LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 1171** HLS 10RS 903
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 22, 2010 9:46 AM **Author:** TUCKER
Dept./Agy.: Higher Education
Subject: Louisiana GRAD Act **Analyst:** Kristy F. Gary

COLLEGES/UNIVERSITIES EN INCREASE SG RV See Note

Provides for a Board of Regents program under which postsecondary institutions agree to achieve certain standards in exchange for authority to increase tuition and for exemption from certain limitations

The proposed legislation provides for a Board of Regents program under which postsecondary institutions agree to achieve certain standards in exchange for authority to increase tuition and for exemption from certain limitations. Proposed law states that effective beginning with Fiscal Year 2010-11 any public postsecondary education institution, including professional schools, may enter into an initial performance agreement with the Board of Regents in order to be granted limited operational autonomy and flexibility in exchange for committing to meet established targets for performance and reporting objectives as determined by the Board of Regents. Proposed law provides for performance agreements and objectives, annual review and revocation, granting autonomies, and monitoring, reporting, and renewal. Proposed law authorizes the Board of Regents to modify the performance objective targets under certain circumstances and such modifications are subject to approval of Joint Legislative Committee on the Budget. (CONTINUED PAGE 2)

EXPENDITURES	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

The proposed legislation will result in an increase in state general fund expenditures. The bill requires the Board of Regents to provide annual reviews of the performance agreements, and monitor and report to the legislature and the governor about the institution's progress and performance. The Board of Regents estimates expenditures to increase by $238,450 in FY 10-11 and $203,450 in future fiscal years. The Board of Regents will require 3 additional positions (2 auditor positions and 1 programmer) at a cost of $183,750, including salaries and related benefits, $14,700 in operating expenses and $5,000 in professional services for web site and dashboard reporting maintenance (an additional $35,000 is reflected in FY 10-11 for web site and dashboard reporting design). The need for the additional funding and positions for the Board of Regents is due to the additional requirements that will be required by the Board of Regents (increased amount of data and tracking) and that in FY 10-11 the Board of Regents budget is being reduced by $2.1 million. There may also be an indeterminable and unquantifiable increase in costs to the management boards associated with the personnel to assist with the authorization, review, and oversight of the performance agreements.

There will also be an increase in state general fund expenditures for TOPS if and when the institutions increase tuition and fees. It is assumed that any such increase would be fully covered by TOPS since the legislation does not include "The fee [or tuition] shall not be a cost that is payable by the state on behalf of any student who is a recipient of an award under the Taylor Opportunity Program for Students." Assuming all institutions participate and the maximum rate increase of 10%, the Office of Student Financial Assistance (OSFA) estimates that passage of this bill could increase TOPS costs to the state by approximately $5.6 million beginning in FY 11, $12.7 million in FY 12, $26.4 million in FY 13, $42.3 million in FY 14 and $59.2 million in FY15.

NOTES: This bill will not affect the TOPS Honors and Performance Award stipends. The analysis is based on the current TOPS Projection Model and the TOPS expenditures assumes the previously approved 5% increase authorized by Act 915 of the 2008 Regular Session for the 2010-11 and 2011-12 academic years. (CONTINUED ON PAGE TWO)

REVENUE EXPLANATION

To the extent postsecondary institutions increase tuition and fee amounts annually without legislative approval, self-generated revenues will increase to those institutions. The proposed legislation could result in a significant increase in self-generated revenue depending on the adopted tuition and fee policy. The LFO cannot estimate the exact fiscal impact of this instrument because such tuition and fee amounts have not been set. (CONTINUED ON PAGE TWO)

Senate — Dual Referral Rules
- [x] 13.5.1 >= $100,000 Annual Fiscal Cost
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change

House
- [x] 6.8(F) >= $100,000 Annual SGF Cost
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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CONTINUED EXPLANATION from page one:

CONTINUED PURPOSE EXPLANATION:

