


Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: December 11, 2013

SUBJECT: Fiscal Impact Statement – “DC Promise Establishment Act of 2013”

REFERENCE: Bill 20-528– Draft Committee Print shared with the Office of Revenue Analysis on December 9, 2013

Conclusion

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

The bill is estimated to cost \$17.6 million in FY 2015 and approximately \$95.5 million in the four-year financial plan period. Its implementation is subject to appropriation in an approved budget and financial plan.

Background

The bill establishes a new grant program to help District students pay tuition or other eligible costs¹ to attend a post-secondary institution of higher learning (“College”).²

A student is eligible to receive a grant if he or she attends and graduates from a District public or private secondary school (or obtains an equivalent diploma.) In addition, the student must have

¹ Other eligible costs are to be determined by Executive rulemaking.

² An institution of higher learning is defined in the bill as “an educational institution that a) Admits as regular students persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of a secondary school diploma, b) Is legally authorized within a State to provide a program of education beyond secondary education, c) Provides an educational program for which the institution awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree or not less than a one-year program of training to prepare students for gainful employment in a recognized occupation, d) is a public or private non-profit institution, and e) is accredited by a nationally recognized accrediting agency...”

attended grades nine through 12 in a District school, have not already completed a bachelor's degree, have been accepted to college on at least a half-time basis, and be domiciled in District for no less than 12 consecutive months prior to enrollment in the college. Additionally, at the time of application, the student must be 24 years old or younger, domiciled in the District, and from a family with an annual household taxable income of no more than 200% of the Department of Housing and Urban Development's calculation of the Area Median Income for the Washington Metropolitan Statistical Area, adjusted by household size ("AMI"). The amount of the individual grant depends on how a given student's household income compares to the current AMI. To maintain eligibility in the program, a student must maintain half-time status, continue to be domiciled in the District, and maintain satisfactory progress at College

The bill provides the following grant amounts and lifetime maximums by AMI:

Annual household taxable income	Annual grant maximum	Lifetime grant maximum
Less than 50% of AMI	\$12,000	\$60,000
More than 50% but less than or equal to 80% of AMI	\$9,000	\$45,000
More than 80% but less than or equal to 125% of AMI	\$6,000	\$30,000
More than 125% but less than or equal to 200% of AMI	\$3,000	\$15,000

Students who have been participants in the District's Foster Care system are eligible for up to an additional \$10,000 per year of assistance.

Grants can be adjusted downward if a student is at less than full-time enrollment. No grant can be given to someone who graduated from a District public or private secondary school (or equivalent diploma) more than six years ago. The grant may only supplement, not replace, other types of tuition assistance such as financial aid and loans. The bill also requires that students apply to take advantage of other public, private and federal support for tuition including the D.C. TAG program. A student must demonstrate that he or she has applied for these benefits, and the amounts the student receives from such programs would be subtracted from the total subsidy a student would qualify for under the D.C. Promise Program.

The bill also establishes a grant award to support training and post-secondary education for people meeting the eligibility requirements but who are more than 24 years old. The eligibility requirements and award amounts are not known at this time, and so are not included in the cost estimate of this fiscal impact statement.

Office of the State Superintendent of Education would be responsible for administering the D.C. Promise Program. The bill limits the administrative costs for the Program to 5 percent of the total grants issued each year.

Lastly, the bill allows the Mayor to make adjustments to the grant levels should the total cost of grants under the terms of the bill exceed the total budget of the Program. This means that the grants under the D.C. Promise Program are not entitlements, and could be adjusted from year to year if the budgeted funds are not sufficient.

Financial Plan Impact

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

An estimated 5,850 students are enrolled in 12th grade every year including public, private and parochial schools. Given graduation rates and college enrollment rates, approximately 3,450 of these students (including children under foster care, and recipients of GED degrees) are likely to enroll in college, and thus, benefit from the D.C. Promise Program.³ Office of the Revenue Analysis estimates that 36 percent of these students are likely to come from households with income below \$53,700 and could qualify for the highest amount of grants at \$12,000 per year. The table below shows the distribution of benefits across different groups identified in the bill.

Underlying population for the D.C. Promise Program		
Group (income estimates based on AMI and current DC incomes) ^{1,2}	Percent of grant recipients ⁵	Maximum Grant amount
\$0-\$53,750	36%	\$12,000
\$53,751-\$86,000	14%	\$9,000
\$86,001-\$107,500	9%	\$6,000
\$107,501-\$215,000	22%	\$3,000
Foster ³	13%	\$10,000
GED ⁴	6%	based on income

Table notes:

¹ Household Income estimates based on U.S. Census American Community Survey 5-year Estimates, 2007-2011.

