LEGISLATIVE FISCAL OFFICE
Fiscal Note

Date: March 9, 2018 2:54 PM	**Author:** GATTI
Dept./Agy.: LOSFA	
Subject: TOPS Rebate	**Analyst:** Willis Brewer

Tax/Taxation   OR DECREASE GF RV See Note   Page 1 of 2

Provides a rebate for TOPS recipients who complete a baccalaureate degree in three years. (8/1/18)

<u>Proposed law</u> provides that the graduate is eligible for the rebate for three consecutive years beginning Jan. 1 after graduation. <u>Proposed law</u> provides that if the three-year eligibility period is interrupted for any reason other than deployment in the active duty United States Armed Services that the individual loses their eligibility for future rebates. <u>Proposed law</u> provides a rebate application process with the Louisiana Department of Revenue (LDR) for eligible individuals. <u>Proposed law</u> requires the Office of Student Financial Assistance (OSFA) and LDR to verify an individual's eligibility for the rebate before the rebate can be issued and also authorizes recapture of any rebate issued to ineligible individuals. <u>Proposed law</u> authorizes the LDR to issue rebates from the current collections of individual income tax. <u>Proposed law</u> provides for a biennial review of the rebate program by Revenue and Fiscal Affairs and Ways and Means. <u>Proposed law</u> provides that no rebates shall be issued for applications received after 12/31/27. <u>Proposed law</u> is only applicable to students that receive their baccalaureate degree from a LA institution within 3 years of beginning the baccalaureate program on or after 1/1/19.

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

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	SEE BELOW	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	$0	$0	$0	$0	$0	$0
Annual Total	**$0**	**$0**	**$0**			**$0**

EXPENDITURE EXPLANATION

Proposed legislation will have an indeterminable impact on state expenditures. This measure provides tax rebates to TOPS recipients that graduate within three years and do not use their remaining year of eligibility at a graduate school. Based on data from the Louisiana Office of Student Financial Assistance (LOSFA), 379 TOPS recipients have graduated within three years over the course of five years (High School graduation years FY 09 - FY 13).

While this represents an average of 76 students per year, the number of TOPS three year graduates has doubled (FY 09: 55; FY 13: 110). The potential savings from these early graduates has already been incorporated into the TOPS projections. Based on the average TOPS award amount of $5,851 (as of 1/25/18), any *additional* students that graduate within three years as a result of this legislation would create savings greater than the tax rebate of $1,500 (or cumulative $4,500). To the extent this legislation increases the number of students that graduate within three years, there could be state expenditures reductions in the TOPS Program. However, it cannot be calculated whether this legislation will create additional students graduating within three years.

REVENUE EXPLANATION

The proposed law will decrease the available state revenues beginning in FY 23 to the extent eligible taxpayers claim the rebate. The proposed legislation will provide a $1,500 tax rebate to TOPS recipients beginning the baccalaureate program on or after 1/1/19 that graduate within three years and do not use their remaining year of eligibility at a graduate school. This legislation will impact students enrolling in the spring 2019 or summer 2019 who graduate as early as December 2021. These students would be eligible for the tax rebate on January 1, 2022. However, for the students that begin a baccalaureate program in Fall 2019 and graduate within three years (May 2022 or summer 2022), eligibility begins January 2023 for three years.

For **illustrative purposes**, assuming the average 76 eligible graduates remains constant, this legislation will reduce available state general fund by $114,000 (76 early graduates * $1,500 tax rebate) the first year (FY 23). Since this tax rebate is for three years, the second year (FY 24) will have two groups (first group's second year of rebates and a new group of graduates) for a total of 152 tax rebate recipients and will reduce the available SGF by $228,000 (152 rebates * $1,500 tax rebate). The third year (FY 25) will be the first fully implemented year where there will be three groups and will reduce the available SGF by $342,000 (228 rebates * $1,500 tax rebate). Since the last year for applicants is 12/31/2027, the SGF decrease will begin to reduce in FY 29 and will be eliminated in FY 31. Based on these assumptions, the total reduction in SGF for these eight years (FY 23 - FY 30) will be $2,052,000. **Continued on Page 2**

Senate	Dual Referral Rules	House	
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}	*Evan Brasseaux*
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}	**Evan Brasseaux** **Staff Director**

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CONTINUED EXPLANATION from page one:

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The Louisiana Department of Revenue (LDR) anticipates it will require modifications to its computer system by the Office of Telecommunication System (OTS) in order to add this rebate into their system and to do the necessary testing. LDR estimates it will require 240 hours in order to make the necessary changes to its system for an estimated one-time cost of $25,680 (240 hours * $107 hourly rate). Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

Continued REVENUE Explanation from Page 1

For ***illustrative purposes***, in order to achieve a total net zero cost for this legislation, it would require an additional 104 eligible TOPS recipients to graduate within three years each year. These additional students would create approximately $606,000 in savings to the TOPS program annually, but these students would also be eligible for the rebate for three years. The high school graduating class of 2012-13 had 110 eligible students. Under this illustrative example, in order to achieve a total net zero impact it would require a 94% growth in the number of eligible students each year.

	Eligible Graduates	$1,500 Rebate	Addtn'l #	Savings (TOPS)	Addtn'l Rebate	Total Cost/ (Savings)
FY 23	76	$114,000	104	($606,131)	$155,392	($336,740)
FY 24	152	$228,000	104	($606,131)	$310,784	($67,348)
FY 25	228	$342,000	104	($606,131)	$466,175	$202,044
FY 26	228	$342,000	104	($606,131)	$466,175	$202,044
FY 27	228	$342,000	104	($606,131)	$466,175	$202,044
FY 28	228	$342,000	104	($606,131)	$466,175	$202,044
FY 29	152	$228,000	104	($606,131)	$310,784	($67,348)
FY 30	76	$114,000	104	($606,131)	$155,392	($336,740)
FY 31	0	$0	0	$0	$0	$0
Total	1,368	**$2,052,000**	829	**($4,849,052)**	**$2,797,052**	**$0**