



Senate

General Assembly

File No. 221

February Session, 2018

Substitute Senate Bill No. 353

Senate, April 4, 2018

The Committee on Higher Education and Employment Advancement reported through SEN. BYE of the 5th Dist. and SEN. LINARES of the 33rd Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE CREATION OF THE CONNECTICUT HOPE SCHOLARSHIP PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2018*) (a) As used in this section:
- 2 (1) "Full-time undergraduate student" means a student who is
3 enrolled at a public institution of higher education in a course of study
4 leading to such student's first associate or bachelor's degree and who is
5 carrying twelve or more semester credit hours at such institution of
6 higher education;
- 7 (2) "Public institution of higher education" means the constituent
8 units of the state system of higher education identified in subdivisions
9 (1) and (2) of section 10a-1 of the general statutes; and
- 10 (3) "Eligible educational costs" means the tuition and required fees
11 for an individual student that are published by each public institution

12 of higher education participating in the grant program established
13 under this section, plus a fixed amount for required books and
14 educational supplies, as determined by the Office of Higher Education.

15 (b) The state, acting through the Office of Higher Education, may
16 establish the Connecticut Hope Scholarship program to annually make
17 merit-based financial aid available for eligible educational costs for
18 Connecticut residents enrolled as full-time undergraduate students at
19 public institutions of higher education. Any award made to a student
20 under this section shall be renewable annually, provided such student
21 meets and continues to meet the grade point average requirement set
22 forth in subsection (c) of this section.

23 (c) The Connecticut Hope Scholarship shall be available to any
24 Connecticut resident who (1) is enrolled as a full-time undergraduate
25 student at a public institution of higher education, (2) graduated with
26 an overall grade point average of at least 3.5 from a public high school
27 in the state not more than four years prior to enrolling as a full-time
28 undergraduate student at a public institution of higher education, and
29 (3) maintains an undergraduate college overall grade point average of
30 at least 3.5.

31 (d) The Office of Higher Education shall make scholarship awards
32 in an amount equal to the eligible educational costs for a student at the
33 public institution of higher education at which such student is
34 enrolled. The enrolling public institution of higher education shall
35 expend all of the scholarship money received under this section as
36 direct financial assistance only for eligible educational costs.

37 (e) The Connecticut Hope Scholarship program shall include an
38 administrative allowance based on one-quarter of one per cent of the
39 available appropriations, but not less than one hundred thousand
40 dollars.

41 (f) Public institutions of higher education shall annually provide the
42 Office of Higher Education with data and reports on all students who
43 receive a scholarship under this section, in a form and at a time

44 determined by said office. Each public institution of higher education
 45 shall maintain, for a period of not less than three years, records
 46 substantiating the reported number of students and documentation
 47 utilized by the public institution of higher education in determining
 48 eligibility of the student scholarship recipients. Such records shall be
 49 subject to review or audit pursuant to subsection (g) of this section.

50 (g) In administering the Connecticut Hope Scholarship program, the
 51 Office of Higher Education shall develop and utilize fiscal procedures
 52 designed to ensure accountability of the public funds expended. Such
 53 procedures shall include provisions for compliance reviews that shall
 54 be conducted by the Office of Higher Education on any public
 55 institution of higher education. Commencing with the fiscal year
 56 ending June 30, 2019, and biennially thereafter, each public institution
 57 of higher education shall submit the results of an audit done by an
 58 independent certified public accountant of records maintained
 59 pursuant to subsection (f) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2018	New section

HED *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Higher Ed., Off.	GF - Potential Cost	127.6 million to 133.6 million	145.4 million to 151.8 million
Board of Regents for Higher Education	Tuition - Potential Revenue Gain	Minimal	At least 7.4 million
UConn	Tuition - Potential Revenue Gain	None	See Below
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	19,274 to 85,839	19,274 to 97,559

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill allows but does not require a merit-based college scholarship, the Connecticut Hope Scholarship, to be established, which results in a significant potential cost to the General Fund. To provide the Connecticut Hope Scholarship through the Office of Higher Education (OHE), the office would incur: (1) a cost of approximately \$127.5 million to \$133.3 million in FY 19, and \$145.3 million to \$151.5 million in FY 20 in scholarship dollars; and (2) personnel costs estimated to total between \$74,827 and \$333,250 in FY 19, and \$74,827 and \$378,750 in FY 20 associated with the administration of the scholarship. As the bill does not mandate the

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

scholarship, all costs are potential.