² Assumes a household size of 4 for all AMI level calculations.

³ 550 students, but not all enrolled in the District. This is the additional amount available to students in the Foster Care System.

⁴ Assumes half the GED recipients enroll in college.

⁵ Assumes a graduation rate of approximately 65 percent and college enrollment rate of 75 percent.

Not all students enrolled in the District schools will graduate, or graduate on time, and not all students will enroll in college. The estimate assumes that 75 percent of graduates will choose to enroll in college.⁴ It also assumes a 61 percent survival rate over four years—that is 61 percent of the enrollees will reach their fourth year in a post-secondary institution and still benefit from D.C.

³ In comparison, currently over 6,600 students are enrolled in the D.C. TAG program—or approximately 2,200 in each cohort.

⁴ Across the United States, the college enrollment rate among females is at 75 percent and among males, 66 percent. In the District the rates are much lower—for example among the students that participate in the D.C. CAP program, female enrollment rate is only 66 percent and male enrollment is 56 percent. This number is likely to be higher across the District given the profile of D.C. CAP participants. For more information, please see Traditional College Retention Strategies & New Initiatives available at: <http://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/Traditional%20College%20Retention%20Strategies%20and%20New%20Initiatives.pdf>

Promise grants.⁵ As a result, the cost of the program for each cohort will decline slightly every year. Finally, because students must demonstrate that they have applied to D.C. TAG and other available programs, their grants will be reduced by the awards from these other programs. The estimate assumes that these grants from D.C. TAG and other programs will equal 45 percent of the total allowable grant under the D.C. Promise Program.⁶

Given that the current academic year is halfway over, the earliest year the program could be in place is FY 2015. It is assumed that D.C. Promise will only be open to new college enrollees; students currently enrolled in a post-secondary institution would not be able to apply.⁷ Therefore the costs will increase rapidly in the first four years since each year a new cohort will be added into the program.

The table below outlines the estimated costs. It should be noted that the program will reach a steady state at the end of its fourth year—at this time the number of new enrollees and the number of students who “graduate” from the D.C. Promise Program should roughly equal. At maturity, the program is estimated to cost \$56.1 million annually (not displayed in the table, since this falls outside of the financial plan). After this point the total annual costs should stabilize at this level at roughly \$55 million to \$60 million per year.⁸

Estimated Fiscal Impact of “DC Promise Establishment Act”					
FY 2014 – FY 2017					
	FY_2014	FY_2015	FY_2016	FY_2017	FY_2014-FY_2017
Estimated cost of grant awards ^{1,4}	NA	\$16,768,000	\$31,021,000	\$43,136,000	\$90,925,000
Administrative Costs ²	NA	\$839,000	\$1,552,000	\$2,157,000	\$4,548,000
Total Cost of the program ³	NA	\$17,607,000	\$32,573,000	\$45,293,000	\$95,473,000

Table Notes

¹ Assumes a 65 percent graduation rate, 75 percent college take-up rate (except for GEDs where the rate is assumed to be 50 percent) and a 61 percent four-year survival rate.

² Five percent of total grants awarded under the program

³ The estimate does not include cost of adult education provision outlined in Section 8 of the bill, as the details of that program are unknown.

⁴ School enrollment estimates based on Department of Education National Center for Education Statistics, 2010-2011.

⁵ Again, for comparisons, consider that the 6-year graduation rate among D.C. TAG program participants is 55 percent. For details, please see D.C. TAG Program Accomplishments and Facts, July 2013 available at <http://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/DCTAG%20Accomplishments%202013.pdf>

⁶ D.C. TAG program participants, on average collected \$6,300 each under the D.C. TAG program. The estimated allowance from D.C. TAG and similar programs under the estimate provided here is approximately \$4,000 per year.

⁷ This assumption is not clear in the bill, but is based on the discussions with the drafters.

⁸ This is the full cost of the program. If the Council and the Mayor decide to open the D.C. Promise Program to all college students and not first-time enrollees, then the costs could reach this amount much sooner.

The Honorable Phil Mendelson

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It is important to note that the estimate provided in the table above does not include the cost of adult education provision. The details of this program are unknown and therefore cannot be reliably estimated at this time.