Tuition autonomy in proposed law: 1) For FY 11, increase tuition and mandatory fee amounts by up to five percent annually, above the current five percent granted; 2) For FY 12, increase tuition and mandatory fee amounts by up to five percent annually, above the current five percent granted; 3) Beginning in FY 13, increase tuition and fee amounts by up to ten percent annually until peer level reached. Proposed law requires each management board to establish criteria for waiving the tuition or mandatory fee increase authorized in cases of financial hardship. Proposed law requires the performance objectives defined in the formula funding performance model adopted by the Board of Regents for FY 2010-2011 to be aligned with performance objectives defined in proposed law. Proposed law requires the postsecondary institution to provide information within six months after entering into a performance agreement to the legislative auditor for the auditor to conduct a detailed study of the performance of postsecondary education in Louisiana and that such performance analysis is contingent upon funds being appropriated. Proposed law requires that any agreements between the Board of Regents and public postsecondary education institutions authorized by proposed law must be certified by the respective management boards of those institutions. Proposed law adds provisions requiring institutions that enter agreements to report specified organizational data to the Board of Regents, the legislative auditor, and the legislature and requires approval of agreement renewals by the Joint Legislative Committee on the Budget. Proposed law retains present law but exempts institutions entering into a performance agreement pursuant to proposed law from the requirement that at least 50% of retained funds be maintained in a reserve fund and used only for preventative maintenance purposes and the prohibition on more than 2% of certain state general fund appropriations or allocations being carried forward.

Effective upon governor's signature.

CONTINUED EXPENDITURE EXPLANATION:

There are potential other costs and savings to the TOPS program that are difficult to quantify. The legislation requires schools to phase-in increased admission standards and other necessary policies by the end of FY 12 in order to increase student retention and graduation rates. Increasing admission standards at the institutions may send some TOPS students to attend lower cost institutions, which would result in a savings for the TOPS program. Some of those savings may be offset by efforts of the schools to increase their graduation rate. By implementing policies to improve completion rates, schools may encourage students to take more credit hours in a term; provide additional counseling or advising services; and provide additional tutoring, study skills training, or other academic assistance that may result in a higher percentage of TOPS students retaining or restoring their TOPS Award. These additional TOPS costs would tend to offset some of the savings due to higher admission standards.

According to the Louisiana Legislative Auditor's (LLA) office, the studies will be accomplished without an increase in costs by performing the review under the current 7-year cycle of the performance audit program. LLA is planning to conduct studies in FY 11 as required by current statute. LLA assumes that the studies required by proposed law would be of all postsecondary education institutions on a periodic basis. Additionally, the LLA will use existing resources from the financial audit function to perform compliance work in each of the postsecondary education institution audits to determine the reliability of performance information included in the plans of the institutions. The LLA estimates that the compliance work will take about 1,000 hours each year in FY 11 and FY 12. If the proposed law were meant to require individual studies on single institutions for each agreement, this would significantly increase the workload of the LLA and result in an increase in expenditures. Furthermore, the performance analysis is contingent upon funds being appropriated for such purpose.

CONTINUED REVENUE EXPLANATION:

Assuming all institutions participate, meet objectives and the maximum tuition rate increase is granted, the Board of Regents estimates that passage of proposed law could provide additional revenue to the institutions by approximately $17.7 million in FY 11, $38.9 million in FY 12, $79.8 million in FY 13 and thereafter.

NOTES: The analysis is based on current tuition and mandatory fees and student enrollment in all postsecondary institutions, including professional schools. For FY 11 the 5% increase estimates a potential annual increase of $35.3 million; however, it is anticipated that the agreements will be done during the fall semester, thus limiting the schools ability to increase tuition to the spring semester, which is an increase of $17.7 million. In FY 12, the institutions would be allowed another 5% increase, which would generate an additional $38.9 million over and above the current approved tuition increases. Thereafter institutions would be allowed 10% increases that would generate approximately $79.8 million.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost		[x] 6.8(F) >= $100,000 Annual SGF Cost
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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