OFFICE OF FISCAL ANALYSIS

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sSB-8
AN ACT CONCERNING HIGHER EDUCATION AFFORDABILITY AND GRADUATE RETENTION.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

The bill makes various changes related to higher education affordability and graduate retention, and has numerous fiscal impacts, which are identified below.

Section 1 increases the minimum grant awards per semester under the state's debt-free community college program from $250 to $1,000 for a full-time student and from $150 to $600 for a part-time student. This results in an increased annual cost beginning in FY 24 of approximately $7,401,000 (based on 7,015 minimum grant awards to full-time eligible students and 4,755 to part-time eligible students).

The section also allows returning students (those who are not a first-time enrollee at a community college) to qualify for the debt-free community college program. This results in an additional annual cost of approximately $4.7 million based on the number of eligible students, the increased minimum grant awards provided by this section, and the estimated maximum award they would qualify for.

Section 2 requires that any American Rescue Plan Act (ARPA) funding under the Roberta B. Willis Scholarship program, for FY 23, for the community-technical colleges, be reallocated to the Connecticut State University System (CSUS) for use in FY 24. As of the end of FY 22,

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3/20/23

the community-technical colleges estimated they would be unable to award approximately $17 million of a $20 million ARPA allocation for the Roberta B. Willis Scholarship program. This funding was unable to be awarded due to various timing and eligibility criteria. It is unclear how much ARPA funding is allocated to the community-technical colleges for FY 23. This reallocation results in an increase in financial aid revenue to the CSUS.

Sections 3-5 establish a Student Loan Subsidy Program. Section 5 authorizes $7 million in General Obligation (GO) bonds each fiscal year starting in FY 24 for the student loan subsidy program established in this act, to be administered by the Connecticut Higher Education Supplemental Loan Authority. To the extent the new bonds authorized are fully allocated and expended, there would be an increase in annual General Fund debt service costs until such bonds are fully repaid. At current market rates, total repayment costs over 20 years for $7 million of GO bond authorizations are estimated to be approximately $10.9 million.

The bill creates an annual new GO bond authorization, which would continue to add $7 million of new bond authorizations each year until changed or repealed. Additional years of authorization past the initial year would increase the potential costs proportionately – for example, 10 years of authorizations would be $70 million of bond authorizations at a total estimated debt service cost of $109 million.

To the extent the new bonds authorized are certified by the Treasurer, and are fully allocated and expended, there would be an increase in annual General Fund debt service costs until such bonds are fully repaid. However, when portions of an authorization are specified to become effective in future years, the full authorization amount is typically known at the time of adoption. The total potential debt service cost is unknowable, given the lack of finite amount or time frame of the bond authorization.

Sections 6 and 7 establish a state personal income tax deduction for student loan interest paid. This does not result in any fiscal impact as the deduction is only available if the interest has not been deducted federally and it is presumed that filers would claim the "above-the-line" federal deduction in lieu of the state deduction established under the bill.[1]

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, participation in the debt-free community college program and to the terms of any bonds issued.

[1] In addition to filers' federal tax benefit being greater than the potential state tax benefit due to higher federal tax rates, the income thresholds that apply at the federal level are more generous than the limits for the deduction established under the bill.