



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 161** HLS 18RS 716

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 3, 2018	3:01 PM	Author: GAROFALO
Dept./Agy.: Higher Education/LOSFA		Analyst: Willis Brewer
Subject: TOPS Repayment		

TOPS OR INCREASE GF RV See Note Page 1 of 2
Provides, under specified circumstances, for repayment of a Taylor Opportunity Program for Students (TOPS) award

Proposed law, applicable to students who graduate from high school during or after the 2017-18 school year, requires a student to repay award amounts paid to a postsecondary education institution on his behalf if he fails to meet the requirements for maintaining eligibility or resigns from college. Proposed law requires the administering agency (the Bd. of Regents) to promulgate rules necessary to implement proposed law, including provisions for collecting amounts owed and interest on unpaid amounts and circumstances under which a student shall be excepted from proposed law repayment requirement; requires that these rules provide for the definition, certification requirements, and maximum duration of these circumstances. Proposed law allows for exceptions including parental leave, physical rehabilitation program, substance abuse rehabilitation program, temporary disability, permanent disability, exceptional educational opportunity, religious commitment, death of immediate family, military service, transfer to a selective enrollment program, and exceptional circumstances. Effective 8/1/18.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	SEE BELOW	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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

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 one-time programming costs for LOSFA's Louisiana Award System and additional employees required to respond to the provisions in this legislation. While LOSFA did not detail the potential costs, prior year estimates identified specific positions and associated costs as well as higher estimates of the programming costs. The LFO believes these prior year estimates are a more accurate representation of the potential costs to convert the TOPS Program to a grant/loan program.

LOSFA has indicated that to implement the repayment provisions recipients would be required to sign promissory notes to receive their award. LOSFA will be required to modify the LA Award System to allow for promissory signatures, notifications to begin repayment, payment completion, and any other actions that the system would need for compliance with this legislation. The exact cost to modify LOSFA's award system will not be known until a Request For Proposals (RFP) is issued. LOSFA's preliminary estimate is a minimum of \$50,000, however, in prior years LOSFA has estimated a cost of \$120,000 based on 1,000 contractor hours at \$120 per hour. Additionally, it is unknown at this time whether LOSFA will have enough time to issue a RFP, contract with a vendor to make the changes, promulgate the revised rules, and incorporate any other program changes in order to issue promissory notes for eligible TOPS student for the Fall 2018 semester. **Cont'd Page 2**

REVENUE EXPLANATION

The proposed legislation will result in an increase in state revenue as a result of students repaying TOPS awards for resigning from a post secondary institution or for failing to maintain eligibility for the TOPS award. The bill does not specify the means of finance; however, the LFO assumes the revenue to be SGF. The proposed legislation is applicable to FY 18 high school graduates; therefore, the Fall 2018 first-time, full-time students that receive a TOPS award will be the first students required to sign these promissory notes. Assuming LOSFA will have enough time to make the necessary modifications to their award system to track the Fall 2018 students, the earliest repayment of delinquent accounts is anticipated to be FY 20 for the Fall 2018 students that fail to maintain eligibility or resign from college in the Spring 2019.

Based on data provided by LOSFA, the five-year average number of students that have had their award canceled is 5,726 each academic year, which is 12% of the five-year average total recipients (49,276). Over the last five-years, on average, 3,557 (7%) have had their award canceled within the first year, 1,263 (3%) in the second year, and 907 (2%) the years after. **As an illustrative example**, assuming these averages, there could potentially be \$7.7 M in eligible returns in FY 20, however, the entire amount is not anticipated to be collected in one year. Any debt owed back to the state is anticipated to be collected over several years after the students leave school and some will be repaying the debt over multiple periods and not as a lump sum. In subsequent years, the estimated amount would increase as additional students have their award canceled. Based on these figures, in FY 24 the annual amount owed back to the state could be as much as \$32.9 M.

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}

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

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Continued Expenditure Explanation from Page 1

LOSFA has indicated it has insufficient staff to manage the additional workload necessary to track all students that enter repayment status, to determine whether students are eligible for deferment/exclusion, to process payments, to track the amount to be repaid, and to forward delinquent accounts to collection agencies. LOSFA has not indicated how many additional staff will be needed for this measure.

In prior years for similar legislation, LOSFA has indicated it would require 1 additional legal position (\$77,000 salaries and benefits) to establish the necessary procedures and processes to implement this legislation and to review requests for debt forgiveness; 3 student financial aid specialists (\$189,000 salaries and benefits) to track students who are in repayment status to ensure that payments are being received; and 2 additional accountants (\$126,000 salaries and benefits) for loan processing and debt collection activities. Additional costs include \$80,600 for recurring expenditures (operating expenses - \$47,100 and rent - \$33,500) and one time acquisition of computers and printers (\$15,000) for these additional employees.

Upon receiving notification that their liability is due, students will be required to repay this debt. In accordance with RS 47:1676, LOSFA will forward delinquent accounts to the Attorney General (AG). The collection fee the AG charges will be passed onto the delinquent account holder. Depending on the number of collections, AG has indicated it may require a minimum of one new debt collector at an estimated cost of \$58,500 (\$33,500 salaries and \$25,000 related benefits), which they anticipate will be funded with the increase in collection fees. As point of reference, according to the U.S. Department of Education, the 3 year average loan default rate for Louisiana is 12.7%.

It is assumed that BOR/LOSFA would follow the federal student loan collections procedures to collect TOPS repayments, which provides students six months after the student leaves school to begin repaying their debt in order to give the student sufficient time to seek employment for the repayment of the debt. These students have six months to file for an exception or to regain TOPS eligibility. TOPS students that fail to maintain eligibility can have their TOPS reinstated after one semester if they manage to meet the criteria for reinstatement.

Students can have their award canceled for failure to maintain steady academic progress or to meet the cumulative grade point average (GPA) requirement, for failure to enroll full time, to maintain continuous enrollment in school, or to earn 24 hours in an academic year. Students that have their award suspended for academic reasons will have their award considered canceled only after the time period for achieving the necessary GPA has passed and the student has not achieved the required GPA. Students after 24 hours of credit need at least a 2.30 GPA and students after 48 hours of credit need at least a 2.5 GPA. Students that have their award suspended for other reasons will be considered canceled/delinquent after the deadline for filing an exception request has passed or an exception request has been denied.

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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