

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 806
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 13, 2020

SUMMARY

Synopsis: Provides that New Jersey Better Educational Savings Trust (NJBEST) Program scholarship may be awarded in any semester of attendance or enrollment at institution of higher education in State.

Type of Impact: Expenditure Increase to Higher Education Student Assistance Authority.

Agencies Affected: Higher Education Student Assistance Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
HESAA Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) determines that this bill would increase expenditures to the Higher Education Student Assistance Authority (HESAA). Since the bill expands the period of eligibility for a student beneficiary to receive a New Jersey Better Educational Savings Trust (NJBEST) scholarship, HESAA would incur costs to fund scholarships for individuals who otherwise would not have qualified absent the bill.
- The OLS notes that NJBEST scholarships are fully funded by administrative fee income collected by HESAA for the NJBEST 529 College Savings Plan. Therefore, the bill would only result in an expenditure increase to HESAA and would not affect State costs since the State does not appropriate funds for the NJBEST program.
- Information provided informally by HESAA to the OLS indicates that, during the three most recently completed academic years, between 37 and 68 applicants for NJBEST scholarships were denied each year because they did not apply during their initial semester of attendance or enrollment at a New Jersey institution of higher education. HESAA indicated that the amount of scholarships that would have been awarded in each of those years ranged from \$55,250 to \$85,250.

BILL DESCRIPTION

The NJBEST Program provides families with the opportunity to save for their child’s higher education and make tax-free withdrawals for qualified education expenses. For qualified

beneficiaries, NJBEST provides a one-time scholarship of no less than \$500 at the time of a beneficiary's initial attendance or enrollment at a New Jersey institution.

This bill provides that the scholarship may be awarded to a student in any semester of attendance or enrollment. Under the current statutory language, the HESAA has had to deny scholarships to students who did not realize that they had to apply in their first semester of enrollment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive Branch has not submitted a formal fiscal note on this bill. Upon request, however, the HESAA provided the OLS with information concerning denials for scholarships under the NJBEST Program in recent academic years (AYs). HESAA indicated that the number of applicants who were denied scholarships because they did not apply in their initial semester of enrollment or attendance was: 37 in AY 2017-2018; 68 in AY 2018-2019; and 48 in AY 2019-2020. The total dollar amount of scholarships that were denied was: \$55,250 in AY 2017-2018; \$85,250 in AY 2018-2019; and \$61,250 in AY 2019-2020.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that this bill would increase expenditures to HESAA. Since the bill expands the period of eligibility for a student beneficiary to receive an NJBEST scholarship, HESAA would incur costs to fund scholarships for individuals who otherwise would not have qualified absent the bill. Based on the above information provided by HESAA, the average annual dollar amount of denied scholarships between AY 2017-2018 and AY 2019-2020, and thus the average annual additional cost HESAA would have incurred during that time period, was \$67,250.

The OLS notes that NJBEST scholarships are fully funded by administrative fee income collected by HESAA for the NJBEST 529 College Savings Plan. Therefore, the bill would only result in an expenditure increase to HESAA and would not affect State costs since the State does not appropriate funds for the NJBEST scholarship program.

According to HESAA's audited financial statements for recent fiscal years, the NJBEST Administrative Fund, which holds NJBEST fee income, is restricted to pay for future scholarship obligations of the NJBEST program and program expenses not covered by the NJBEST program manager, Franklin Templeton Investments. The financial statements indicate that receipts from fee income are between approximately \$4 million and \$5 million in each fiscal year. Meanwhile, evaluation data concerning program expenditures for the NJBEST program in recent fiscal years indicates that between approximately \$500,000 and \$700,000 is spent on NJBEST scholarships each year.

In reviewing HESAA's most recent audited financial statements for Fiscal Year 2019, the OLS concludes that any expenditure increase to the NJBEST Administrative Fund resulting from this bill would likely be able to be covered by the NJBEST Administrative Fund's existing resources.

Section: *Education*

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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.).