

The Carolina Covenant™

A Low-Income Student Financing Initiative at the University of North Carolina at Chapel Hill

IN OCTOBER 2003, James Moeser, chancellor of the University of North Carolina at Chapel Hill, announced the creation of the Carolina Covenant.™ The Carolina Covenant is a promise—a financing commitment—to eligible low-income students throughout the state and nation that, if they are admitted, they can graduate from the University of North Carolina debt-free. The Covenant was created to ensure that access would not be compromised by increases in tuition and other college costs, and to communicate a simple message of predictability of aid for low-income students who are admitted.

The Carolina Covenant™ pledges that the university will meet the full financial need of eligible students¹ through a combination of federal, state, university, and privately funded grants and scholarships and a reasonable amount of work-study. Covenant students who work in a federal work-study position for 10–12 hours per week during the academic year do not need to incur loans to help meet their financial need.

The Covenant's promise is to all eligible dependent students whose parents' adjusted gross income during the prior year was 200 percent or less of the federal poverty guidelines.² It extends to future generations of North Carolinians and to low-income students elsewhere in the nation.

Catalyst

The University of North Carolina at Chapel Hill (UNC), chartered in 1789, was the nation's first public university, with a mission and identity centered on being “the people's university.” Both the state of North Carolina and UNC have a long-standing tradition of providing access and affordability through a low-tuition policy.

In the late 1990s, however, several factors emerged, raising new concerns about low-income students' access to higher education. North Carolina's population was growing and becoming more diverse, the state's poverty rate was the 14th highest in the nation, median family income was declining, and North Carolina had the fastest growth rate among Hispanic populations in the nation (up 394 percent between 1990 and 2000). As a result, a larger population of college-age youth came from low-income families and were in need of financial aid to attend college.

The state was facing serious fiscal problems, and tuition had to meet a growing share of the budget shortfall. Other costs of attendance (room and board, books, transportation, etc.) also had increased. At the same time, research indicated that low-income families tended to overestimate college costs; they did not know that, with financial aid, college was affordable; and they were often afraid to assume loans to pay for college costs.

These factors all pointed to the increasing lack of access for a growing number of academically prepared low-income students—those students who are most affected by rising college costs and who are most fearful of debt.

The Carolina Covenant was created to ensure that access would not be compromised by increases in tuition and other college costs, and to make the commitment of accessibility and predictability of aid to low-income students—now and in the future—unequivocal and easy to understand. The Covenant pledges that the university will meet 100 percent of an admitted, eligible student's financial need with a combination of grants and scholarships and the amount a student can earn by working 10–12 hours per week during the academic year. Covenant Scholars who participate in work-study will not need to incur loans to help meet their financial need. However, students may elect to borrow.

The Covenant seeks to influence the educational aspirations of low-income youth and encourage those who want to attend Carolina to prepare academically for admission, knowing they can afford to attend. It preserves and promotes Carolina's identity as “the people's university.”

Context

Three components were critical to UNC's ability to establish, fund, and sustain the Carolina Covenant. First, the population of students expected to be eligible for the Covenant is manageable, by virtue of the university's role,

mission, and selectivity. Although the admissions process is “need blind,” Carolina's selective admissions process yields better-prepared students, often from more affluent families. The number of low-income students expected to attend Carolina, even with the promise of the Covenant, is believed to be manageable. Nevertheless, the university's commitment to the Covenant, now and into the future, is significant, given state demographics. The university anticipates that an increasing number of low-income students will be admitted to, and graduate from, Carolina as a result of the Covenant.

Second, the Carolina Covenant is possible because of the nexus of policies adopted by the North Carolina General Assembly, the Board of Governors of the state's public university system, and the UNC Board of Trustees. The General Assembly and the Board of Governors have historically favored low tuition but—faced with fiscal realities in recent years—have authorized institutions to raise “campus-based” tuition, providing they protect access. As the state has reluctantly moved away from low tuition, it has continued to protect access through appropriations for need-based aid.

In 1999, the General Assembly established a new need-based grant program for UNC system institutions, targeting funding to low-income students. Since 2000, each time the Board of Governors has imposed a tuition increase throughout the system, the General Assembly has added funding to the UNC Need-Based Grant Program.

At the local level, since 1996, the Board of Trustees has set aside no less than 35 percent of all new tuition revenue generated by local tuition increases to fund per capita “hold harmless” grants for needy students. Funds generated from the “hold harmless” sources have allowed the university to improve aid packages to all needy students³ (not just Covenant students), and to reduce student indebtedness. The “hold harmless” policy secures the program into the future, contributing to its sustainability. Funding from need-based private scholarships has also increased significantly in the past few years. Approximately 75 percent of outside scholarship funds are directed to needy students. And, the university has a tradition of dedicating discretionary revenue sources (e.g., student stores profits and all trademark licensing revenue) to need-based student aid, rather than to merit scholarships or university overhead.

