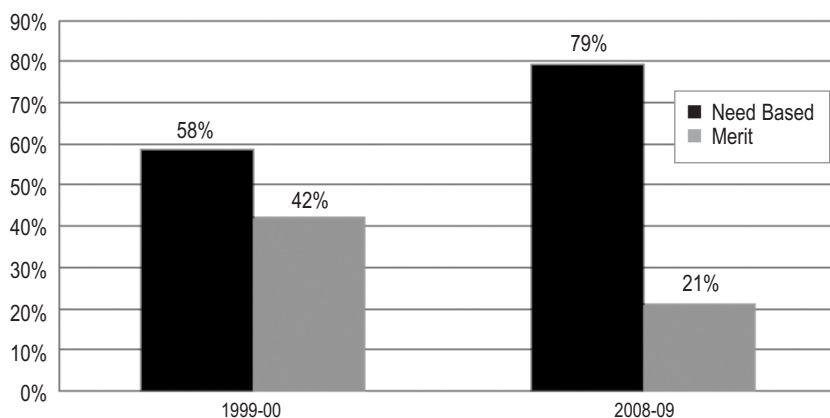
While tuition at community colleges in North Carolina remains low relative to other states, it increased by 17.6 percent from 2004-2005 to 2009-2010.⁹ Over that same period the total investment in the grant and scholarship programs for community college students remained

steady from 05-06 at \$14 million.¹⁰

However, the N.C. Community College Grant saw a 65 percent increase in the inflation-adjusted dollars awarded. And due to the increase in the number of eligible recipients for that program, the inflation-adjusted average grant from this program actually declined over the same period.¹¹

North Carolina distributed more than \$414.9 million in state-based financial aid including grants, scholarships and loans in 2008-2009, 15 percent of which went to community college students.

Institutional aid, administered by individual campuses and according to campus policy, is a growing portion of

FIGURE 3**North Carolina's investment in need-based financial aid has increased since 2000**

SOURCE: National Association of State Student Grant and Aid Programs

Financial Aid for Adult Community College Students

COMMUNITY COLLEGE FINANCIAL AID PROGRAMS

ADDITIONAL SUPPORT PROGRAMS FOR ADULT WORKERS WHO STUDY

overall aid to students. The majority of these dollars are provided as grants or scholarships and therefore do not contribute to students' debt burden.

In contrast with national trends, state-based aid continues to be primarily allocated based on student need; 75 percent of state aid was need-based in 2008-2009.¹² This commitment to ensuring access to education for students with financial need is laudable and must be expanded as tuition increases. State-based financial aid serves an increasingly important role in supporting students' enrollment in and completion of educational programs.¹³

There are two main state grant sources for community college students—the NC Community College Grant program and the Educational Lottery Scholarship. Community college students can also qualify for the N.C. Student Incentive Grant, Veteran's Scholarship, tuition remission or tuition waivers, depending on their particular situations.

Analysis of recipients of the major sources of grant aid for CC students finds that these programs serve older, independent and needy students.¹⁴ More than half of community college students are older than 21. Nearly 54 percent are independent students. Additionally, recipients are concentrated below the income range equivalent of 200 percent of the federal poverty level or \$44,200.¹⁵

The North Carolina Community College Grant program is the state's largest need-based financial aid program for community college students (excluding tuition waivers). In 2008-2009, the program provided just over \$16.7 million in grants to 26,133 students with an average award of \$641.¹⁶

The NC Community College Grant program is targeted at working families who may not qualify for a full Pell grant.¹⁷ However, to qualify for this grant, a student must be in school at least half-time (at least six credit hours), which is not possible for many working adults. In addition, a student must be enrolled in an eligible curriculum program to qualify for the grant. Students taking courses not necessarily for credit (academic, occupational or vocational) are classified as "continuing education students" and are not eligible for financial aid. A student taking developmental education courses to improve his academic skills before beginning a program also is ineligible for a grant.¹⁸ Roughly 16,000 students enroll in developmental education courses each year.

