OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

SB-273
AN ACT CONCERNING DEBT-FREE COLLEGE.
AMENDMENT

LCO No.: 9162
File Copy No.: 257
Senate Calendar No.: 146

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 $	FY 21 $	FY 22 $
Board of Regents for Higher Education	GF - Cost	2 million	Up to 6.1 million	Up to 11 million
Board of Regents for Higher Education - Community colleges	Tuition Fund - Revenue Gain	None	2.1 million to 7.7 million	3.8 million to 13.8 million
Board of Regents for Higher Education - State universities	Tuition Fund - Revenue Loss	None	Less than 2.7 million	Less than 4.5 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The amendment strikes the bill and its associated impact. The amendment, which requires the Board of Regents to establish a program for grants to eligible community college students beginning in fall 2020, is anticipated to cost the General Fund up to $6.1 million in grants in FY 21 and up to $11 million in grants in FY 22. It is also anticipated that the community colleges will require $2 million in FY 20 to market the new program, based on expenditures to market the

Go Back to Get Ahead program. Marketing costs are expected to decrease in FY 21 and beyond, as awareness of the program rises.

The amendment is also anticipated to result in: (1) additional tuition and fees revenue to the community colleges of between $2.1 million and $7.7 million in FY 21, and between $3.8 million and $13.8 million in FY 22, and (2) a revenue loss to the state universities under the Board of Regents, of under $2.7 million in FY 21 and under $4.5 million in FY 22. The number of students receiving the grant is anticipated to range from 5,261 to 6,935 in FY 21, and 8,366 to 11,027 in FY 22.

The amendment allows a student to receive the grant for three years, which likely will result in FY 23 grant costs exceeding FY 22 grant costs. The additional grant cost in FY 23 and annually thereafter, above the FY 22 amount, is anticipated to be less than $1.1 million (half the cost of the projected maximum spring sophomore grants in FY 22).

If the financial needs of the grant-eligible students differ from the student population included in the financial aid database used to develop this estimate, or experience differs from any of the assumptions described below, then the fiscal impacts will vary from the estimate above.

The estimate assumes the community colleges have sufficient faculty and staff to handle the projected student increase; no substantial additional resources are anticipated to be needed. If additional resources are necessary, there may be increased personnel costs associated with the amendment.

Grant costs. It is estimated the grants will require: (1) up to $6.1 million in FY 21, when only students new to a community college (i.e., first-time freshmen) are eligible, and (2) up to $11 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) for each semester, or is $250 per semester for students whose unmet need is less than $250 (including students who have no unmet need because other grants entirely pay tuition and fees).

It is anticipated that the number of students receiving grants will range from 5,261 to 6,935 in FY 21, and 8,366 to 11,027 in FY 22. Most grant recipients (approximately 70 to 80 percent of each cohort) will be students receiving $250 minimum program grants because their unmet need is equal to or less than $250 (including those for whom other grants entirely cover tuition and fees). For recipients with grants above $250, the average semester grant is projected to be $1,938 (84 percent of anticipated tuition and fees) in FY 21 for new students who begin in the fall, and $1,989 (87 percent of anticipated tuition and fees) in the same fiscal year for new students who begin in the spring.

This estimate, as well as the revenue impacts described below, is based on applying Connecticut community college student-level financial aid data from fall 2017, to enrollment data from fall 2018 and academic year 2017-18. Increases in eligible students (from the enrollment data) of between 10 and 45 percent from the projected prior year 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 within this range is likely when a statewide need-based, last-dollar grant covering tuition and fees begins, as in Oregon, Tennessee, and Rhode Island.[1] The increase in community college students under the amendment is expected to range from 637 to 2,310 in FY 21, and 1,012 to 3,674 in FY 22.

The estimate also assumes the following, based on recent data: (1) tuition and fees increases of 2.5 percent annually; (2) new spring first-time, full-time grant recipients will equal 16 percent of new fall first-time, full-time students; (3) a fall-to-spring freshmen retention rate of 71 percent; (4) a freshman-to-sophomore year retention rate of 59

[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.

percent; and (5) a fall-to-spring sophomore retention rate of 85 percent. The estimate also assumes that among students receiving a grant of more than $250 per semester, the grant will continue to cover the same share of tuition and fees (i.e., grow with tuition and fees).

Grant costs may vary from the estimate above if there is a substantial number of students with disabilities who receive the grant, when they otherwise would not qualify. The additional semester grant cost for each such student will range between the $250 minimum grant and the amount of tuition and fees per semester (estimated to be $2,294 in FY 21).

Tuition and fees revenue impacts. The increase in community college students is anticipated to generate additional tuition revenue for that constituent unit, totaling $2.1 million to $7.7 million in FY 21 and $3.8 million to $13.8 million in FY 22. This figure includes: (1) tuition revenue from all sources: the grants established under the amendment, the federal Pell grant, other grants, loans, etc., and (2) community college tuition and fees increases of 2.5 percent, the typical 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. State universities' tuition and fees revenue loss is estimated at less than $2.7 million in FY 21 and less than $4.5 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 &

Tenn. Student Assistance Corp.
Financial aid and enrollment information provided by CSCU
Perna, Laura, "Understanding College Promise Programs," June 2016, www.collegepromise.org