

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 413** HLS 18RS 368
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 3, 2018	2:04 PM	Author: IVEY
Dept./Agy.: LOSFA/TOPS		Analyst: Willis Brewer
Subject: Creates TOPS Transfer Award, Raises GPA and ACT score		

TOPS OR DECREASE GF EX See Note Page 1 of 2

Creates a new Taylor Opportunity Program for Students (TOPS) award, the TOPS Transfer Award, and raises grade point average and ACT score required for initial eligibility for a TOPS Opportunity Award

Proposed law creates a new TOPS award, the TOPS Transfer Award. Provides that a student who receives this award shall receive the equivalent of a TOPS-Tech Award for his first two years of post secondary education and, if he meets certain criteria, the equivalent of an Opportunity Award for his remaining four semesters. Provides that the first cohort of students eligible for such an award shall be those graduating from high school in the 2021-22 school year (in other words, students entering high school in the fall of 2018).

Present law requires a student to attain an ACT score of the state average but not less than 20. Proposed law applies this score to the TOPS Transfer award and raises the minimum score for an Opportunity award to 21. Present law requires an minimum cumulative GPA of 2.5 for an Opportunity award. Proposed law further raises the minimum GPA for the Opportunity Award from 2.5 to 2.75. Effective 8/1/18

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	DECREASE	\$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

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	SEE BELOW	\$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

EXPENDITURE EXPLANATION

The proposed law is anticipated to decrease state expenditures for the Taylor Opportunity Program for Students (TOPS) program beginning in FY 23 and subsequent years since this measure is applicable to high school students graduating during or after FY 22. The current five year projection by the Louisiana Office of Student Financial Assistance (LOSFA) estimates the TOPS amount at \$294.6 M in FY 19 (including TOPS Tech Early Start) and at 308.1 M in FY 23, a growth of 4.6% (\$13.5 M). The LFO estimates this legislation could decrease TOPS expenditures by \$2.2 M in FY 23 while LOSFA estimates a decrease in TOPS expenditures of \$1.2 M in FY 23. As a new freshman class is added, it is anticipated there will be approximately \$2.5 M - \$4.3 M in annual savings in FY 24 and subsequent years.

The LFO and LOSFA estimated these savings using different assumptions. Based on the FY 17 high school graduating class, there are approximately 449 students with an ACT Score less than 21 or a GPA between 2.50 and 2.74. Under this measure, these students would no longer be eligible for the Opportunity award, but will be eligible for the TOPS Transfer award.

LOSFA anticipates all of these students will accept a TOPS Transfer award, which awards an amount equivalent to the TOPS Tech award for the first two years. The LFO assumes a lower number of students will accept the TOPS Transfer award, equal to the TOPS Tech acceptance rate over the last five years (23%), due to the limitations on the use of the award. TOPS Transfer awards can only be used for technical programs of study at community and technical colleges and certain associate degree programs at selected two and four-year institutions. The incentive to receive an Opportunity award after two years may result in a greater number of students accepting this award, but it cannot be determined at this time. LOSFA and LFO both assume high school student progression and student behavior will remain the same after the proposed legislation. To the extent student growth is not realized and/or students achieve better academic performance, these savings could be significantly reduced.

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REVENUE EXPLANATION

The proposed legislation will have an indeterminable impact on postsecondary institution's self-generated revenue. To the extent this reduces the number of students at a four-year institution due to the loss of the Opportunity award and increases the number of students at two-year institutions due to the use of the TOPS Transfer award, these respective institutions would see a change in SGR. It cannot be determined whether these students will seek other payment sources (e.g. self-pay or loan) to retain enrollment.

<p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p>	<p><u>Dual Referral Rules</u></p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>
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CONTINUED EXPLANATION from page one:

In addition, this measure increases the minimum grade point average (GPA) requirements from 2.30 to 2.50 after 24 credit hours and from 2.50 to 2.75 after 48 credit hours in order to maintain eligibility for FY 22 high school graduates. Assuming 12 hour credit hours per semesters or 24 hours per year, the earliest savings could be realized is FY 24 for students that failed to achieve a cumulative GPA of 2.5 after 24 credit hours, which is outside the fiscal note's five-year projection.

Additional savings will be realized in FY 25 for the students that failed to achieve a cumulative GPA of 2.75 after 48 credit hours. Based on FY 17 TOPS Opportunity recipients, there are 524 students whose cumulative GPA is less than 2.5 after 24 hours and 2,067 students whose cumulative GPA is less than 3.0 after 48 hours. Assuming the FY 18 average TOPS opportunity award amount (\$5,399) and these numbers remain constant, the savings in FY 24 would be \$2.9 M and \$14 M every year thereafter. However, these projected savings do not account for a change in student behavior and students have 2 years to bring their cumulative GPA up to the amount required by statute before their award is permanently canceled. Therefore, it is reasonable to assume the student behavior is likely to change and that a significant amount of students will regain their award. From FY 12 - FY 17, approximately 28% of the canceled awards were reinstated at one point in time. Assuming this average holds constant, this would reduce the annual savings from \$14 M to \$10.1 M, but this projection still does not account for a change in student behavior.

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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