

**Testimony in Support of:
Raised HB 5158: An Act Prohibiting Scholarship Displacement**

Higher Education and Employment Advancement Committee
February 17, 2026

Fairfield County's Community Foundation

Rep. Gregory Haddad, Sen. Derek Slap, Rep. Seth Bronko and Sen. Martin Henry, and esteemed Connecticut General Assembly members of the Higher Education and Employment Advancement Committee, Fairfield County's Community Foundation is grateful for the opportunity to submit written testimony in support of Raised HB 5158: An Act Prohibiting Scholarship Displacement.

[Fairfield County's Community Foundation](#) serves twenty-three towns and cities, collaborating with organizations, businesses, and philanthropists to foster a fair and just community where all residents can thrive. Informed by three decades of partnering with and serving our community, we have awarded over \$420 million in grants to nonprofits in Fairfield County and beyond.

As one of the region's largest scholarship providers, we manage more than 150 scholarship funds and last year awarded \$1.7 million to hundreds of students. Through this work, we are increasingly concerned about scholarship displacement, a harmful practice that reduces students' financial aid awards by the amount of private scholarships they receive. This practice leaves students with no net financial benefit, undermining their hard work in obtaining these scholarships.

When a donor establishes a new scholarship fund or adds resources to an existing one, the intent is to create a net positive impact for students, not to underwrite the ability of higher education institutions to reallocate aid.

We see firsthand how scholarship displacement undermines college affordability, particularly for low-income and first-generation students, who rely most heavily on financial aid to access higher education. Over the past two decades, college tuition and fees have risen dramatically, making it increasingly common for students to piece together multiple sources of funding. A 2021 national study showed that 56% of students relied on scholarships to offset college costs, with half of these students experiencing scholarship displacement. [Displaced Promises?: Examining the Impact of Financial Aid Displacement \(umass.edu\)](#)

When scholarships are displaced, students are left discouraged and confused. Some students have even reported choosing not to report or to forgo scholarships altogether, out of fear that accepting them will not actually reduce their costs.

We commend the Committee for its leadership on this issue, both for passing the 2024 law requiring disclosure of scholarship displacement practices and for voting a bill to prohibit this practice out of committee last year, which then passed the Senate unanimously. We are hopeful that this year, the bill will again receive broad support and move successfully through both chambers.

Over the past six months, our foundation conducted research to better understand how scholarship displacement affects students in our region and how Connecticut's colleges and universities treat outside scholarships. This research has also informed our recommendation to refine the bill's language.

We contacted twenty-six institutions - seven public and nineteen private. Of those, six schools, or 23%, did not have clear or publicly available policies regarding scholarship displacement. Nineteen schools reported practicing some form of displacement, typically citing federal rules when total aid exceeds financial need or cost of attendance.

We were encouraged to learn that several institutions including UConn, Yale, Wesleyan, Fairfield University, the University of St. Joseph, and Connecticut College prioritize reducing loans or work-study before reducing grants when adjustments are required. Two schools offered additional flexibility by allowing excess scholarships to be applied to health insurance or laptops.

We also heard directly from students and scholarship providers who described the real-world impact of scholarship displacement. Many students did not know the term, but clearly understood the experience: receiving a scholarship, only to see their aid package reduced.

One student explained that scholarship displacement forced them to take out more loans, adding debt for both them and their family. Given the scale of the student debt crisis, we should not allow policies that further deepen that burden.

Based on our research, we recommend two targeted refinements to the bill.

- **First**, in the provision stating that an institution may reduce financial aid when aid exceeds cost of attendance, we recommend clarifying that this applies only when **non-loan sources** meet or exceed that threshold.
- **Second**, we recommend explicitly requiring that, when adjustments are necessary, loans are reduced before grants ensuring scholarships improve affordability rather than shifting costs through added debt.

Prohibiting scholarship displacement protects students, strengthens affordability, and honors the intent of scholarships. It also reinforces the partnership among higher education, philanthropy, employers, and families working to make college attainable.

Thank you for the opportunity to submit testimony in support of Raised HB 5158: An Act Prohibiting Scholarship Displacement

If you have any questions, please don't hesitate to contact Elaine Mintz, VP Strategy & External Relations, 203-750-3209 or emintz@fccfoundation.org.