The platform of federal, state, and university need-based student aid at Carolina is strong. Government assis-



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tance, including the federal Pell Grant program, provides the floor of funding for the Covenant. Growth in the UNC Need-Based Grant Program has been critical to development of the Covenant. And, finally, the university's "hold harmless" tuition policy and commitment of specific institutional revenue sources for need-based aid are also imperative. Because of this platform of assistance, the marginal cost of providing enriched grant packages for Covenant Scholars is within reach, even with an expanding population.

Design and Implementation

The Covenant has two primary goals: to communicate predictability of financial aid and access, and to make it possible for low-income students to graduate debt-free. By design, the Covenant is easy for families to understand, and eligibility is predictable. It is focused on historically disadvantaged students, and therefore is limited to dependent students, with exceptions handled in accordance with professional judgment. The Covenant incorporates work-study as a critical element, based on research supporting its value to participants and also in order to avoid the perception that the Covenant is a "giveaway" program.⁴ By design, the Covenant makes it possible for low-income dependent students admitted to Carolina to graduate debt-free.

The university has not established a quota for the desired number of recipients, nor is there a limit on the number of Covenant Scholars designated each year. Covenant designation will be given to all eligible students, and all will receive the Covenant's enriched financial aid award.

The university believes that the Covenant's success should be measured not only by the number of students served each year, but also by the number who successfully complete their undergraduate education. Therefore, although the Carolina Covenant was created to provide greater access to low-income students, the university's commitment to recipients does not end with providing access or an exceptional financial aid package.

The Covenant incorporates a campus-wide support network and commitment to student success. Faculty and staff throughout the university have embraced the Carolina Covenant and are actively engaged in promoting the adjustment and achievement of Covenant Scholars. A comprehensive infrastructure of support systems is in place to ensure that Carolina Covenant Scholars have every opportunity to successfully complete their baccalaureate education.

As a central component in the support network, the university has established a mentoring program for first-year Carolina Covenant Scholars. Faculty and exempt staff

mentors help Scholars integrate into the university and facilitate academic advising and counsel, as necessary.

In addition to activities planned by mentors, the university sponsors several special events for Scholars throughout the year. Although participation is voluntary, these special events (a winter holiday reception, a year-end celebration, dining etiquette training, etc.) were enthusiastically received by the Scholars last year. These and other events (including a social skills and career clarification series) are planned for this year and in the future.

The first Covenant Scholars were designated in Fall 2004. The program will be phased in over a four-year period, with a new class of entering freshmen receiving the awards each year until the program is fully implemented in Fall 2007.⁵ Eligible students transferring into a class served by the Covenant will also receive the awards.

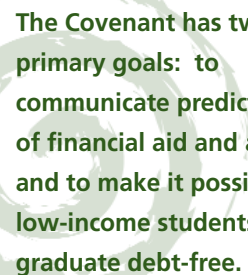
How It Works

Consideration for the Covenant is automatic once a student is admitted or enrolled at Carolina and has completed an application for financial aid. A Covenant Scholar who continues to meet eligibility criteria may participate in the program until he or she has completed the requirements for a baccalaureate degree, up to a maximum of nine semesters. Normally, periods of summer enrollment are not covered. Students may, however, use their awards to participate in university-sponsored study-abroad programs.

To be considered for a Covenant award, a student must be dependent on his or her parents for support, be pursuing a first undergraduate degree from Carolina, have a family income that does not exceed the program's threshold, demonstrate financial need, and be eligible to receive federal student financial aid.

Eligible students receive a letter from the director of scholarships and student aid informing them of their designation and special award. The letter notes the importance of work-study and includes information about the mentoring program for Carolina Covenant Scholars and other academic and personal support services available at the university.

Students who receive financial aid under the Covenant will be identified and tracked in the university's financial aid system. However, Scholars are not identified publicly,



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and they are free to decide whether to participate in group activities that would identify them as having come from a low-income family.

First-Year Experience

In Fall 2004, Carolina enrolled its first class of 224 Covenant Scholars (over 8 percent of the entering freshman class). The income threshold for consideration was 150 percent of federal poverty guidelines, indexed by family size. Like all other students, the Covenant Scholars were admitted through a “need-blind” admissions process. Their average high school grade point average was 4.21; their average SAT score 1209. Fifty-five percent were first-generation students, and 63 percent were students of color. The average parental income was \$13,400 for a family of four.⁶

The university anticipated that although they had been admitted to Carolina on the same basis as all other students, some Covenant Scholars would encounter personal and academic obstacles that their more affluent peers would not. Based on prior years’ data, staff estimated that 8.2 percent of the Covenant Scholars would be required to attend summer school to retain academic eligibility; in actual experience, only 6 percent (14 of 224 Scholars) were required to attend. Grant assistance is provided to Scholars who are required to attend summer school.