The North Carolina Education Lottery Scholarship (ELS), created in 2005, is the other major source of state-based financial aid for community college students. Eligibility for this grant is the same as the Pell Grant, with one exception—a student who is not eligible for the Pell Grant but will have an Expected Family Contribution of \$5,000 or less is eligible for this grant.¹⁹ (Expected Family Contribution is the amount of money the student is expected to contribute to the cost of his education, based on income and several other factors.) Once again, students attending less than half-time are not eligible. In 2008-2009 \$13.1 million in Education Lottery Scholarships were distributed to nearly 14,000 students at community colleges.

North Carolina has two important additional programs for non-traditional students, those who are older and those responsible for children.

The North Carolina Community College Grant for Less-Than-Half-Time Students provides assistance to the one-third of curriculum students who are enrolled less than half-time (32 percent of curriculum students take one to five credit hours in one semester). In addition, if a student is ineligible for federal financial aid and is enrolled in a program for an occupational certificate or award but not a degree, she may qualify for this grant. In order to qualify, a student's Expected Family Contribution must be between \$801 and \$4,000. The program provides \$30 per semester hour, with a maximum of \$150 per semester.²⁰ For the

The Consolidation of Financial Aid Programs and the Needs of Adults Students

2009-2010 school year, North Carolina has allocated \$262,807 for these grants, representing just 1 percent of the total funds for community college students. That allocation has remained relatively constant since the program's inception in 2003.

Another program that can assist working adults is the North Carolina Community College Child Care Grant, which currently receives an annual \$1.7 million appropriation from the General Assembly for 1,000 recipients. The average grant amount per recipient in 2009-2010 was \$1780, an amount that can cover four months of child care in a three-star home-based setting.²¹ Many community colleges supplement this funding with money from their foundations or from other sources.

While there is no centralized collection of information regarding need, evidence from campuses suggests that many thousands of students who could qualify for these grants are left without funding.

Additional investment in need-based financial aid overall is needed. But if North Carolina is to meet future demand for skilled workers, increasing available support to adult workers who study is essential. The state must maintain a leadership role in investing in the post-secondary education of North Carolinians.

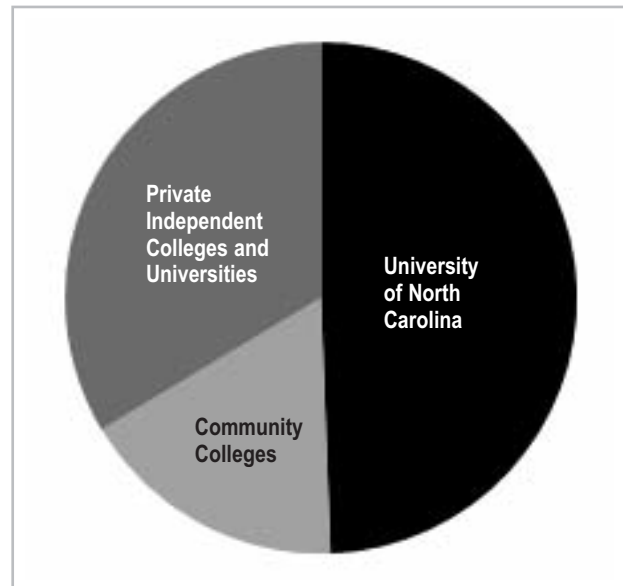
As part of the tuition increases in North Carolina, however, individual campuses have been given more autonomy and responsibility for coming up with resources to meet the financial needs of their students. This can present challenges when campuses have varying levels of endowments and other resources from which to support students. To assure equitable access to community colleges across the state, it is important to limit institutional or campus responsibility for financial aid so that geographic inequities in educational opportunity in the state don't grow. In addition, individual campuses and financial aid officers should consider the implementation of financial aid best practices. One such strategy that has proven to be effective at helping students stay in school when their financial situations change reserving a portion of tuition increases for emergency financial aid purposes.

