



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 20, 2001

H.R. 1499 **District of Columbia College Access Improvement Act of 2001**

*As ordered reported by the Senate Committee on Governmental Affairs on
November 14, 2001*

SUMMARY

H.R. 1499 would modify the District of Columbia resident tuition support program that was established in 1999. The act would expand eligibility for tuition support to include District of Columbia residents who graduated from high school or received the equivalent of a high school degree before 1998 if they currently are enrolled in a postsecondary institution and individuals without a high school diploma or its equivalent who first are accepted as a freshman at an eligible institution on or after January 1, 2002. H.R. 1499 also would allow other individuals to participate in the program after five consecutive years of residing in the District of Columbia. It also would expand the definition of eligible institution in the private school program to include all historically black colleges and universities (HBCUs). Finally, the act also would extend to the tuition support program the same citizenship and immigration status requirements that apply to other federal student assistance programs.

Assuming appropriation of the necessary amounts, CBO estimates that H.R. 1499 would result in additional discretionary spending of \$10 million in 2002 and \$35 million over the 2002-2005 period. H.R. 1499 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 1499 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated federal budgetary impact of H.R. 1499 is presented in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

ESTIMATED BUDGETARY EFFECTS OF H.R. 1499

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Authorization Level ^a	17	21	34	43	48	0
Estimated Outlays	17	21	34	43	48	0
Proposed Changes						
Eliminate post-1997 graduation date requirement for current enrollees						
Estimated Authorization Level	0	8	7	2	3	0
Estimated Outlays	0	8	7	2	3	0
Modify requirements for students who begin or return to postsecondary education more than three years after graduation						
Estimated Authorization Level	0	1	2	3	4	0
Estimated Outlays	0	1	2	3	4	0
Prohibit foreign nationals from participation						
Estimated Authorization Level	0	*	*	*	*	0
Estimated Outlays	0	*	*	*	*	0
Expand eligibility of private school program						
Estimated Authorization Level	0	1	1	1	1	0
Estimated Outlays	0	1	1	1	1	0
Total changes						
Estimated Authorization Level	0	10	10	7	8	0
Estimated Outlays	0	10	10	7	8	0
Spending Under H.R. 1499						
Estimated Authorization Level ^a	17	31	44	50	56	0
Estimated Outlays	17	31	44	50	56	0

NOTES: * = Less than \$500,000.

Components may not sum to totals because of rounding.

The tuition support program operates as a payment to the District of Columbia and is not currently subject to the Federal Cash Management Improvement Act of 1990. The District of Columbia has drawn down the entire appropriation each year, and has actual program spending to date of about one-third of the total funds appropriated.

a. The 2001 level is the amount appropriated for that year for the current tuition support program.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1499 will be enacted in December 2001, and that the necessary amounts will be appropriated for each year.

Current Law

Under current law, the District of Columbia resident tuition support program, administered by the Mayor, provides financial assistance to District of Columbia (D.C.) residents who choose to attend public colleges outside of D.C., private postsecondary institutions in D.C. or in one of the surrounding jurisdictions in Maryland or Virginia, or historically black colleges or universities with their main campus in Maryland or Virginia.

The private-school tuition grants are restricted to nonprofit institutions. The program received annual appropriations for fiscal years 2000 and 2001 of \$17 million, and is authorized through 2005 at such sums as may be necessary. About \$9 million in grants were awarded in academic year 2000-2001 with an average of 1,775 grantees in the fall and spring semesters, about one-quarter of whom were enrolled in private institutions.

Eligibility for the tuition support is limited to individuals who graduate from high school or receive an equivalent of a secondary school diploma after January 1, 1998, reside in D.C. for at least 12 consecutive months prior to beginning the freshman year in an eligible institution, and begin their postsecondary school course-of-study within three years of their high school graduation. For those who wish to attend state-supported public institutions outside of the district, the program provides scholarships equal to the difference between the tuition paid by residents of the state in which the institution is located and the tuition charged to nonresident students, but not to exceed \$10,000 annually with a lifetime limit of \$50,000. In addition, it provides a \$2,500 maximum annual scholarship for those who choose to attend a private institution in D.C. or in one of the surrounding jurisdictions in Maryland or Virginia. Private HBCUs with their main campus in Maryland or Virginia are included in the latter classification. The assistance under each portion of the program is prorated if the student is enrolled in a less than full-time program. Administrative expenses of operating the program are limited to equal no more than 7 percent of the total tuition grants.

CBO estimates by academic year 2005-2006, about 7,800 students would receive tuition assistance—5,000 students attending public institutions and 2,800 students enrolling at private institutions—at a cost (including administrative expenses) of \$48 million.

Proposed Changes

H.R. 1499 would expand eligibility for tuition support to include individuals who graduated from secondary schools before 1998 if they are currently enrolled in school. It also would allow those who first begin their postsecondary education more than three years after graduation or who reenroll in school after a three-year break in education if they resided in the District of Columbia continuously during the previous five years. CBO estimates that the costs of the provisions are \$8 million and \$1 million in 2002, respectively; the 2002-2005 respective costs are \$20 million and \$10 million. The expansion of private school eligibility would cost an estimated \$1 million in 2002 and \$5 million over the 2002-2005 period. The prohibition on the participation of foreign nationals is estimated to have a negligible budgetary impact.