Scholarships. If implemented, the scholarship is estimated to cost between \$127.5 million and \$133.3 million in FY 19, and \$145.3 million and \$151.5 million in FY 20. Under the bill, the scholarship would cover a qualifying constituent unit student's tuition and fees, in addition to a fixed amount determined by OHE for books and supplies (see below). The anticipated distribution among students at the higher education constituent units in FY 18 and FY 19 is estimated as:

- University of Connecticut (UConn): \$100.8 million to \$106.7 million in FY 19, affecting between approximately 6,000 and 6,400 students, and \$108.5 million to \$114.7 million in FY 20, affecting between approximately 6,150 and 6,500 students
- State universities: \$22.9 million in FY 19, affecting approximately 1,930 students, and \$32.5 million in FY 20, affecting approximately 2,650 students
- Community colleges: \$3.8 million in FY 19, affecting approximately 710 students, and \$4.3 million in FY 20, affecting approximately 780 students
- Charter Oak: Less than \$10,000 in each of FY 19 and FY 20.

These estimates were developed using constituent unit: (1) anticipated tuition and fee rates;² (2) UConn's FY 19 estimated books and supplies costs as it is the lowest among the universities and community colleges, (3) data regarding current student population eligibility,³ retention, transfer students (for UConn only), and college grade point average (GPA) attainment and retention due to the

² For UConn, the Storrs in-state tuition and fees are scheduled to be \$15,730 in FY 19 and \$16,681 in FY 20. For the state universities, in-state tuition and fees are between \$10,616 and \$11,356 depending on the university in FY 19, and are expected to increase by 3.9 percent at each university in FY 20. Community college tuition and fees will be \$4,384 in FY 19 and are anticipated to increase by 2.5 percent in FY 20.

³ The state universities' eligible population was estimated using data from Central Connecticut State University.

scholarship's GPA requirement of 3.5 in both high school and college; and (4) input regarding future student enrollment. As high school GPA data are not recorded by the constituent units: (1) the share of in-state full-time University of Connecticut students meeting the high school GPA threshold was estimated to be between 85 and 95 percent; (2) the number of in-state full-time freshmen state university students eligible was estimated to be 120 percent of the number who attained a fall 2017 freshman college GPA of 3.5;⁴ and (3) the community college estimated number of students was developed by applying the share of community college recipients of a comparable Florida scholarship, to the projected UConn and state university recipient totals.

Books and supplies component. The bill requires the scholarship, if established, to pay for a fixed amount required for books and educational supplies, with the amount determined by OHE. For this estimate, a books and supplies component of \$950 was used, which is equal to the University of Connecticut's (UConn's) FY 19 books and supplies allotment in student financial aid packages. If OHE were to set the amount lower or higher, the estimates would differ from those presented above. For example, setting the books and fees amount at \$1,300 (which was the published amount for one of the state universities in 2015-16) results in an FY 19 increase of approximately \$3.1 million in scholarship costs across the constituent units.

Scholarship impact on student enrollment and revenue. To the extent that the Connecticut Hope Scholarship results in student enrollment growth beyond what is contained in the estimates above, there could be significant potential additional scholarship costs.⁵

Because the state universities have some level of space for

⁴ Based on OFA research on GPA attrition in a similar program.

⁵ Research indicates that somewhat similar merit scholarships in Georgia and Florida have produced increases in four-year public college enrollment of approximately ten percent. The Georgia HOPE Scholarship and the Florida Academic Scholars programs contain similar high school GPA requirements, but differ in notable ways from the scholarship allowed by this bill. For example, the Georgia HOPE scholarship's high school GPA requirement is 3.0, and the Florida Academic Scholars program allows part-time college enrollment.

additional enrollment, and it could be reasonable to anticipate increased transfers and freshmen enrollments, the estimate above doubles the number of eligible freshmen students receiving the scholarship in FY 20. The revenue increase to the state universities in this scenario is approximately \$7.4 million considering only tuition and fees, and excluding any potential room and board revenue. If the scholarship were funded and the number of freshmen recipients increased beyond this level, for every hundred additional students the scholarship funding and tuition and fee revenue would each rise by approximately \$1.2 million.

An increase in UConn's freshman class size for FY 19 is not anticipated. If the scholarship were funded and UConn's enrollment decision remained unchanged, there are several potential fiscal impacts: (1) The scholarship revenue could result in redesigned student aid packages, particularly regarding institutional merit- and need-based aid. (2) The scholarship could draw more freshmen who are or are not eligible for Pell grants and other types of federal aid, thereby affecting the university's federal student aid revenues. (3) Additional highly qualified in-state students could apply and accept admission offers, which would result in a larger share of qualifying students than anticipated in the estimates above (which was 85 percent to 95 percent). These impacts could also apply to the state universities, which would be expected to experience enrollment increases as described above.

If the scholarship were funded and UConn subsequently decided to grow its number of in-state full-time freshman students by ten percent in FY 20, and the share of students who received the scholarship remained the same as in the estimates above, the scholarship would result in a revenue gain to UConn totaling \$5.4 million to \$6.0 million. The university would simultaneously experience increased costs for faculty and other personnel; the potential net fiscal impact of this scenario is unclear.

