

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 89** SLS 16RS 299
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Office of Student Financial Assistance	Analyst: Matthew LaBruyere
Subject: TOPS Eligibility Requirements	

TOPS OR DECREASE GF EX See Note Page 1 of 1
 Provides relative to TOPS eligibility requirements. (gov sig)

Present law provides relative to the Taylor Opportunity Program for Students (TOPS) as a program of merit scholarships for students attending certain postsecondary education institutions and who meet specific grade point average (GPA), ACT score, and core curriculum requirements and certain other qualifications.

Present law provides that the state's average composite ACT score be rounded to the nearest whole number.

Proposed law provides instead that the state's average composite ACT score be truncated to the nearest whole number.

Proposed law increases the minimum ACT test score required for initial eligibility for an Opportunity Award for students graduating from high school during or after the 2019-2020 school year from a 20 to a 21.

Present law provides for exceptions to the eligibility requirements for students graduating from high school in prior years.

Proposed law retains these exceptions, but recodifies them in a new provision of law.

Effective upon governor's signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	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>	\$0
Annual Total	\$0	\$0	\$0	\$0		\$0

EXPENDITURE EXPLANATION

The proposed legislation will result in a decrease in state general fund expenditures as a result of increasing the ACT score requirement for TOPS Opportunity Award from 20 to 21. The ACT score for home study would increase from 22 to 23 and the score for out-of-state students would increase from 23 to 24. The exact decrease is indeterminable since it is unknown how many students would qualify based on the increased eligibility requirements and how many students would accept the award. The increased ACT score would affect students graduating from high school in the 2019-2020 academic year.

Based on LA Office of Student Financial Assistance (LOSFA) projections, TOPS expenditures in FY 21 are projected to be \$316.1 M for 55,253 students. The TOPS Opportunity Award is the largest portion of the payment at \$144.5 M for 27,361 students. LOSFA projects the number of incoming freshman in FY 21 that would qualify for TOPS Opportunity is 8,374.

NOTE: The 2015 class includes 7,584 students (including home school and out-of-state students) that qualified for the TOPS Opportunity award and based on the proposed legislation, only 5,455 would qualify for the award with at least a 21 ACT score, a decrease of 2,129 students, or 28%. LFO bases its calculations on the percentage of affected students; LOSFA uses the number of students for their calculation.

The Legislative Fiscal Office estimates net SGF savings could be \$11.2 M in FY 21. To the extent 28% of the projected 8,374 incoming freshmen did not qualify for TOPS Opportunity, 2,351 students (8,374 students x 28% ineligible rate) would not qualify and the projected savings would be \$12.4 M. The savings would be partially offset by a portion of the 2,351 students accepting the TOPS Tech award in place of the Opportunity Award. The historical acceptance rate of TOP Tech awards is 18.5%. To the extent the 435 (2,351 students x 18.5% acceptance rate) students accept the TOPS Tech award and attend a community or technical college, TOPS Tech expenditures in FY 21 would increase from \$5 M to \$6.2 M, an increase of \$1.2 M. The decrease in TOPS Opportunity Award payments of \$12.4 M and increase in TOPS Tech payments of \$1.2 M would result in a total net decrease of \$11.2 M in FY 21.

LOSFA estimates a net savings in FY 21 of \$5.2 M (-\$11.2 M Opportunity savings + \$6 M TOPS Tech increase). LOSFA indicates the proposed legislation would result in a projected decrease of 2,129 students (based on the 2015 graduating class) that would not meet the ACT requirement. This decrease in students would result in a projected Opportunity Award payment in FY 21 of \$133.2 M, a decrease of \$11.2 M. LOSFA projects that all 2,129 students that would not qualify for TOPS Opportunity would accept TOPS Tech, which would increase TOPS Tech payments by \$6 M for a total net decrease of \$5.2 M in FY 21.

REVENUE EXPLANATION

The proposed legislation may result in a decrease in self-generated revenue for public institutions. As a result of increasing the ACT score requirement for TOPS Opportunity award, certain students would no longer qualify for TOPS Opportunity award. To the extent students cannot access other financial aid to replace TOPS and choose not to enroll in public institutions, then the institutions could experience a decrease in enrollment. The potential impact of this is indeterminable.

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}

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}

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