

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 991

STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JANUARY 25, 2017

SUMMARY

Synopsis: Revises and renames NJSTARS; repeals NJSTARS II; establishes NJ HonorScholars Program.

Type of Impact: Expenditure Increase in General Fund

Agencies Affected: Higher Education Student Assistance Authority

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate Increase – See comments below		

- The Office of Legislative Services (OLS) notes that Senate Bill No. 991 (1R) of 2016 will lead to an indeterminate increase in State expenditures for three reasons. First, the bill expands the pool of high school graduates who are eligible to receive a scholarship to enroll in a county college. Under current law, a student who ranks within the top 15 percent of the 11th or 12th grade class is eligible to receive a scholarship to enroll in a county college. The bill expands the eligibility criteria to include students in the top 20 percent. Second, the bill makes certain students who enroll in a public four-year institution of higher education eligible to receive a scholarship without first enrolling in a county college. Third, the bill increases the maximum value of a scholarship at a public four-year institution of higher education from \$1,250 per semester to \$2,000 per semester.
- The factors noted above that would increase State expenditures would be partly offset by an expenditure reduction due to the fact that students enrolling in an independent four-year institution of higher education would no longer be eligible to receive a scholarship. Given the relatively small share of current scholarship recipients that attends an independent institution, the OLS does not anticipate that this cost reduction would be sufficient to offset the cost increases that would result from the bill.

BILL DESCRIPTION

Senate Bill No. 991 (1R) of 2016 establishes the New Jersey HonorScholars Program which will be administered by the Higher Education Student Assistance Authority. Under the bill, the

New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) Program will be renamed, and become part of the New Jersey HonorScholars Program. Although the name of the NJ STARS scholarship will be changed, the amount of the scholarship a county college student will be eligible to receive will remain the same. The eligibility criteria for the county college scholarship will also remain the same, except that the bill will permit students to be eligible for the scholarship if their class rank at the completion of the 11th or 12th grade is in the top 20 percent of their high school class. Under the current NJ STARS program, a student is required to have a class rank in the top 15 percent of the class at the completion of the 11th or 12th grade.

Under the bill, the New Jersey Student Tuition Assistance Reward Scholarship II (NJ STARS II) Program is repealed. In place of NJ STARS II, the New Jersey HonorScholars Program will offer scholarships to students to attend the State's four-year public institutions of higher education. A scholarship to a four-year institution under the New Jersey HonorScholars Program would be applied toward the cost of tuition. A student would be eligible to receive a scholarship of \$2,000 for each semester of enrollment.

Two categories of students would be eligible for a New Jersey HonorScholars Program scholarship to a four-year institution. A student who graduated from a county college and received a county college scholarship under the New Jersey HonorScholars Program would be eligible to receive a scholarship for the third and fourth academic years at a four-year institution. The student would be required to have attained a cumulative grade point average of at least 3.25 upon graduation from a county college. This student would be eligible for a scholarship for up to four semesters, excluding summer sessions. Also, students who graduate in the top 10 percent of their high school graduating class would be eligible to receive a New Jersey HonorScholars Program scholarship to a four-year institution for all four years. These students would be eligible for a scholarship under the program for up to eight semesters, excluding summer sessions.

To be eligible to participate in the program and receive a scholarship to a four-year institution, the student must:

- (1) have an annual family income, both taxable and non-taxable, as derived from the Free Application for Federal Student Aid (FAFSA) for the academic year, of less than \$250,000;
- (2) be a State resident pursuant to guidelines established by the authority;
- (3) have applied for all other available forms of State and federal need-based grants and merit scholarships, exclusive of loans, the full amount of which grants and scholarships would be applied to tuition to reduce the amount of any scholarship that the student receives pursuant to the program;
- (4) be enrolled in a full-time course of study and maintain a 3.0 grade point average; and
- (5) maintain continuous enrollment in a full-time course of study, unless on medical leave due to the illness of the student or a member of the student's immediate family or emergency leave because of a family emergency, which medical or emergency leave must be approved by the four-year public institution of higher education, or unless called to partial or full mobilization for State or federal active duty as a member of the National Guard or a Reserve component of the Armed Forces of the United States.

The bill includes a grandfather provision that provides that a student who is receiving a scholarship under the NJ STARS Program and is in the first academic year of study at a county college on the effective date of the bill will continue to receive the scholarship in accordance with the law governing NJ STARS as it read prior to the effective date of this bill. Similarly, a student who is receiving a scholarship under the NJ STARS II program who is in the third year of academic year of study at the institution of higher education will remain eligible for a scholarship under the program in accordance with the law as it read prior to the effective date of this bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS notes that there are three reasons why Senate Bill No. 991 (1R) of 2016 would lead to an indeterminate increase in State expenditures. First, the bill expands the eligibility criteria for high school graduates to receive a scholarship to attend a county college. Under current law, a student who ranked in the top 15 percent of the 11th or 12th grade class would be eligible to receive a scholarship to enroll in a county college (assuming the student satisfies other criteria). The bill extends the eligibility to students who rank in the top 20 percent of their 11th or 12th grade class. According to the Higher Education Student Assistance Authority's (HESAA) annual report for fiscal year 2014-2015, NJSTARS scholarships for the county college sector totaled \$4.675 million. If one assumes that the expanded scholarship eligibility included in the bill would lead to a proportionate increase in scholarship awards, then this provision would increase State expenditures by \$1.54 million.

Second, the bill expands the number of students who would be eligible to receive a scholarship to attend a public four-year institution of higher education by allowing students who graduate in the top 10 percent of the graduating class to receive a scholarship without first attending a county college. The OLS does not have sufficient data to estimate the fiscal impact of this provision.

Third, under the bill, the value of a scholarship at a public four-year institution of higher education increases from \$1,250 per semester to \$2,000 per semester. The FY 2015 HESAA annual report indicates that a total of 796 students enrolled in a public four-year institution of higher education received an NJSTARS II scholarship. Assuming all of these students receive the maximum scholarship, the additional cost of awarding scholarships to these students under the bill would be nearly \$1.2 million.

The expenditure increases noted above would be partially offset by an expenditure reduction associated with students who enroll in independent institutions of higher education no longer qualifying for a scholarship under the New Jersey HonorScholars Program. HESAA's FY 2015 annual report noted that 120 NJSTARS II scholarship recipients attended independent institutions that fiscal year. Assuming that each student received the maximum scholarship amount, the bill would reduce the amount of scholarships awarded in an academic year by \$300,000.

Section: Education

*Analyst: Allen T. Dupree
Principal Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).