

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 848** HLS 16RS 1166
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 29, 2016 9:58 AM	Author: HILFERTY
Dept./Agy.: Office of Student Financial Assistance	
Subject: TOPS Eligible Institutions	Analyst: Matthew LaBruyere

STUDENT/LOANS-SCHOLARSHIP OR DECREASE GF EX See Note Page 1 of 2
 Provides relative to institutions at which students may use a Taylor Opportunity Program for Students (TOPS) award

Present law defines an "eligible college or university" as a LA college or university that is either (1) public or (2) a member of the LA Assoc. of Independent Colleges and Universities (LAICU). Present law, for students pursuing skill or occupational training, broadens the definition of "eligible college or university" to include certain cosmetology and proprietary schools. Proposed law, applicable to students graduating from high school during or after the 2016-17 school year, eliminates the option of using a TOPS award at a cosmetology or proprietary school. Present law establishes the TOPS-Tech Early Start Award for eligible 11th and 12th grade public school students and authorizes its use to fund any technical or applied course leading to specified certificates offered by the following LA entities: 1) public postsecondary institutions; 2) nonpublic postsecondary institutions; or 3) training providers. Proposed law, applicable to students graduating from high school during or after the 2017-18 school year, limits the nonpublic institutions at which this award may be used to fund such courses to LAICU member institutions and eliminates the authority to use this award to fund courses offered by training providers.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	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>	<u>\$0</u>
Annual Total	\$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	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>	<u>\$0</u>
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The proposed legislation will result in a decrease in state general fund expenditures as a result of removing proprietary and cosmetology schools from the list of eligible colleges and universities participating in the TOPS program. The exact decrease is indeterminable since it is unknown how many students will attend proprietary and cosmetology schools, how many will remain enrolled and what the award amounts will be. Students that are enrolled in the proprietary and cosmetology schools during the 2016-2017 academic year will be allowed to continue receiving their award until eligibility is exhausted. The proposed legislation also removes training providers from TOPS Tech Early Start. There is no impact as a result of removing training providers as an eligible institution for TOPS Tech Early Start since no students are utilizing training providers.

Students affected by this legislation receive either the TOPS Tech (2-Year awards) or TOPS academic awards (4-year awards Opportunity, Performance and Honors). Based on 3 year averages provided by the LA Office of Student Financial Assistance (LOSFA), an average of 230 students receive TOPS Tech awards to attend proprietary and cosmetology schools at an average total cost of \$252,565 and 154 students receive TOPS academic awards to attend proprietary and cosmetology schools at an average total cost of \$177,643.

LOSFA anticipates a SGF savings in FY 19 and FY 20 of \$252,565 for students that no longer use TOPS Tech awards at proprietary and cosmetology schools and a SGF savings of \$430,208 in FY 21 for students that no longer use TOPS Tech and academic awards at proprietary and cosmetology schools; resulting in a total savings (FY 19 - FY 21) of \$930,000 M. LOSFA projections do not include annual incremental savings resulting from no new academic awards FY 18 through FY 20.

To the extent the 3 year average of students receiving TOPS awards attending nonpublic institutions and associated award amounts mentioned above remains static in FY 17, the Legislative Fiscal Office estimates a total potential savings of as much as \$1.3 M from FY 18 through FY 21.

As a result of the proposed legislation, beginning in FY 18 there will be no more new awards to proprietary and cosmetology schools. For illustrative purposes, the student cohort of 154 (3 year average) that begins in **(CONTINUED ON PAGE 2)**

REVENUE EXPLANATION

The proposed legislation may result in an increase in self-generated revenue for public institutions. As a result of removing nonpublic institutions from eligible institutions, students may choose to attend public institutions. To the extent students attend in public institutions instead of nonpublic institutions, the enrollment increase would result in more revenue for public institutions. The potential impact of this is indeterminable.

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|---|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 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:

(CONTINUED EXPENDITURE EXPLANATION FROM PAGE 1)

FY 17 will decrease at a rate of 25% each year until there would be no more students attending proprietary and cosmetology schools who receive TOPS after four years. For the 230 students (3 year average) receiving the 2 year TOPS Tech awards the rate of decrease is 50%, with no recipients in FY 19 and thereafter.

Based on the annual reduction rate of 25% for TOPS awards and 50% for TOPS Tech awards, savings would accrue as follows:

FY 18 - 154 fewer students =	\$0.17 M
FY 19 - 307 fewer students =	\$0.34 M
FY 20 - 346 fewer students =	\$0.38 M
FY 21 - 384 fewer students =	\$0.43 M
<u>Total</u>	<u>\$1.32 M</u>

The savings cited above will be decreased to the extent any student receiving a TOPS award with the intention of attending a proprietary and cosmetology school decides to attend a public institution instead. It is unknown what percentage of students would choose to utilize the TOPS award at a public institution instead of attending a proprietary and cosmetology school at their own cost. Students receiving TOPS and attending a proprietary and cosmetology school may be enrolled in a program that takes less than 8 semester to complete. To the extent students enroll in programs that take less than 8 semesters to complete, a savings will be recognized sooner.

Savings will also be decreased based on the actual number of students receiving awards annually since each year's cohort does not contain the same percentage of students, however for the purposes of this analysis the percentage is evenly distributed (i.e. 25% annually). It is also possible that TOPS awards may still be used into FY 21 and subsequent fiscal years as a result of exceptions that students may be granted. These potential amounts are unknown.

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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