

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7242

BILL NUMBER: HB 1981

DATE PREPARED: Jan 23, 1999

BILL AMENDED:

SUBJECT: 21st Century Scholars eligibility.

FISCAL ANALYST: Mark Goodpaster

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a student who has a family income level of 200% or less of the federal income poverty level is eligible to participate in the Twenty-first Century Scholars Program.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill would expand the number of students who would be eligible to enroll in the 21st Century Scholars Program. This program targets students who are from families who qualify for the Federal Free or Reduced Lunch Program. Students sign a written commitment to graduate from an accredited high school, maintain at least a 2.0 average, and not commit any crimes infractions or delinquent acts. Students who successfully complete the program are eligible for funding from the state that would pay for the entire cost of college. While students are still in high school, the State Student Assistance Commission and the Indiana Career and Postsecondary Placement Center which is located in Bloomington, provides support services for these students through mentoring services and outreach programs and frequent mailings. Expanding the number of students who would be eligible to enroll will increase the costs of the support services expand the pool of eligible applicants for college tuition assistance starting in the fifth year of the program and potentially increase the administrative costs.

This analysis estimates the potential number of students who would be eligible for this program. It estimates the additional costs that would be associated with support services and it projects the amount of additional awards that would be spent based on the additional number of students who would enter the program, it also estimates the additional administrative costs that SSACI might incur with the additional students.

Estimating the Number of New Students: The Department of Education reports that 22.5% of all students qualify for the National Free Lunch Program because their family incomes is 185% of the poverty level. SSACI estimates that passage of this bill would increase the percentage of 8th grade students who would qualify to roughly 35% of the population. Between the 1996 and 1998 school years, an average 78,870

students were enrolled in the 8th grade in both public and nonpublic schools each year. Based on SSACI's estimates, an additional 9,859 students would qualify for the 21st Century Scholars Program. ($78,870 \times 12.5\% = 9,858$). Note: 12.5% is the difference between 37% and 22.5%.

The next step is to project the number of students who might enroll in the program and the number who would ultimately remain in the program through graduation. SSACI indicates that roughly half of the current population of eligible students in the 8th grade will enroll in the 21st Century Scholars Program and that half of these will successfully complete the program.

Consequently, 4,930 students are projected to begin the program each year and that 2,465 of these will graduate and apply for financial assistance in five years.

The following table projects how many additional students might be eligible beginning in FY 2000 and leveling off after FY 2004.

<u>FY</u>	<u>8th grade</u>	<u>9th grade</u>	<u>10th grade</u>	<u>11th grade</u>	<u>12th grade</u>	<u>Total</u>
2000	4,930					4,930
2001	4,930	4,314				9,244
2002	4,930	4,314	3,698			12,941
2003	4,930	4,314	3,698	3,081		16,023
2004	4,930	4,314	3,698	3,081	2,465	18,488
2005	4,930	4,314	3,698	3,081	2,465	18,488

Estimating the Additional Early Intervention Costs: One of the components of the 21st Century Scholars program is an early intervention program that provides mentoring, tutoring, career planning and other assistance to the students to keep to their pledges that they signed as 8th graders. SSACI estimates that the costs for providing these additional services on a per student basis would be \$107 beginning in 2000. A 3% inflation adjustment is included for each year.

<u>Fiscal Year</u>	<u># of Students</u>		<u>Cost per Student</u>		<u>Added Costs</u>
2000	4,930	x	\$107	=	\$527,510
2001	9,244	x	\$110	=	\$1,018,754
2002	12,941	x	\$114	=	\$1,469,043
2003	16,023	x	\$117	=	\$1,873,379
2004	18,488	x	\$120	=	\$2,226,439
2005	18,488	x	\$124	=	\$2,293,233

Estimated Expansion of Additional Awards: The 21st Century Scholars Program is designed so that students attending a state university who do not receive financial assistance for tuition will be awarded a full tuition scholarship. If students receive financial assistance for tuition, the remainder of the cost of tuition will be awarded. Students attending private institutions will receive a tuition scholarship equal to an average of the costs of full tuition at Indiana public schools, if they do not receive financial assistance for tuition. Students receiving financial assistance for tuition are awarded the remainder of the cost of tuition if it does not exceed the Indiana state school average.

To estimate the added requests from these three funds from this expanded pool of students, it is assumed that half of these students will enroll in private universities while half will enroll in state supported universities. The added requests for each of these funds as a result of this bill will begin in FY 2005, when these students graduate from high school and begin college and increase incrementally each year until FY 2009 when cohorts are in the program for each of the four college years.

The added requests for awards from all three funds could increase from \$607,000 per year in FY 2000 to \$37.2 million by FY 2009.

Other Administrative Costs: In order to perform the proper outreach, SSACI would mail information about the program to this additional population. If each mailing costs \$3 for development, printing, mail services and postage.

SSACI also indicates that it may need an additional staff professional to assist in targeting this group. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions (11 vacant positions as of December 31, 1998), including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

The following table shows the expenditures for FY 1997 through 1999 and the recommended appropriations for the 1999 - 2001 biennium by type of fund:

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Expenditures			Appropriations	
<u>Program Grant</u>	<u>actual</u>	<u>actual</u>	<u>estimated</u>	<u>recommended</u>	<u>recommended</u>
Freedom of Choice Grants	\$19,113,348	\$20,871,524	\$20,976,119	\$24,371,163	\$26,169,035
Higher Education Award	\$53,583,352	\$57,569,766	\$61,083,303	\$65,270,689	\$69,849,730
21st Century Scholars	\$3,604,603	\$4,858,898	\$5,745,425	\$5,989,656	\$7,024,039

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Student Assistance Commission

Local Agencies Affected:

Information Sources: Nick Vesper, Fred Hake, State Student Assistance Commission; Department of Education Data Bases.