The academic improvement of Scholars from Fall semester to the end of Spring semester (from below a 3.0 grade point average to above a 3.0 grade point average) was twice that of the general student population. Nearly 88 percent of the first class of Covenant Scholars achieved a 2.0 or higher grade point average during their freshman year at UNC, and all but five (2.2 percent) were academically eligible to return to Carolina for the 2005–06 academic year. While it is not known for certain, the mentoring program, initiated in January 2005, is believed to have contributed significantly to the academic success of Covenant Scholars.

2005–06 Academic Year

The university raised the income threshold for Covenant eligibility, starting in Fall 2005, to 200 percent of federal poverty guidelines. Current data indicate that 350 students entering Carolina as freshmen or sophomore transfers have been designated as Covenant Scholars. Their average high school grade point average is 4.25; their average SAT score 1223. Sixty percent are students of color. Each has been assigned to a faculty or staff mentor.

Program Costs

Covenant-related costs include both additional gift assistance to recipients and expenses related to administering the program.⁷ The cost for additional grant assistance is marginal, since Covenant Scholars qualify for a full financial aid award. Work-study replaces much of what would have been awarded as loans had the student not been eligible for the Covenant, with remaining need met by additional gift aid. The university estimates that Covenant Scholars will qualify for approximately \$3 million above the current grant base, over a four-year period, assuming modest inflationary factors. Some of the additional gift assistance will be provided through estimated financial aid from tuition offsets, some from additional state-funded grant funds, and some through donor gifts.

There are also administrative costs associated with the Carolina Covenant. Although most staff costs have been absorbed by existing personnel, workload has increased appreciably. Old computer systems require considerable manipulation for recipient tracking and record keeping, and to ensure that the data necessary for program administration and later research are captured and retained. Approximately \$60,000 over 18 months was paid for supplemental contracting for development of the Covenant’s policy manual and administrative guidelines, design of the faculty mentoring program and training module, and preparation of promotional materials.

Other administrative expenses included payment of the cost for Covenant Scholars and one parent per Scholar to attend freshman orientation, modest stipends and entertainment allowances for mentors, and other Scholar activities. Offices across the university (Office of Minority Affairs, Admissions, College of Arts and Sciences, Academic Advising, Academic Services, and Student Affairs, etc.) have provided in-kind contributions in the form of extra time and attention devoted to the Covenant population.

Revenue Sources

In addition to federal, state, and institutional financial aid, the Covenant has been funded by private and corporate gifts. Prior to announcing a \$10 million campaign for the Carolina Covenant, the university’s Development Office had received \$3 million toward its goal. Gifts have been received for aid to students, as well as for administrative and other program costs. Unless gifts have been designed as expendable, they have been placed into an endowment to ensure that funds will be available to support the program into the future.

Plan for Research and Evaluation

Since the program's inception, plans have been in place to ensure that the data needed for internal evaluation and academic research have been collected and retained. A preliminary research design has been developed. The university is in the process of planning an internal evaluation of the Carolina Covenant, and we anticipate inviting research partners to examine the program's effectiveness and relevance to other institutions.

The university believes that the Carolina Covenant's current eligibility parameters identify the population that should be served by the Covenant and does not foresee significant changes in the near future. In keeping with the Covenant's implementation schedule, a new class of eligible freshmen will be incorporated each year until the program is fully phased in, in the 2007–08 academic year. The university is expanding its efforts to publicize the program to its intended beneficiaries and will assess the extent to which the message of the Covenant influenced students' decisions to attend Carolina. Finally, as indicated above, the Carolina Covenant will be modified, as appropriate, based on research and evaluation.

Further information about the Carolina Covenant is available on the Covenant's web site: <http://www.unc.edu/carolinacovenant>.

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Notes

1. See appendix, Table 1, for a summary of student eligibility criteria.

2. During the Covenant's first year of implementation, the program served students whose parents' adjusted gross income the prior year was 150 percent or less of federal poverty guidelines. As of the 2005–06 academic year, the income threshold for eligibility has been increased to 200 percent. See appendix, Table 2, for 2005–06 academic year income cutoffs.

3. All eligible undergraduate students who apply for financial aid on time receive awards covering 100 percent of their documented need. Awards are typically comprised of about 65 percent grants and/or scholarships, with the remainder in loans and/or work-study. All first-year students who have documented financial need are also eligible for a laptop computer grant. Covenant Scholars have the added advantage of financial aid offers that are comprised entirely of grants and/or scholarships and the amount that can be earned by

working approximately 10–12 hours per week in a work-study program during the academic year.