Eligibility Requirements for Students. To determine the additional number of D.C. residents eligible for the grants, CBO used the 1998-1999 Integrated Postsecondary Education Data Analysis System (IPEDS) and the 1996-1997 National Postsecondary Student Aid Survey. Those data show the respective distributions of first-year D.C. residents enrolled in postsecondary education by institution type and location and all enrollees by state of residence. To predict enrollment for 2002 and beyond, CBO relied on the growth rates for the national enrollment projections from the National Center for Education Statistics.

CBO assumed that the changes in the graduation date, residency, and reenrollment requirements would accelerate the rate at which the program would phase in. These changes would increase the costs of the program by \$9 million in 2002 and \$30 million over the 2002-2005 period.

Under current law, CBO assumes that 50 percent of the ultimate number of participants would receive benefits in 2002, rising to 95 percent by 2005. The elimination of the January 1998 graduation date requirement would increase the rate at which the program would phase in. Under H.R. 1499, we expect that about 70 percent would participate in 2002 and 100 percent beginning in 2005. The provision would add about 1,500 participants in 2002 and about 400 recipients in 2005, and would cost about \$8 million in 2002 and \$20 million over the 2002-2005 period.

H.R. 1499 also would modify the requirement that D.C. residents first enroll in a postsecondary degree program within three years of completing secondary school or its equivalent. It would provide an alternative standard for other students, including those who return to complete their education, that would allow individuals who live in D.C. for five consecutive years to receive tuition support. CBO assumes that these changes would affect about 10 percent of postsecondary students. Assuming their enrollment by institution type and location mirrors other first-year students from D.C., their tuition grants would be similar to those students currently eligible for assistance—in 2002, about \$6,700 for public

institutions and \$2,120 for private schools. These newly eligible students are assumed to enter the program gradually over time, with an additional 180 participants in 2002 and 730 in 2005. The resulting additional costs amount to \$1 million in 2002 and \$10 million over the 2002-2005 period.

To determine the average tuition grant for public institutions, CBO used 1998-1999 IPEDS data to determine the average in-state and out-of-state tuition rates by school type. CBO inflated these rates by the College Board's average estimate of tuition increases to arrive at the tuition costs for 2002 and beyond. Private school scholarships are based on the IPEDS data weighted for full-time and part-time status. The estimated average grant for public school enrollees grows from \$6,700 to \$7,720 from 2002 to 2005. The estimate for private tuition assistance remains at \$2,120 throughout the period.

Prohibit Participation by Foreign Nationals. H.R. 1499 would require participants in the D.C. resident tuition support program to meet the citizenship and immigrant status requirements of section 484(a)(5) of the Higher Education Act of 1965. Based on discussions with the D.C. staff running the program, CBO estimates that this prohibition would only affect a small number of D.C. residents and the savings from the provision would be less than \$500,000 annually.

Expanded Definition of Private Institutions. H.R. 1499 would amend the definition of eligible institution for the private school portion of the D.C. tuition support program to include all private HBCUs across the country. Under current law, only those private HBCUs whose main campus is located in Maryland or Virginia are eligible institutions. CBO estimates the expansion under H.R. 1499 would cost \$1 million in 2002 and \$5 million over the 2002-2005 period.

Based on data from the United Negro College Fund (UNCF) Statistical Report 2000, about 525 D.C. residents are currently enrolled at private HBCUs outside of Maryland and Virginia, which were members of the UNCF. CBO's tabulations of the IPED data indicated that perhaps an additional five D.C. students were enrolled at nonmember private HBCUs. The UNCF data also indicated that 92 percent of students at its member schools were enrolled full time. CBO assumes that the full-time/part-time enrollment distribution of those students would be similar for D.C. students. Under the proration rules of the program, we estimate the average grant would be about \$2,400. With projected enrollment growth, CBO estimates that costs (including administrative costs) would average about \$1.4 million during the 2003-2005 period, with slightly lower costs in 2002.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1499 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On August 3, 2001, CBO provided an estimate of H.R. 1499 as passed by the House of Representatives. CBO estimated that version of the legislation would cost \$9 million in 2002 and \$30 million over the 2002-2005 period, assuming the appropriation of the necessary amounts. That version of H.R. 1499 would have eliminated the January 1, 1998, graduation date and the three-year enrollment requirement completely. In contrast, the version of H.R. 1499 approved by the Senate Committee on Governmental Affairs would eliminate the graduation date requirement for current enrollees of postsecondary institutions, but require other individuals to be domiciled in Washington, D.C., for five consecutive years before being eligible for tuition support.

Both versions would impose certain new citizenship or immigration status requirements, which would have essentially the same effects on program costs. The House version of H.R. 1499 does not include the expanded definition of private institution to allow all HBCUs to participate in the program.

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