

## Scholarship Displacement

By: Jessica Callahan, Associate Analyst  
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### Issue

Describe state laws, if any, regulating scholarship displacement at Connecticut higher education institutions.

### Summary

There is no state law or regulation on scholarship displacement at Connecticut colleges and universities. Generally, Connecticut colleges and universities ask students to report outside scholarships, but do not have institution policies regarding scholarship displacement. The reporting of external scholarships is based on institutional policy, not state or federal law.

There are at least six states (California, Maryland, Minnesota, New Jersey, Pennsylvania, and Washington) that have enacted legislation prohibiting scholarship displacement in certain situations.

Generally, “scholarship displacement” is when a college or university reduces a student’s institutional aid by the amount of any private scholarships and outside aid they receive. In practice, schools ask students to report the amount of private scholarships and reduce institutional aid accordingly and redistribute it to other students. Many colleges and universities argue that the practice helps shift the pool of available scholarship money so that it reaches a higher number of students. Opponents generally argue that it penalizes students who receive outside aid.

## **Connecticut Higher Education Institutions**

### ***Connecticut State Colleges and Universities (CSCU)***

The Board of Regents for Higher Education (BOR), which makes policies and rules for governing the Connecticut State University System, the community-technical college system, and Charter Oak State College, collectively known as the Connecticut State Colleges and Universities (CSCU), reported no system-wide or BOR policies on scholarship displacement.

### ***Independent Colleges and Universities***

According to the Connecticut Conference of Independent Colleges (CCIC), which represents the 15 accredited nonprofit independent colleges and universities in the state, since institutions are generally not allowed to award federal and state financial aid beyond the total cost of attendance, the financial aid offices ask to be notified of scholarships made directly to the students or the university. Individual institutions' policies determine if these scholarships are treated as a direct add-on or if they result in a reduction of aid.

### ***UConn***

UConn asks students to report any outside scholarships they receive to the financial aid office. According to UConn's Director of Financial Aid, a student's outside scholarship funds are added to financial aid packages to reduce any unmet financial need. Depending on the unmet financial need, if other forms of financial aid must be reduced or canceled, the financial aid office starts with federal work-study employment and federal student loans. The university states that university grants and scholarships are reduced only if a student's outside awards exceed the student's unmet financial need, federal work-study amount, and need-based federal student loans.

## **Scholarship Displacement Laws in Other States**

### ***California***

The [California Ban on Scholarship Displacement Act](#) (2021) prohibits public and private institutions that receive or benefit from state-funded financial assistance, or that enroll students who receive state-funded financial assistance, from reducing a student's institutional aid below their financial need.

### ***Maryland***

Maryland was the first state to enact a law against scholarship displacement. The law allows a public higher education institution to reduce a student's institutional aid up to a certain amount and only under the following circumstances:

1. when a student's total financial aid from all sources exceeds the student's financial need (in which case the aid may be reduced until the student's aid no longer exceeds their financial need); and
2. with approval from the organization that awarded the private scholarship funds that triggered the initial reduction.

The law also allows a reduction in a student athlete's institutional aid in order to comply with the National Collegiate Athletic Association's (NCAA) individual or team financial aid restrictions ([MD. Ann. Code Ann. Ed. § 15-121](#)).

## ***Minnesota***

Minnesota's scholarship displacement legislation, effective July 1, 2024, generally prohibits public postsecondary educational institutions from reducing a student's awarded or offered institutional gift aid, unless the aid exceeds the annual attendance cost. The institution may reduce the student's aid offer by no more than the amount of the aid in excess of the annual attendance cost.

Under the law, public postsecondary educational institutions are encouraged to implement efforts to avoid scholarship displacement through consultation with students and the state's Office of Higher Education to avoid situations where institutional gift aid can only be used for specific purposes.

The law also prohibits public postsecondary educational institutions from considering the receipt or anticipated receipt of certain scholarship funds when considering a student's qualifications for institutional gift aid ([Minn. Stat. § 136A.1465\(3a\)](#)).

## ***New Jersey***

In 2021, New Jersey became the second state to prohibit scholarship displacement at public colleges and universities under certain circumstances. Similar to the Maryland legislation, the law allows scholarship displacement if (1) outside scholarships and financial aid exceed a student's financial need or (2) the scholarship provider gives permission to displace merit or financial aid.

A student athlete's institutional aid may also be reduced to comply with individual or team financial aid restrictions of any athletic association, conference, or other group or organization with authority over intercollegiate athletics, including the NCAA ([N.J. Stat. Ann. § 18A: 62-66](#)).

## ***Pennsylvania***

Pennsylvania’s scholarship displacement legislation was enacted in 2022, and only allows colleges and universities to displace a student’s scholarship funds if their outside scholarships and financial aid exceeds their financial need, or if the institution receives approval from the scholarship provider. The law also contains the same student athlete provision as New Jersey ([24 Pa. Stat. Ann. § 20-2003-l](#)).

## ***Washington***

Washington also enacted legislation in 2022 requiring the [Washington Student Achievement Council](#) (WSAC) to ensure that state higher education institutions that participate in state student financial aid programs have a gift equity packaging policy that allows for a student who receives a private scholarship to receive up to 100% of the student’s unmet financial need before any of the student’s federal, state, or institutional financial aid is reduced. The WSAC provides strategic planning, oversight, advocacy, and programs to support increased student success and higher levels of educational attainment in the state.

This law does not apply to public community and technical colleges ([Wash. Rev. Code § 28B.77.285](#)).

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