Administration. It is anticipated that the bill could result in one

additional Senior Consultant position within OHE to administer the scholarship program. This position results in additional costs of approximately \$74,827 in each of FY 19 and FY 20, including: salary costs of \$53,053, other expenses costs of \$2,500, and fringe benefit costs of \$19,274.

At the same time, the bill requires a scholarship administration allowance based on 0.25 percent of the total scholarship dollars but not less than \$100,000, if the scholarship is established. Given the estimated scholarship costs described above, the bill's administrative allowance would be \$333,250 in FY 19 and \$378,750 in FY 20. The administrative costs would consist of: (1) in FY 19, \$236,277 in salary, \$11,134 in other expenses, and \$85,839 in fringe benefits; and (2) in FY 20, \$268,537 in salary, \$12,654 in other expenses, and \$97,559 in fringe benefits.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation in constituent unit tuition and fees, the OHE-determined amount of books and supplies considered in the scholarship, and changes in the number of eligible students. Constituent unit tuition and fees increases for in-state students are projected to increase from FY 19 to FY 20 by approximately 7 percent at UConn, 3.9 percent at the state universities, and 2.5 percent at the community colleges, which is included in this estimate's calculations.

Over the longer-term, based on other states' experiences with merit scholarships, it is likely scholarship costs would rise considerably as: (1) tuition and fees increase, (2) more qualifying students choose to attend a constituent unit college or university to save money, (3) a larger share of graduating high school students becomes eligible through grade inflation, and (4) more students are aware of the scholarship. For example, Florida's Academic Scholars and Top Scholars scholarships, which also require a high school GPA of 3.5 to qualify, cost approximately \$43.9 million in FY 98 and will cost \$254.5

million in FY 19 if fully funded. Due to the cost growth, the scholarship no longer covers full tuition and fees.

Sources: *"Bright Futures Awards for Florida Academic Scholars," Florida Office of Student Financial Assistance, Prepared for Dec. 12, 2017 Student Financial Aid Impact Conference.*

"Florida's Bright Futures Scholarship Program: A Baseline Evaluation; Report and Recommendations by the Florida Postsecondary Education Planning Commission," Dec. 1999.

Cornwell, Christopher, David B. Mustard, Deepa J. Sridhar, "The Enrollment Effects of Merit-Based Financial Aid: Evidence from Georgia's HOPE Program," Journal of Labor Economics, 2006, 24(4).

Zhang, Liang, Shouping Hu, Victor Sensenig, "The Effect of Florida's Bright Futures Program on College Enrollment and Degree Production: An Aggregated-Level Analysis," Res. Higher Ed., 2013, Vol. 54.

OLR Bill Analysis**sSB 353*****AN ACT CONCERNING THE CREATION OF THE CONNECTICUT HOPE SCHOLARSHIP PROGRAM.*****SUMMARY**

This bill allows the Office of Higher Education (OHE) to establish the Connecticut Hope Scholarship program, a merit-based scholarship program for Connecticut residents enrolled as full-time undergraduate students carrying 12 or more semester credit hours at state public higher education institutions. Such institutions include UConn, the Connecticut State University System, the regional community-technical college system, and Charter Oak State College.

EFFECTIVE DATE: July 1, 2018

CONNECTICUT HOPE SCHOLARSHIP PROGRAM***Scholarship Eligibility***

Under the bill, a student may receive a Connecticut Hope Scholarship if he or she resides in Connecticut and (1) graduated with a 3.5 grade point average (GPA) from a Connecticut public high school no more than four years before enrolling as a full-time undergraduate student at any public higher education institution in the state, (2) is currently enrolled as a full-time undergraduate student at such a school, and (3) maintains an undergraduate GPA of at least 3.5.

Scholarship Awards

The amount awarded must equal the student's tuition and required fees as published by each institution, and include a fixed amount for required books and supplies as set by OHE. The enrolling institution must disburse the award money received as direct financial assistance only for such eligible educational costs. The award is renewable annually provided the student continues to meet the established

academic standards.

Program Administration and Reporting Requirements

Under the bill, the program must include an administrative allowance of at least \$100,000 based on .25% of the available appropriations. The bill requires OHE to develop and use fiscal procedures, including compliance reviews, to ensure accountability of public funds disbursed under the program.

Each public higher education institution must (1) annually provide OHE with data and reports on all students receiving such a scholarship; (2) maintain records verifying the number of student recipients and documentation used to determine their eligibility, for at least three years; and (3) starting in FY 19, biennially submit the results of an audit of such records conducted by an independent certified public accountant.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 17 Nay 3 (03/15/2018)