

# Fiscal Note & Local Impact Statement

122<sup>nd</sup> General Assembly of Ohio

BILL: Sub H. B. 147

DATE: May 27, 1997

STATUS: As Reported by Senate Education

SPONSOR: Rep. Whalen

LOCAL IMPACT STATEMENT REQUIRED: No — No local cost

CONTENTS: Permits state universities and colleges to allow certain persons to take classes for credit on a reduced tuition basis and makes changes to the Ohio Tuition Trust Authority

## State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	-0-	Estimate \$300,000
<b>Colleges and Universities</b>			
Revenues	- 0 -	-0-	Estimate \$300,000
Expenditures	- 0 -	- 0 -	- 0 -

- All bullet points below assume that colleges and universities use the permissive authority provided to them by this bill.
- The bill will allow senior citizens older than 60 years of age to attend classes at reduced tuition covered by a Part-time Instructional Grant, if their family incomes are below 200% of the federal poverty guideline which was \$18,968 for those 65 and older in a two-person household with no children in 1996.
- The colleges and universities may increase Part-time Instructional Grant spending on senior citizens by an estimated \$180,000 to \$450,000 at the main campuses alone, based on the terms of the bill and LBO estimates. Students attending community and technical colleges are also eligible for the program created in the bill and will increase Part-time Instructional Grant spending on senior citizens beyond the estimates shown here.
- Unless appropriations for this program are increased by the Legislature, spending on senior citizens will reduce funds available for other Part-time Instructional Grant candidates. Single parents are to receive preferential consideration for these grants according to uncodified law governing the program.
- State GRF expenditures through the Instructional Subsidy to public, 4 year institutions may increase by an estimated \$300,000 to pay for the additional “for credit” students attending them, based on the terms of this bill and LBO estimates. The increase in new “for credit” senior students attending community and technical colleges under the terms of this bill will cause an additional increase in costs to the state – beyond what is estimated here. Due to the budget bill, H.B. 215, this increase would occur with a one-year lag or more.



- The bill grants additional, permissive fiscal oversight authorities to the Tuition Trust Authority (TTA) and the TTA Executive Director, and increases the number of Authority members from nine to 11.

## ***Local Fiscal Highlights***

- No direct fiscal effect on political subdivisions.
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### ***Detailed Fiscal Analysis***

The bill permits a state-assisted university or college to allow a person 60 years of age or older, whose income is at or below 200% of the federal poverty guideline, to attend classes at reduced tuition and receive credit for the courses. 200% of the federal poverty guideline was \$18,968 for those 65 and older in a two-person household with no children in 1996.

The amount of tuition state-assisted universities and colleges assess upon these students will be paid by a Part-time Instructional Grant (state GRF funds) awarded to the students by their institution. Thus the majority of the cost of this bill will be borne by the state and not the public higher education institutions, although the institutions will likely forego some tuition and fee revenue. State costs will be paid through funds appropriated for the Part-time Instructional Grants program and the Instructional Subsidy.

Unless the Legislature increases funding for the Part-time Instructional Grant program, this bill will decrease funding available for other Part-time Instructional Grant candidates. Other grant candidates include single parents who are to receive preferential consideration for grant funds according to uncodified law governing the grant program. The Part-time Instructional Grant program is funded through a General Revenue Fund line item, 235-549, Part-time Instructional Grant. In fiscal year 1999, the item is appropriated just under \$12 million.

Under current law, each state university or college is required to permit any person who is 60 years of age or older to attend classes, on a noncredit basis, without charging tuition if certain conditions are met.

Any increase in for-credit students will most likely increase the state GRF subsidy payment since any student changing to a “for credit” status will be subsidized by the state. The state subsidizes in-state, undergraduate students as well as both in-state and out-of-state graduate students taking classes “for credit.” In FY 1997, the state paid approximately \$3,465 per full-time equivalent student with undergraduate status. (One FTE equals 15 credit hours of instruction.) The increased state GRF costs are estimated below.

#### **Number of Potential New, “For Credit” Students:**

For the cost scenarios calculated below, this fiscal note assumes that 1,200 senior students will enroll in classes for credit at the state higher education institutions. [Of these 1,200, this fiscal note estimates that 360 students will be eligible for the state-paid tuition plan created in this bill. Please see below.] This estimate is derived from the known number of senior citizen attendees, both for credit and not for credit, attending Ohio public institutions in 1995-96. Actual, “for credit” enrollments could rise more dramatically than this estimate predicts, and program costs would be greater if enrollments are higher.

In academic year 1995-1996 (FY 1996), university main campuses had approximately 1,873 senior citizens attending classes tuition and fee free and not for credit. The data excludes Miami University, which does not keep track of senior citizens attending courses for free and on a noncredit basis because there is no registration process required for them. Data on the number of credit hours taken is not available. (Data for senior citizens attending the two-year campuses is also not available.)

