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## **OLR Bill Analysis**

### **sSB 844**

#### ***AN ACT IMPLEMENTING THE BUDGET RECOMMENDATIONS OF THE GOVERNOR CONCERNING HIGHER EDUCATION.***

##### **SUMMARY:**

This bill establishes the Governor's Scholarship program as a single, consolidated state financial aid program for Connecticut residents who are undergraduates at in-state public and private higher education institutions. The program replaces the state's existing undergraduate student aid programs: Connecticut Aid to Public College Students (CAPCS), Connecticut Independent College Student Grant (CICSG), the Capitol Scholarship, and Connecticut Aid to Charter Oak.

The bill limits eligibility for the Governor's Scholarship to Connecticut residents enrolled in at least six semester credit hours and pursuing their first associate or bachelor degree. It establishes four award categories: a (1) need and merit-based award, (2) need-based award, (3) performance incentive pool, and (4) Charter Oak Grant. The bill specifies how the appropriation for the program must be allocated across these categories and establishes reporting and audit requirements for the program.

The bill requires the Office of Higher Education (OHE) to administer the Governor's Scholarship. It repeals a provision that placed OHE, for administrative purposes only, within the Board of Regents for Higher Education (BOR), thus removing BOR's responsibility to provide OHE with certain administrative support.

The bill requires OHE, rather than BOR, to (1) perform several financial aid-related duties, including (a) establishing statewide student financial aid policies, (b) reviewing and approving certain applications, and (c) assisting high school guidance counselors and

financial aid officers and (2) administer any scholarship aid provided to students who attend out-of-state programs that prepare teachers of children requiring special education. It also eliminates a seven-member advisory committee on student financial assistance matters.

Additionally, the bill repeals the award for excellence in science and technology, teacher incentive loan program, high technology assistantship program, and academic scholarship loan program. Each of these is defunct.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2013

### **GOVERNOR'S SCHOLARSHIP OVERVIEW**

This bill establishes the Governor's Scholarship program as a single, consolidated state financial aid program for Connecticut residents who are undergraduates at in-state public and private higher education institutions. It eliminates CAPCS, CICSG, the Capitol Scholarship, and Connecticut Aid to Charter Oak, but allows students who received awards under these programs in FY 13 to continue receiving them for the life of the original award so long as they meet and continue to meet the respective program's need and academic standards. Since these awards are one-year, renewable awards, the bill presumably allows such renewals to continue until the students graduate.

The bill specifies that the Governor's Scholarship begins with new and transfer students in FY 14. It appears that continuing students who do not currently receive a CAPCS, CICSG, Capitol Scholarship, or Connecticut Aid to Charter Oak award would thus be ineligible for any state financial aid.

#### ***Eligibility***

The bill establishes student eligibility criteria for the Governor's Scholarship that are narrower than the criteria for the state's existing programs. It limits eligibility for the Governor's Scholarship to students pursuing their first associate or bachelor degree. Current law requires that students receiving assistance from CAPCS, CICSG, and

Connecticut Aid to Charter Oak be undergraduates, but does not limit participation to students pursuing their first associate or bachelor degree. (The Capitol Scholarship is available only to students who do not have a bachelor degree.) CAPCS also provides awards to students in precollege remedial programs, which are not allowed under the Governor's Scholarship.

Additionally, the bill requires that part-time students be enrolled for at least six semester credit hours in order to be eligible for a Governor's Scholarship. Current law does not establish a minimum credit load requirement for the four existing programs.

The bill limits the costs to which the Governor's Scholarship can be applied to (1) tuition and required fees, as published by the institution, and (2) required books and educational supplies, in a fixed amount as determined by OHE. Current law permits the use of state financial aid for other costs (e.g., room and board).

The bill also requires that Governor's Scholarship awards be based on a student's expected family contribution, as determined by the Free Application for Federal Student Aid. Under current law, award amounts for the existing programs are generally based on a student's financial need, which is the difference between an institution's costs and the student's expected family contribution. The federally determined expected family contribution is the same across different institutions, whereas financial need varies based on institutions' costs.

### ***Eliminated Awards***

Under current law, Connecticut residents who attend an out-of-state institution can receive a Capitol Scholarship award of up to \$500. The bill eliminates these students' eligibility for state financial aid, but presumably allows students who currently receive this award to continue doing so (see above).

Current law allows CAPCS awards to fund student employment. It also requires that a percentage of CAPCS and CICS awards be used for (1) needy minority students and (2) on-campus or off-campus

community service work study placements. The bill does not transfer these requirements to the Governor's Scholarship. It makes a conforming change by eliminating institutions' responsibility to have a student community service coordinator.

### **AWARD CATEGORIES**

The bill establishes four Governor's Scholarship award categories: a (1) need and merit-based (merit) award, (2) need-based award, (3) performance incentive pool, and (4) Charter Oak Grant.

#### ***Merit Award***

Under the bill, OHE determines student eligibility for the merit award based on (1) financial need, as measured by expected family contribution and (2) merit, as measured by either high school academic achievement or performance on standardized academic aptitude tests.

The bill requires OHE to make awards according to a sliding scale, annually determined by the office, up to a maximum family contribution and based on available appropriations and eligible students. It does not specify any award amounts, but requires that the merit awards be higher than the need awards. It prohibits merit recipients from receiving a need or incentive award.

The bill requires the accepting institution to disburse the merit award for payment of the student's eligible educational costs.

#### ***Need Award***

The bill requires OHE to determine eligibility for the need award based on expected family contribution.

