OFFICE OF FISCAL ANALYSIS

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sSB-273
AN ACT CONCERNING DEBT-FREE COLLEGE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 $	FY 21 $	FY 22 $
Board of Regents for Higher Education	GF - Cost	None	3.7 million to 4.1 million	5.7 million to 6.5 million
Board of Regents for Higher Education – Community colleges	Tuition Fund - Revenue Gain	None	2.9 million to 6.2 million	4.7 million to 9.9 million
Board of Regents for Higher Education – State universities	Tuition Fund - Revenue Loss	None	369,600 to 1.6 million	600,000 to 2.6 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which requires the Board of Regents to establish a program for grants to eligible community college students beginning in fall 2020, is estimated to cost: (1) $3.7 million to $4.1 million in FY 21, and (2) $5.7 million to $6.5 million in FY 22. The program results in additional tuition and fees revenue to the community colleges and a revenue loss to the Connecticut State Universities.

Grant costs. It is estimated the grants will require: (1) $3.7 million to $4.1 million in FY 21, when only students new to a community college (i.e., first-time freshmen) are eligible, and (2) $5.7 million to $6.5 million in FY 22, when the grant can be received by both continuing recipients (sophomores) and students new to a community college (first-time freshmen). The grant covers the amount of tuition and fees that is not paid by other grants (i.e., unmet need), or is $500 for students whose unmet need is less than $500 (including students who have no unmet need because other grants entirely pay tuition and fees). The bill specifies that if grant distributions would otherwise exceed the appropriation, the Board of Regents will prioritize allocations to students whose unmet need is at least $500.

It is anticipated that the number of students receiving grants will range from 5,151 to 5,854 in FY 21, and from 8,036 to 9,132 in FY 22. Most grant recipients (an estimated 90 percent) will be students receiving $500 program grants because their unmet need is equal to or less than $500 (including those for whom other grants entirely cover tuition and fees).

This estimate, as well as the revenue impacts described below, was developed using fall 2017 data on the estimated number of grant-eligible students and the calculated grants they would have received, had the program been in place. Increases in eligible students of between 10 and 25 percent were included, after accounting for annual full-time student enrollment changes of -3.3 percent (based on the actual such change between FY 18 and FY 19). The increases in eligible students are due to research indicating an enrollment increase of at least 10 percent is likely when a statewide need-based grant covering tuition and fees begins. Similar last-dollar grant programs in other states with less restrictive or no financial criteria (Oregon and Rhode Island) have yielded total full-time, recent high school graduate enrollment increases at community colleges of between 25 and over 50 percent.[1] As this grant has more restrictive criteria, with both an Expected Family Contribution limit and a requirement that recipients attend full-time, a lower enrollment increase is anticipated.

[1] No additional increase from Year 1 of the scholarship (FY 21) to Year 2 (FY 22) is included, based on recent data from the last-dollar Promise programs in Oregon and Tennessee.

The estimate also assumes: (1) historically typical tuition and fees increases of 2.5 percent annually will continue in future years; (2) among students receiving a grant of more than $500, the grant will continue to cover the same share of tuition and fees (i.e., grow with tuition and fees); and (3) a freshman-to-sophomore year retention rate of 56 percent (applied to the number of FY 21 freshmen recipients, to produce the number of sophomore recipients in FY 22), based on recent retention rates for a group of similar Connecticut community college students.

Tuition and fees revenue impacts. The increase in community college students is anticipated to generate additional tuition revenue for that constituent unit, totaling $2.9 million to $6.2 million in FY 21 and $4.7 million to $9.9 million in FY 22. This figure includes: (1) tuition revenue from all sources: the grants established under the bill, the federal Pell grant, students and their families, loans, etc., and (2) community college tuition and fees increases of 2.5 percent, the recent annual change, in each of FY 21 and FY 22.

A portion of the revenue gain to the community colleges will be experienced by the state universities as a revenue loss, based on other states' experiences. The level of state universities' revenue loss in Connecticut is not anticipated to reach that in other states because the grants established by the bill will have fewer potential qualifying students, due to the income limit. State universities' tuition and fees revenue loss is estimated at $369,600 to $1.6 million in FY 21 and $600,000 to $2.6 million in FY 22, assuming: (1) five to ten percent of the new community college enrollments would have otherwise attended a state university; and (2) state university average tuition and fees rise 4.0 percent annually. To the extent that any of these students would have lived on-campus and purchased a meal plan, had they attended a state university, there would be additional revenue losses.

It is anticipated that tuition and fees revenue at the University of Connecticut will be unaffected, based on other states' experiences with similar programs.

To the extent that qualifying students transfer to or start college at a Connecticut community college in lower or higher numbers than anticipated, grant program costs and the community college revenue gain will decline or increase (respectively) beyond the estimate.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation in tuition and fees, changes in the constituent units' financial aid package strategies, changes in the number of eligible students, changes in Pell Grant and Roberta Willis Scholarship funding levels and/or distribution methods, and qualifying students' decisions on whether to attend a constituent unit instead of a private institution.

Over the longer-term, based on other states' experiences with need-based scholarships, it is likely grant costs would rise considerably as: (1) tuition and fees, along with unmet need, increase, (2) more qualifying students choose to attend or transfer to a constituent unit college or university to save money, and (3) more students are aware of the grant. For example, the Oregon Promise scholarship for community college students cost approximately $12 million in its first year (FY 17), which was $2 million above projections, and is anticipated to cost approximately $20 million annually in the program's second and third years.

Sources: *"First-year Promise Performance Update," Community College of Rhode Island, http://www.ccri.edu/president/PromiseUpdate.html*
"In First Year of R.I. Promise, Retention Rate Increases," Kevin G. Andrade, Providence Journal, Oct. 2, 2018.
"Oregon State Grants: Oregon Opportunity Grant and Oregon Promise," Juan Baez-Arevalo, Feb. 20, 2017 presentation.
"Senate Bill 81 Legislative Report: The First Term of the Oregon Promise," Higher Ed. Coordinating Commission, Dec. 2016.
"Tennessee Promise Annual Report 2017," Tenn. Higher Ed. Commission & Tenn. Student Assistance Corp.
"Tennessee Promise Annual Report 2018," Tenn. Higher Ed. Commission & Student Assistance Corp.
Financial aid information provided by CSCU

Perna, Laura, "Understanding College Promise Programs," June 2016, www.collegepromise.org