

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 450** SLS 18RS 256
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 27, 2018 12:40 PM	Author: MORRISH
Dept./Agy.: LOSFA	Analyst: Willis Brewer
Subject: Changes award amounts and creates a new TOPS award.	

TOPS OR DECREASE GF EX See Note Page 1 of 2
 TOPS. Changes award amounts and creates a new TOPS award. (gov sig)

Proposed law changes the Opportunity Award amounts from the 2016-2017 award amount to a flat \$4,000 annual award for all recipients, except those enrolled at a proprietary school. Recipients at a proprietary school will receive the 2016-2017 award amount or \$4,000 a year, whichever is less. Proposed law removes the Performance Award annual stipend of \$400. Proposed law changes the Honors Award stipend from an annual award of \$800 to a graduated amount based on GPA or ACT score, with an annual maximum amount of \$1,500. Proposed law adds another award level (Honors Plus) for students who graduate from high school with at least a 3.75 GPA, based upon the TOPS core curriculum, and who earn at least a 30 on the ACT. The award amount would be the 2016-2017 fully funded tuition amount plus a graduated stipend amount based on the student's GPA or ACT score. The annual maximum amount of the stipend is \$2,500. Proposed law also provides that the cumulative GPA for the Performance Award would revert to a 3.0. Effective upon governor's signature.

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>	\$0
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	\$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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation is anticipated to have a significant decrease in state expenditures 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 \$9.9 M in FY 23 while LOSFA estimates a decrease in TOPS expenditures of \$8.9 M in FY 23.** It is anticipated there will be cumulative savings as each new freshman class is added. Based on these figures and the existing student count, after full implementation (FY 27), there could be approximately \$28 - \$30 M in annual savings when compared to existing TOPS expenditures.

The LFO and LOSFA estimated these savings using different methodologies and assumptions. These figures are based on current data and projections. OSFA assumes growth in the number of graduates, and the number of TOPS eligible students. OSFA 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.

The LFO used the actual FY 17 TOPS recipients which included 2016 high school graduates (FY 17 entering class) to project the number of first-time, full-time students (FTFT) in FY 23, and multiplied the projected TOPS recipients by the cost difference of each award type. For example, the average Opportunity award is \$5,399. This legislation reduces the award to a flat amount of \$4,000; an average savings of \$1,399. Additional savings of \$400 results from the elimination of the TOPS Performance stipend. The TOPS Honors award is split into Honors and Honors Plus with graduated stipend amounts for each award which will *increase* the amount of existing awards between \$400 and \$1,700.

LOSFA used their five-year projection model to estimate the number of FY 23 FTFT recipients. This model uses actual student data, historical student retention, changes in award types by individual student, and high school graduate projections from the Department of Education. LOSFA then multiplied the estimated number by the average tuition charged for each award type plus any applicable stipend. This estimated FY 23 cost was then compared to the original FY 23 projection.

See Page 2 for breakdown of calculations.

REVENUE EXPLANATION

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

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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CONTINUED EXPLANATION from page one:

LFO Details

There were 16,646 high school graduates that accepted the TOPS Opportunity base award in the 2016-2017 school year. Assuming the same number of eligible high school graduates, approximately 51% of the first-time, full-time TOPS recipients in FY 23 would receive a TOPS Opportunity award, which would generate approximately **\$11.8 M in savings**. The elimination of the TOPS Performance stipend would impact some 26% of recipients and generate approximately **\$1.8 M in savings**. The increase in the stipend amounts for the Honors and Honors Plus Award (23% of recipients) would result in an approximate **\$3.6 M increase** for a **net savings of \$9.9 M**.

LFO Calculations

	Actual FY 17		By Award	Cost	
	Recipients	%	Type	Difference	Projected (Savings)/Cost
TO	25,563	51%	8,456	(\$1,399)	(\$11,830,383)
TP	13,284	26%	4,394	(\$400)	(\$1,757,754)
Honors - \$800	1,640	3%	543	\$0	\$0
Honors - \$1,200	2,078	4%	687	\$400	\$274,963
Honors - \$1,500	1,649	3%	545	\$700	\$381,846
Honors Plus- \$1,800	1,107	2%	366	\$1,000	\$366,199
Honors Plus- \$2,000	718	1%	238	\$1,200	\$285,020
Honors Plus- \$2,200	522	1%	173	\$1,400	\$241,751
Honors Plus- \$2,500	3,759	7%	1,243	\$1,700	\$2,113,930
Total	50,320	100%	16,646		(\$9,924,429)

Data excludes TOPS Tech. No changes assumed for TOPS Tech award.
 TOPS Opportunity (TO) award savings assumes average award amount (\$5,399) less New Award (\$4,000).
 TOPS Honors Plus Awards are estimated using FY 17 student demographics data.

LOSFA Calculations

	FY 23 Est.	Tuition			All other	(SB450)
	FTFT	Payment	Stipend	Total Cost	Student Costs	FY 23 Total
TO	7,554	\$4,000	\$0	\$30,216,000	\$89,925,744	\$120,141,744
TP	5,486	\$5,671	\$0	\$31,111,106	\$50,781,690	\$81,892,796
Honors - \$800	362	\$6,151	\$800	\$2,515,008	\$59,527,710	\$62,042,718
Honors - \$1,200	492	\$6,151	\$1,200	\$3,620,046		\$3,620,046
Honors - \$1,500	1,980	\$6,151	\$1,500	\$15,151,616		\$15,151,616
Honors Plus- \$1,800	25	\$6,151	\$1,800	\$199,374		\$199,374
Honors Plus- \$2,000	239	\$6,151	\$2,000	\$1,949,178		\$1,949,178
Honors Plus- \$2,200	320	\$6,151	\$2,200	\$2,670,164		\$2,670,164
Honors Plus- \$2,500	710	\$6,151	\$2,500	\$6,145,919		\$6,145,919
	17,169			\$93,578,412	\$200,235,144	\$293,813,556
				Original FY 23 Projection (excludes Tech, National Guard)		\$302,791,263
					(Savings)/Cost	(\$8,977,707)

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