



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 24, 1999

H.R. 974

District of Columbia College Access Act

As ordered reported by the House Committee on Government Reform on May 19, 1999

SUMMARY

H.R. 974 would establish two new federal grant programs. Beginning in fiscal year 2000 and for the succeeding five years, the bill would authorize a new college access scholarship program administered by the Mayor of the District of Columbia and would authorize a new federal payment to the University of the District of Columbia (UDC).

Assuming appropriation of the necessary amounts, CBO estimates that H.R. 974 would result in additional discretionary spending of \$117 million in 2000 and \$603 million over the 2000-2004 period. H.R. 974 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

The bill contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) that would affect the District of Columbia. CBO estimates that complying with this mandate would entail no net costs. This bill would have no effect on the budgets of other state, local, or tribal governments. H.R. 974 does not contain any private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated federal budgetary impact of H.R. 974 is presented in the following table. The budgetary impact of this legislation falls within budget function 500. For purposes of this estimate, CBO assumes enactment prior to October 1, 1999.

ESTIMATED BUDGETARY EFFECTS OF H.R. 974

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
Authorizations Under Current Law						
Estimated Authorization Level	--	--	--	--	--	--
Estimated Outlays	--	--	--	--	--	--
Proposed Changes:						
Tuition Grants						
Estimated Authorization Level	--	77	78	79	80	81
Estimated Outlays	--	77	78	79	80	81
Federal Payments to UDC						
Estimated Authorization Level	--	40	41	42	43	43
Estimated Outlays	--	40	41	42	43	43
Total Proposed Changes						
Estimated Authorization Level	--	117	119	120	123	125
Estimated Outlays	--	117	119	120	123	125
Authorizations Under H.R. 974						
Estimated Authorization Level	--	117	119	120	123	125
Estimated Outlays	--	117	119	120	123	125

Note: Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

Tuition Assistance

H.R. 974 would establish scholarships, administered by the Mayor, designed to provide financial assistance to District of Columbia (D.C.) residents who choose to attend public colleges outside of D.C. or private colleges in Maryland, Virginia, or D.C. The bill authorizes the appropriation of such sums as may be necessary in 2000 through 2005 to provide those scholarships. All residents of D.C. who begin their first postsecondary school course-of-study within three years of their high school graduation and are not incarcerated would be eligible for scholarships. For those who wish to attend state-supported public

institutions outside of D.C., H.R. 974 would provide 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. In addition, the bill would authorize a \$3,000 maximum annual scholarship to those who choose to attend a private institution in Maryland, Virginia, or D.C.

CBO estimates that full-funding of the tuition grants would cost \$77 million in budget authority in fiscal year 2000 and \$395 million over the 2000 to 2004 period. The outlays would be the same, assuming that the appropriations are promptly deposited in the fund to be administered by D.C.'s mayor.

CBO estimates that about 22,000 students would receive tuition assistance under this program in fiscal year 2000. Of this total, about 4,500 would attend public institutions and receive grants averaging \$4,000; 17,000 would attend private institutions and receive grants averaging \$3,000.

To determine the number of D.C. residents eligible for the grants, CBO used the 1996-1997 Integrated Postsecondary Education Data Analysis System (IPEDS). Those data show the distribution of D.C. residents attending their first year of college by institution type and location. CBO assumes that the distributional characteristics observed for freshmen are the same at each undergraduate grade level and applied those distributions to the total number of D.C. residents enrolled in institutions of higher education during the 1996-1997 academic year. To predict enrollment for 2000 and beyond, CBO relied on the growth rates for the national enrollment projections from the National Center for Education Statistics (NCES).

The basic enrollment assumptions were modified in two ways to reflect behavioral responses on the part of students. First, CBO assumed there would be a change in the distribution of students among institutions—that UDC would lose a modest share of its enrollment of D.C. residents to two- and four-year public institutions outside of D.C., and private institutions outside of Maryland, Virginia, and D.C. would lose a small share of the enrollment of those students to four-year public colleges and universities outside of D.C.

Second, CBO assumes that one-half of the approximately 24,000 nonresident sophomores, juniors, and seniors currently enrolled in D.C. private institutions will elect to become D.C. residents in order to take advantage of the \$3,000 tuition subsidy. CBO assumes that the residency requirements for qualifying for resident tuition at UDC would be the applicable standard for the new program.

To determine the average tuition grant, CBO used 1996-1997 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 2000. To estimate future tuition increases, CBO used its baseline projections for the Gross Domestic Product (GDP) price index.

Finally, CBO added administrative costs which, under H.R. 974, could equal a maximum of 10 percent of total program costs.

Payments for UDC

H.R. 974 also authorizes such sums as may be necessary over the next six years to make federal payments to UDC to enhance educational opportunities. CBO estimates that the cost of those federal grants to UDC will be \$40 million in 2000 and \$210 million over the 2000-2004 period.

The concept of enhanced educational opportunities is not defined in H.R. 974. In addition, the bill does not establish limits or restrictions on the use of the funds. Enhancements could range from relatively modest changes, such as adding a few course offerings or additional support services, to significantly more substantial improvements, such as providing an additional campus, raising UDC's quality to the level of the premier public universities in the country, or restoring UDC funding in 2000 to the amounts provided the school in the early 1990s. The latter option, after adjusting for inflation, would exceed \$35 million.

For the purpose of this cost estimate, CBO has estimated that budget authority in fiscal year 2000 for grants to UDC will equal the \$40 million the District of Columbia currently provides UDC in financial support. The outyear estimate reflects the 2000 level with an adjustment for inflation. As in similar federal payments to other universities, estimated outlays equal budget authority in each year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 974 contains an intergovernmental mandate as defined in UMRA, but CBO estimates that complying with this mandate would entail no net costs. The bill would impose certain administrative requirements on the Mayor of the District of Columbia. Because these requirements would not be conditions of federal assistance, they would be mandates as defined in UMRA. Costs incurred by the District of Columbia in meeting those

administrative requirements would be offset by funds provided. H.R. 974 would have no impact on the budgets of other state, local or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 974 contains no private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Josh O'Harra and Deborah Kalcevic
Impact on State, Local, and Tribal Governments: Susan Seig
Impact on the Private Sector: Nabeel Alsalam

ESTIMATE APPROVED BY:

James R. Horney
Unit Chief, Budget Analysis Division