The financial aid system in North Carolina has been particularly effective at identifying the unique needs of adult workers and providing essential support through financial aid and other programs, although funding has not fully met the need. However, the state is now in the process of consolidating its financial aid programs, and state leaders have the opportunity to create a system that better supports the low-income working adult who strives to improve their marketability and financial standing by completing community college programs.

The 2009 General Assembly established the Joint Select Committee on State-Funded Student Financial Aid and charged the body with determining how best to use and administer state-funded financial aid, the possibilities of consolidating grant programs and how to better

FIGURE 4

Community College Students Receive the Smallest Proportion of State-Based Financial Aid



SOURCE: Statistical Abstract of Higher Education in North Carolina, Research Report 1-09, University of North Carolina, Chapel Hill, NC, July 2009, pp. 148-164.

market financial aid. While the overall goal of making the financial aid system accessible and comprehensible is commendable, it is particularly important that proposed changes be considered in light of their impact on non-traditional students—those adult workers who are often enrolled part-time and have dependents.

First, consolidation of the state-based financial aid program must accommodate the distinct timelines for financial aid applications at community colleges and public and private four-year universities. Without such a consideration, the consolidation could potentially disadvantage community college students because they are more likely to apply later in the process than students in other sectors and therefore less financial aid would be available to them.

Second, the consolidation plan currently assumes take-up of the American Opportunity tax credit to provide a source of funding to meet the needs of students in higher education. The American Opportunity tax credit is an improvement made under the American Recovery and Reinvestment Act to the HOPE Higher Education tax credit and Lifetime Learning credits that reaches more students and provides a greater value. These improvements were extended by Congress in December 2010 for two years. Given the reliance on the American Opportunity tax credit to provide immediate relief to independent students in their cost of attendance, it is clear that further education and outreach will be needed. A framework of volunteer tax preparation sites exists in the state that should be connected to community college campuses to ensure that North Carolina's students draw down these federal dollars.

Finally, funding for financial aid must be maintained and targeted at the students most in need—those earning less than 200% of the federal poverty level. For adults, it will be equally important to assess the full cost of attendance, including the additional costs to meet family responsibilities, so as to accurately assess their need.

Conclusion

In these difficult economic times, post-secondary education provides workers with some measure of protection from a struggling labor market while also generating returns to families through increased wages and to the broader community through increased economic activity.

North Carolina policymakers must continue to invest in what works to improve post-secondary completion rates. Increasing available support to adult workers who study through additional investment in the NC Community College Child Care Grant and the Community College Grant for Less-than-Half-Time Students is essential.

As the post-secondary system moves to consolidate the financial aid system and align its work toward the goal of post-secondary success for all, North Carolina policymakers should pay particular attention to the impact that changes to the current system will have on non-traditional students. For example, ensuring that students enrolling at different points in the year are able to access state funds is essential, as is targeting state dollars at those in need as defined by their household income. Finally, the NC Community College System should continue its efforts to collect and analyze data on post-secondary success and make available data on student outcomes by financial aid receipt.

North Carolina is uniquely positioned to support adult workers moving ahead in their career through education and skills training given the strong foundation established in the state's need-based financial aid system. Moving forward, maintaining these investments will be essential to promoting economic competitiveness and sharing of the prosperity that such growth will generate.

Recommendations on State Financial Aid that Support Completion at Community Colleges

- Increase investment in need-based financial aid.
- Ensure consolidation of the financial aid system does no harm to independent students with dependents
- Collect data on the demographics of state-based financial aid recipients to assure access is equitable and outreach is successful at targeting disadvantaged populations
- Allow students to use need-based aid to cover developmental education courses
- Reserve a portion of institutional financial aid for students in need of emergency funds during the school year and/or for those applying late.
- Improve marketing of the availability of need-based aid to low-income adults in locations they access in their communities.

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North Carolina Justice Center
P.O. Box 28068 ■ Raleigh, NC 27611-8068
919/856-2176 ■ alexandra@ncjustice.org

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