4. There has not been a "middle-income pushback" to the Carolina Covenant. The university believes this can be attributed, in large part, to the inclusion of work-study in Covenant awards and to the strong financial aid packages available to all other needy undergraduate students at Carolina. Implementation of the Covenant has not eroded the base of support for other needy students. Presently, the university is launching a major merit-scholarships campaign as a complement.

5. See appendix, Table 3, for implementation schedule.

6. See appendix, Table 4, for a profile of 2004–05 Carolina Covenant Scholars.

7. See appendix, Table 5, for a summary of program costs.

Appendix

Table 1.

Eligibility Criteria for the Carolina Covenant	
Academic	
<ul style="list-style-type: none"> Admitted to, or enrolled at, the University of North Carolina at Chapel Hill (UNC) Pursuing first undergraduate degree Enrolled full-time during regular academic year Not enrolled in continuing studies/professional school 	
Income	
<ul style="list-style-type: none"> Parents' adjusted gross income (AGI) does not exceed 200 percent of federal poverty guidelines, based on family size 	
Financial Need/Eligibility for Aid	
<ul style="list-style-type: none"> Financial need, based on the Free Application for Federal Student Aid (FAFSA) and the College Board's PROFILE application Eligible to receive federal student financial aid 	

Table 2.

Income Threshold, by Family Size, 2005–06 Academic Year			
<i>Family Size</i>	<i>Max. AGI</i>	<i>Family Size</i>	<i>Max. AGI</i>
1	\$18,620	6	\$50,420
2	\$24,980	7	\$56,780
3	\$31,340	8	\$63,140
4	\$37,700	9	\$69,500
5	\$44,060	10	\$75,860

Add \$6,360 for each additional family member.

Source: <http://aspe.hhs.gov/poverty/04poverty.shtml>

Table 3.

Implementation Plan				
Academic Year	Entering Freshmen	Sophomore Renewals/ Transfers	Junior Renewals/ Transfers	Senior Renewals
2004–05	X			
2005–06	X	X		
2006–07	X	X	X	
2007–08	X	X	X	X

Table 4.

Recipient Profiles, 2004–05 and 2005–06				
	Fall 2004 150%*	Fall 2005 150%*	Fall 2005 151–200%*	Fall 2005 Composite
Number of Scholars	224	247	103	350
Average High School GPA	4.21	4.22	4.33	4.25
Average SAT Score	1209	1212	1248	1223
Average Parent AGI	\$13,400	\$15,279	\$32,668	\$20,390
Students of Color	63%	63%	54%	60%

**Percentages show the maximum income for eligibility based on federal poverty guidelines for family size.*

Table 5.

Program Costs and Revenue Sources	
Costs	In-Kind Contributions
Additional Gift Aid (at 200% of federal poverty level, over a four-year period) \$3.0 million	Faculty/Staff. Personnel from the Office of Minority Affairs, Admissions, College of Arts and Sciences, Academic Advising, and Academic Services, among others, devoted extra time and attention to help Covenant Scholars.
Staff Costs Absorbed	Office of Student Affairs. Waived charges and residence hall costs for Covenant Scholars and one parent per Scholar, for 2005–06 summer orientation.
Record Keeping Absorbed	Office of Student Affairs. Currently engaging Parents' Council to see how they may support parents of Covenant Scholars.
Supplemental Contracting \$60,000 over 18 months	Revenue Sources
Freshman Summer Orientation for Covenant Scholars and one parent per Scholar (Summer 2004). Paid for in 2004 from student general assistance funds from private resources. (Costs absorbed by Office of Student Affairs in Summer 2005 at value of \$50,000.) \$45,000	<i>(In addition to federal, state, and institutional financial aid)</i>
Faculty Mentoring Program. Includes stipend for faculty coordinator (\$12,000 annually) and 24 mentors (\$2,000 annually plus a \$1,500 annual entertainment/ food allowance). Paid for largely through a quasi-endowment in the amount of \$1.3 million from an unrelated trust that terminated. \$96,000	Individual and Corporate Gifts
Other Activities (etiquette dinner, informal receptions, etc.), \$10,000. Paid for through a private gift for that purpose. Publication costs for brochures, \$25,000. \$35,000	<ul style="list-style-type: none"> • Gifts are for aid to students, as well as to the expendable fund for program costs, as designated. Unless gifts are designated as expendable, they are placed into the Carolina Covenant endowment.
	Development Office Fund-Raising Campaign
	<ul style="list-style-type: none"> • \$10 million campaign; university received \$3 million prior to announcing campaign.