

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 48** SLS 15RS 357
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 17, 2015 4:10 PM	Author: DONAHUE
Dept./Agy.: Office of Student Financial Assistance	Analyst: Charley Rome
Subject: Caps TOPS Awards to Amounts Paid in FY16	

TOPS OR SEE FISC NOTE GF EX Page 1 of 2
 Provides relative to the minimum ACT score for TOPS eligibility and TOPS award amounts. (gov sig)

Proposed law provides the following, beginning with the 2016-2017 award year: (1) The amount awarded by the state to a student who is the recipient of any TOPS award shall be equal to the award amount established for each respective award for the 2015-2016 award year. (2) The legislature may, by law, increase the amount awarded in any given award year to a student who is the recipient of any TOPS award. (3) Any increase in award amounts granted by the legislature shall be established as the minimum amount to be awarded to a student who is the recipient of any TOPS award. (4) The amount awarded to a student who is the recipient of any TOPS award shall not be less than the amount paid for the previous award year. (5) Retains payment of the supplemental amounts established in present law for a recipient of a Performance or Honors award. Proposed law also requires that the minimum ACT score to receive a TOPS academic award shall be expressed in whole number increments, instead of rounded to the whole number as required under current law. Effective upon governor's signature.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0					\$0

REVENUES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There will likely be a reduction in the growth of state general fund expenditures for TOPS awards in FY17 and thereafter because the bill caps TOPS awards per student to amounts awarded in FY16. The proposed reduction in the growth of TOPS expenditures assumes there will be tuition increases in FY17 and thereafter. However, there will be no impact on TOPS expenditures if there are no tuition increases in FY17 and thereafter. The bill also authorizes the legislature to increase TOPS award amounts in any year. The proposed legislation should have no impact on normal growth in the number of students participating in the TOPS program. There are also no costs associated with the bill's requirement that the minimum ACT score for a TOPS academic award be expressed in whole number increments.

There is no way to estimate potential tuition increases in FY17 and thereafter potentially impacting TOPS. Funding for the TOPS program has increased significantly since passage of the LA Grad Act in 2010 (Act 741 of the 2010 Regular Legislative Session) because tuition increases authorized by the legislation have correspondingly raised TOPS award amounts. Louisiana public colleges and universities signed six-year performance agreements in August 2010 per the LA Grad Act. These six-year agreements expire at the end of FY 16. There is no way to anticipate whether institutions will seek subsequent LA Grad Act performance agreements after FY 16. The Legislative Fiscal Office contacted staff from higher education management boards regarding the likelihood of their institutions seeking LA Grad Act performance agreements after FY 16. None of the management boards were able to provide any information relative to the likelihood of their institutions seeking agreements after FY 16. However, public colleges and universities have several limitations relative to their on-going ability to raise tuition per authority granted by the LA Grad Act. Some institutions are close to the Southern Regional Education Board (SREB) tuition cap included in the LA Grad Act and may not be able to raise the full 10% amount authorized each year. Other institutions have seen enrollment declines as tuition goes up, decreasing overall revenues from students. Other institutions may choose not to impose the full 10% increase in order to maintain access for low-income students. Actual collections of tuition and mandatory fees may also be reduced by hardship waivers, fee exemptions or other forms of student aid. Other institutions occasionally fail to meet LA Grad Act performance objectives required to raise tuition. For the reasons above, many institutions may not seek subsequent LA Grad Act performance agreements because their ability to raise tuition is limited by other factors. **(Expenditure Explanation Continued on Page Two)**

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

Evan Brasseaux
Evan Brasseaux
Staff Director

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CONTINUED EXPLANATION from page one:

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(Expenditure Explanation Continued from Page One)

In April 2014 the Louisiana Office of Student Financial Assistance (LOSFA) forecasted that the total dollar value of TOPS awards would increase by approximately \$137 M (55%) from FY 15 to FY 19, primarily due to LOSFA's assumption that tuition would increase by 10% per year due to tuition authority granted by the LA Grad Act. LOSFA's forecast included 10% increases in tuition after FY 16 even though the current LA Grad Act performance agreements expire in FY 16. However, LOSFA's TOPS forecast for the FY 16 budget released in early November 2014 removed tuition increases from the LA Grad Act after FY 16, significantly reducing the growth in TOPS expenditures after FY 16. The table below shows LOSFA's TOPS forecast from April 2014, the agency's forecast from November 2014 (removing LA Grad Act tuition increases after FY 16), the differences between forecasts per year, and the cumulative differences between forecasts per year. The table below illustrates the potential reductions in growth of TOPS awards if the maximum 10% La Grad Act tuition increases were adopted by all institutions in the state and TOPS awards were capped at the FY16 level as required in the bill. However, for the reasons stated on the previous page, this scenario described in the table below is **HIGHLY UNLIKELY** and is intended for illustrative purposes only.

**Reduction in TOPS Growth from LOSFA Projection Removing 10% LA Grad Act Tuition Increases After FY 16
(millions of dollars)**

	FY16 Rec. Budget	FY17	FY18	FY19
April 2014 Forecast - (10% LA Grad Act Increases All Years)		\$313.5	\$348.3	\$386.9
November 2014 Forecast - (No 10% LA Grad Act Increases After FY 16)	\$284.3	\$287.4	\$288.8	\$291.7
<i>Difference</i>		(\$26.1)	(\$59.5)	(\$95.2)
Cumulative Difference		(\$26.1)	(\$85.6)	(\$180.8)

There are proposed Constitutional amendments and bills before the Legislature this session that increase the authority of management boards to set tuition and fees at institutions under their management. Some of these proposed Constitutional amendments and bills would grant authority to increase tuition and fees without Legislative approval. As such, there may be tuition increases through legal authorities other than LA Grad Act in FY17 and thereafter that could result in reduction in TOPS growth attributable to this bill. There is no way to estimate how much tuition might increase due to Constitutional amendments and bills under consideration by the Legislature this session.

Senate	<u>Dual Referral Rules</u>	House	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	<i>Evan Brasseaux</i> <hr/> Evan Brasseaux Staff Director
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}		
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		