In academic year 1995-1996, there were also approximately 932 senior citizens paying tuition and earning credits (excludes 90 persons at Wright State that are not required to pay tuition).

### **State Costs Scenarios:**

#### **Part-time Instructional Grant Costs**

Approximately 34 per cent of the Ohio senior citizen population is at or below 200% of poverty. If we assume that 1,200 senior citizen students enroll as “for credit” students, based on the current senior citizen attendance patterns, we can subsequently estimate that approximately 30 per cent or 360 of these students may qualify as poor enough to receive Part-time Instructional Grants to pay for their tuition. [The 30 per cent figure may be a high estimate because it seems unlikely that poor senior citizens would be as likely as wealthier ones to choose to take college classes, but 30 per cent is used for illustrative purposes in this example.]

Nothing in the bill prevents public higher education institutions from charging the seniors full tuition as long as the institution provides the senior with a Part-time Instructional Grant large enough to cover all tuition. In this scenario, approximately \$450,000 in Part-time Instructional Grant funds will be spent to pay the tuition of these senior students. The institutions will forego none of their usual tuition revenue (\$0).

If the public higher education institutions assess a tuition of 80 per cent of their normal tuition, represented here by the average tuition across the public higher education system, approximately \$360,000 in Part-time Instructional Grant funds will be spent to pay the tuition of these students. The institutions will forego 20 per cent of their usual tuition revenue (\$90,000).

If the public higher education institutions assess a tuition of 60 per cent of their normal tuition, represented here by the average tuition across the public higher education system, approximately \$270,000 in Part-time Instructional Grant funds will be spent to pay the tuition of these students. The institutions will forego 40 per cent of their usual tuition revenue (\$180,000).

If the public higher education institutions assess a tuition of 40 per cent of their normal tuition, represented here by the average tuition across the public higher education system, approximately \$180,000 in Part-time Instructional Grant funds will be spent to pay the tuition of these students. The institutions will forego 60 per cent of their usual tuition revenue (\$270,000).

The Part-time Instructional Grant program was appropriated a little less than \$12 million for fiscal year 1999 and was not subjected to GRF cuts contained in Am. Sub. H.B. 650 of the 122<sup>nd</sup> General Assembly.

Institutions	Avg. P-T Tuition	Estimated Qualif. Senior Students	Institutional Revenues		State Costs	
			From Discounted Tuition 100% of Avg. P-T Tuition	Foregone (Statewide)	By Program	
					PTIG	I.S.
All Main Campuses	\$1,256	360	\$452,160	\$0	\$452,160	\$308,385
			<b>80% of Avg. P-T Tuition</b>			
		<b>New FTEs for I.S.</b>	\$361,728	\$90,432	\$361,728	\$308,385
		89	<b>60% of Avg. P-T Tuition</b>			
			\$271,296	\$180,864	\$271,296	\$308,385
			<b>40% of Avg. P-T Tuition</b>			
			\$180,864	\$271,296	\$180,864	\$308,385
Average Tuition & Fees for the State-Assisted University Main Campuses: \$3,767						
Avg. P-T Tuition is 1/3 of \$3,767 (assuming 1/3 full time course load is taken)						
Estimated Number of Qualifying Senior Citizen, "For Credit" Students: 360						
Instructional Subsidy Support per FTE Undergraduate: \$3,465						
Estimated Number of New FTES for Instructional Subsidy Purposes: 1/3 of Estimated New Students (268) = 89						

### Instructional Subsidy Costs

State General Revenue Fund costs will also increase slightly through the Instructional Subsidy (235-501, Instructional Subsidy). In FY 1997, the state paid approximately \$3,465 per full-time equivalent student with undergraduate status. (One FTE equals 15 credit hours of instruction.) If we estimate that the 268 new qualifying senior students each take "one-third" of a full class load, the Instructional Subsidy will increase to support an additional 89 FTEs, costing the state an additional \$308,000 per year. Under the Budget Bill, H.B. 215, enrollments affect subsidy payments with a one year lag. Also enrollments are averaged over two or five years. With these provisions, costs to the state (revenues to the universities) will take several years to be fully realized.

### Tuition Trust Authority (TTA)

The bill also contains provisions that affect the Tuition Trust Authority. The fiscal effect of these changes is minimal and contingent upon the use of the permissive authorities provided in the bill. For example, the largest potential expense to the Authority would occur IF it had to contract for an additional fund evaluation mid-contract, and would be approximately \$25,000, based on the Authority's current cost to purchase this service. TTA members are not paid and receive only reimbursement for actual and necessary expenses. Current members seek reimbursement for a few hundred dollars each annually.

The provisions include: an increase to the number of Authority members from nine to 11; permission for the TTA Executive Director to hire an actuary to evaluate the fund mid-contract period; and permission for the Authority to increase the price of tuition credits during contract periods to ensure the actuarial soundness of any subsequent credits sold that contract period.

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