Under the bill, funds for the need award must be allocated to institutions for disbursement to students in accordance with requirements established by OHE. The institution's allocation is determined by its actual eligible enrollment (i.e., the number of its students who are eligible for an award) during the fiscal year before the grant year.

As with the merit award, OHE must annually establish a sliding

scale based on available appropriations and the number of eligible students. Institutions must adhere to this sliding scale when making awards to students.

Institutions must spend their need award allocation as direct financial assistance for eligible educational costs.

***Performance Incentive Pool***

The bill establishes an incentive pool to encourage retention and completion for students who (1) receive a need award, (2) return with sufficient credits to complete an associate degree in two years or a bachelor degree in four years (presumably two or four years from the time of initial enrollment), and (3) exceed minimum academic performance standards as determined by OHE. Students become eligible for a performance incentive award in the second year of their need award. The bill requires that the incentive pool be distributed to participating institutions based on eligibility as determined by OHE.

The bill does not specify any award amounts for the performance incentive or any criteria for determining which eligible students will receive an incentive award.

***Charter Oak Grant***

Under the bill, the requirements for the Charter Oak Grant are generally similar to those that exist under current law for Connecticut Aid to Charter Oak (except for the changes to student eligibility noted above). Additionally, under current law, an individual award cannot exceed a student's financial need. Under the bill, the award cannot exceed eligible educational costs.

Unlike with the other award components, the bill does not require OHE to determine eligibility and award levels for the Charter Oak Grant. Instead, it requires only that the grant (1) be awarded to students who demonstrate substantial financial need and (2) not exceed a student's eligible educational costs.

**APPROPRIATION**

Under current law, CAPCS, CICSG, the Capitol Scholarship, and

Connecticut Aid to Charter Oak each receive a separate appropriation. Under the bill, the Governor's Scholarship receives a single appropriation.

The bill allocates the appropriation across the four award categories as follows: (1) at least 20% for the merit award, (2) up to 80% for the need award, (3) at least 2.5% for the incentive pool, and (4) at least \$100,000 for the Charter Oak Grant. It also establishes an administrative allowance of \$100,000 or 0.25% of the appropriation, whichever is greater. It thus appears that no more than 77.25% of the appropriation, minus \$100,000, is available for the need award.

By law, the unexpended balance of an appropriation generally lapses at the end of the fiscal year for which it was made and reverts to the unappropriated surplus of the fund from which it was made (typically the General Fund). The bill specifies that the appropriation for the Governor's Scholarship does not lapse until the end of the fiscal year after the one for which it was made. OHE must report annually by September 1, to the Appropriations Committee through the Office of Fiscal Analysis, on the amount of the appropriation carried over from the previous fiscal year.

The bill requires that unexpended Governor's Scholarship funds be returned to OHE by February 15 each year for reallocation (presumably to other institutions).

## **REPORTING AND AUDIT REQUIREMENTS**

Under current law, institutions that receive CAPCS, CICSG, and Capitol Scholarship funds must report to OHE, annually by October 1, certain information regarding the students that receive this financial aid, including a recipient's (1) year of birth, (2) home town, (3) cumulative grade point average, (4) expected graduation date, and (5) expected family contribution towards educational costs.

The bill maintains the reporting requirement for institutions that participate in the Governor's Scholarship but eliminates the specific components required under current law. It instead requires

institutions to provide OHE with data and reports on all Connecticut students who applied for financial aid, including those who received a Governor's Scholarship award. The bill also eliminates the annual reporting date and instead requires that the report be submitted in a form and at a time determined by OHE.

As under current law, institutions that do not submit the required information to OHE are ineligible to receive student aid from the state in the following fiscal year.

### ***Accountability and Audit Requirements***

The bill extends to all higher education institutions the accountability and audit requirements that independent institutions currently must follow under the CICSG program. These requirements include maintaining, for at least three years, (1) records substantiating the reported number of Connecticut students and (2) documentation used by the institution to determine students' eligibility for the awards.

The requirements also include biennial compliance audits, which under the bill must begin in FY 15. Institutions must submit to OHE the results of an audit completed by an independent certified public accountant for each year of program participation. As under current law for CICSG, an institution that OHE determines not to be in substantial compliance with the Governor's Scholarship requirements (1) is prohibited from receiving funds from program in the following fiscal year and (2) does not regain eligibility until OHE determines that it has returned to substantial compliance.

## **BACKGROUND**

### ***Related Bill***

sSB 878, reported favorably by the Higher Education Committee, requires that OHE, rather than BOR, administer the academic scholarship graduate loan program and fund.

### ***CAPCS***

CAPCS provides need-based grants to Connecticut residents who

are undergraduates at the state's public colleges and universities.

**CICSG**

CICSG provides need-based grants to Connecticut residents who are undergraduates at the state's independent colleges and universities.

**Capitol Scholarship**

Capitol Scholarship grants are available to state residents who have not received a bachelor's degree and have been accepted at a postsecondary school, technical institute, college, or university in Connecticut, or in any other state that allows its students to bring state student financial assistance funds into Connecticut. Grant awards are based on academic performance and financial need. Maximum grants are \$3,000 per year for those attending in-state institutions and \$500 per year for those going out-of-state.

**Connecticut Aid to Charter Oak**

Connecticut Aid to Charter Oak provides need-based grants to Connecticut residents who are matriculated in a degree program at Charter Oak State College.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 11 Nay 6 (03/26/2013)