

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 110** SLS 17RS 33

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 19, 2017 4:55 PM	Author: LUNEAU
Dept./Agy.: Office of Student Financial Assistance	Analyst: Willis Brewer
Subject: TOPS residency requirements and repayment	

TOPS OR +\$213,000 GF EX See Note Page 1 of 2
Provides for residency requirements for TOPS recipients and for repayment of a TOPS award under certain circumstances. (gov sig)

Proposed law requires TOPS award recipients within one-year of completing an associate's degree, baccalaureate degree, postgraduate degree, shorter-term training or educational program, or within one year of resigning from a postsecondary to either 1) demonstrate proof of residency in Louisiana for a time period equal to the number of academic years, or fraction thereof, of award received, or 2) Repay fifty percent of the award received for each full academic year, or fraction thereof, for each year he fails to prove residency in La.

Proposed law provides for exceptions including parental leave, physical rehabilitation program, substance abuse rehabilitation, temporary disability, permanent disability, exceptional educational opportunity, religious commitment, death in immediate family, military service, transfer to a selective enrollment program, and exceptional circumstances.

Proposed law is applicable to students graduating from high school during or after the 2017-2018 school year.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$213,000	\$327,000	\$477,000	\$472,000	\$472,000	\$1,961,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$213,000	\$327,000	\$477,000	\$472,000	\$472,000	\$1,961,000

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0				\$0

EXPENDITURE EXPLANATION

The proposed legislation will result in an increase in state general fund expenditures by the LA Office of Student Financial Assistance (LOSFA) as a result of requiring the repayment of Taylor Opportunity Program for Students (TOPS) awards for students failing to demonstrate proof of Louisiana residency after graduating or resigning from an institution. This anticipated increase in expenditures will be a result of one-time programming costs for LOSFA's Louisiana Award System and additional employees required to respond to the provisions in this legislation.

LOSFA has indicated that to implement the provisions in this bill TOPS would become a grant/loan program. As a result, TOPS recipients would be required to sign promissory notes to receive their award. To achieve this, LOSFA will be required to modify their LA Award System to allow for promissory signatures, notifications to begin repayment, when repayment is complete, and any other actions that the system would need to handle in order to comply with this legislation. The modifications would be a one-time cost that is expected to cost \$120,000 in FY 18. The estimate is based on 1,000 development hours at a contractor hourly rate of \$120. However, the exact cost will not be known until a Request For Proposals (RFP) is issued. Additionally, it is unknown at this time how LOSFA would receive residency information. It is possible that additional modifications may be necessary for LOSFA to access databases or receive information from databases at the Secretary of State, Department of Revenue or Department of Public Safety to determine the residency criteria listed in the legislation.

Continued on Page 2

REVENUE EXPLANATION

The proposed legislation will result in an increase in state revenue as a result of students repaying TOPS awards for not maintaining Louisiana residency after either completing a degree or resigning from a postsecondary institution. The bill does not specify the means of finance; however, the LFO assumes the revenue to be SGF. The exact increase is indeterminable since it is unknown how many students will not maintain eligibility or fail to demonstrate proof of Louisiana residency and how much would be collected in repayments of TOPS awards. Since the legislation would affect the 2017-2018 graduating class, the first TOPS repayments would not be received until FY 20 from those that do not maintain eligibility.

The amounts that would be repaid as a result of graduates not meeting the residency requirements is unknown. It is unknown at this time what percentage of TOPS graduates leave the state upon graduation. Students that have resigned or any graduates that have received TOPS and do not meet the residency requirements will increase the repayment amounts. It should be noted that the exact amounts that will be owed to the state each year are unknown and it will depend on many variables including the school the student attended while receiving the award (tuition), how many years the student received the award, the number of students that do not maintain eligibility/resign, and the number of students that receive exceptions. Furthermore, since the TOPS program would become a grant/loan program, student behavior may change to result in more students maintaining eligibility on an annual basis; however this cannot be determined.

Continued on Page 2

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1:

LOSFA has stated it will need additional staff to handle duties such as tracking students that enter repayment status, determining eligibility for deferment, processing and tracking payments, and submitting non-payments to the Attorney General or Office of Debt Recovery for collection purposes. LOSFA has indicated it will require one additional legal position (\$77,108 salaries and benefits) in FY 18 and beyond to establish the necessary procedures and processes to implement this legislation and to review requests for debt forgiveness. Additional costs include operating expenses (\$7,858) and rent (\$5,578) for each position and one time acquisition of computers and printers (\$2,500). The total cost for FY 18 will be \$213,044.

Beginning in FY 19, LOSFA will require three student financial aid specialists (\$188,827 salaries and benefits) to track students who are in repayment status to ensure that payments are being received. Additional costs include operating expenses (\$23,574), rent (\$16,732), and one time acquisition of computers and printers (\$7,500) for these additional positions. The total cost in FY 19 including all positions and support services will be \$327,177.

Beginning in FY 20, LOSFA anticipates it will require two additional accountants (\$125,884 salaries and benefits) for loan processing and debt collection activities. Additional costs include operating expenses (\$15,716), rent (\$11,155), and one time acquisition of computers and printers (\$5,000) for these additional positions. The total cost in FY 20 including all positions and support services will be \$477,433. To the extent all the positions noted above are hired by LOSFA, the total cost in FY 21 and beyond will be \$472,433 (\$391,819 personnel costs + \$80,614 operating expenses).

Upon receiving notification that their liability is due, students will be required to repay this debt. Those student accounts that default on TOPS repayments would be turned over to either the Office of Debt Recovery or the Attorney General's Office to be collected. As point of reference, according to the U.S. Department of Education, the 3 year average loan default rate for Louisiana is 12.3%. It is possible that the increased workload may result in either office hiring additional personnel to handle debt collection for LOSFA. The exact number of personnel hired will depend on the number of students that default on TOPS repayments. To the extent the Attorney General has to hire at least one additional Collector, the estimated cost would be \$56,000 for the salary and benefits of this position.

REVENUE EXPLANATION CONTINUED FROM PAGE 1:

Based on LA Office of Student Financial Assistance (LOSFA) data, the LFO estimates the five year average (FY 12 - FY 16) of paid TOPS awards that were canceled and not regained is approximately \$31.9 M (or 15% of total payments). The estimated breakdown by student level is as follows: \$18.6 M (or 9%) freshman students, \$8.9 M (or 4%) sophomore students, \$3.6 M (or 2%) junior, and \$.8 M (.4%) senior.

The first year this legislation could result in revenue collections will be FY 20 from freshman students only. Each year will add an additional student class until year four (FY 23) where all student classes (freshman through senior) may be required to repay any TOPS award payments. However, this legislation is only applicable to students that are no longer in the state after they have either graduated or resigned from an institution an equal length of time they received the TOPS award. This provision is anticipated to reduce the above amounts by a significant but indeterminable amount, but the LFO has not been able to find a reliable source that tracks the movement of college students that have graduated or resigned from an institution in order to calculate the potential revenue generated from this legislation.

Furthermore, the amount actually collected by the state would depend on how LOSFA structures the repayment process, how many students continue making payments and the effectiveness of the Office of Debt Recovery or Attorney General's Office to recover final debts sent from LOSFA. The Office of Debt Recovery or the Attorney General's Office will likely increase statutorily dedicated revenue as a result of collecting defaulted TOPS repayments. Any amounts collected by either office will be subject to a collection fee not to exceed 25% as authorized by statute. The exact increase is indeterminable since it is unknown how many students will default on TOPS repayments and how much will be owed at the time of default.

Senate Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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