

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 852** HLS 16RS 745

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 4, 2016	8:29 AM	<b>Author:</b> HUNTER
<b>Dept./Agy.:</b> Office of Student Financial Assistance		<b>Analyst:</b> Matthew LaBruyere
<b>Subject:</b> TOPS Awards		

STUDENT/LOANS-SCHOLARSHP OR INCREASE GF RV See Note  
Provides relative to the Taylor Opportunity Program for Students (TOPS)

Present law, applicable to students graduating from high school during or after the 2016- 2017 school year, provides that a TOPS-Tech Award shall only be awarded if a student is enrolled in a program aligned to state workforce priorities as determined by the Bd. of Regents and LA Workforce Investment Council. Proposed law, applicable to this same cohort of students, provides that this award only be awarded if a student is enrolled in a program that would qualify him for employment in a four or five star job, on a statewide basis, as defined by the LA Workforce Commission (LWC). Present law provides academic and other requirements for maintaining eligibility for awards once enrolled in college. Proposed law applicable to students graduating from high school during or after the 2016-2017 school year, adds a requirement that the student be pursuing a degree or skill or occupational training that would qualify him for employment in a four or five star job, on a statewide basis, as defined by the LWC. Further provides that a student shall remain eligible for an award if he otherwise maintains eligibility and if after the student enrolls in but before he completes the **(CONTINUED ON PAGE 2)**

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>				<b>\$0</b>

**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 requiring the repayment of Taylor Opportunity Program for Students (TOPS) awards for not maintaining eligibility. The exact increase is indeterminable because it is unknown how much programming costs will be to modify the Louisiana Award System and how many positions LOSFA will require to handle repayment status of students.

LOSFA has indicated that to implement the bill TOPS would become a grant/loan program, thus TOPS recipients would be required to sign promissory notes to receive awards. To achieve this, the LA Award System would need modifications to allow for promissory signatures, notifications to begin repayment, when repayment is complete, and any other actions that the system would need to handle. The modifications would be a one-time cost that is expected to cost \$120,000 in FY 18. The estimate is based on 1,000 development hours at a contractor hourly rate of \$120. However, the exact cost will not be known until a Request For Proposals (RFP) is issued for the work.

LOSFA will need additional staff to handle duties such as tracking students that enter repayment status, determining eligibility for deferment, processing and tracking payments, and submitting non-payments to the Attorney General or Office of Debt Recovery for collection purposes. **(CONTINUED ON PAGE 2)**

**REVENUE EXPLANATION**

The proposed legislation will result in an increase in state revenue as a result of students repaying TOPS awards. The bill does not specify the means of finance; however, the LFO assumes the revenue to be SGF. The exact increase is indeterminable since it is unknown how many students will not maintain eligibility or not complete a program in the specified time frame and how much would be collected in repayments of TOPS awards. Since the legislation would begin in FY 18, the first TOPS repayments would not be received until FY 19 from those that do not maintain eligibility or complete a program in a certain time frame.

Based on LOSFA data, there are an average of 3,947 (8.6%) TOPS awards lost annually. Of the 3,947 canceled awards, the average cancellations by year are as follows: 2,348 after the 1st year; 931 after the 2nd year; 525 after the 3rd year. Information provided by the Board of Regents indicates that 29% of TOPS recipients complete a degree within 4 years (the length of the TOPS award). For this analysis, 71% of students remaining in the cohort after year 4 will not have completed a degree and would be subject to full repayment of the award. For illustrative purposes, if the number of award cancellations and 4 year graduation rate remains static in future fiscal years, then beginning in FY 19 TOPS repayment amounts owed to the state would be the following:

**(CONTINUED ON PAGE 2)**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input checked="" 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:**

**Legislation Explanation Continued From Page 1:**

program of study such job is no longer defined as a four or five star job. Proposed law, applicable to students graduating from high school during or after the 2016-2017 school year, requires any student who fails to maintain award eligibility or to complete his academic degree or skill or occupational training within the time frames specified in present law to repay all award amounts paid to a postsecondary education on his behalf. Requires the administering agency (La. Student Financial Assistance Commission) to promulgate rules necessary to implement proposed law, including provision for the following: 1) collecting amounts owed and interest on unpaid amounts. 2) circumstances under which a student shall be excepted from the proposed law repayment requirements; requires that these rules provide for the definition, certification requirements, and maximum duration of these circumstances, which shall be limited to permanent disability and military service.

**EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1:**

The exact number of additional personnel is indeterminable at this time. However, the total number of personnel hired by LOSFA will depend on the number of students who do not maintain eligibility and must repay TOPS awards. LOSFA indicates that beginning in FY 19 it would hire 3 Financial Aid Specialists and 1 attorney at a cost of \$288,266 (\$194,184 salary + \$94,082 benefits). Additional costs include operating expenses for each position at \$7,858 and acquisitions \$2,500. The total cost for FY 19 for adding 4 personnel would be \$329,698 (288,266 personnel costs + \$31,432 operating costs + \$10,000 acquisitions).

Beginning in FY 20, LOSFA anticipates the need for 2 accountants for processing and collection activities at a cost of \$157,168 (\$91,920 salaries + \$44,532 benefits + \$15,716 operating expenses + \$5,000 acquisitions). LOSFA anticipates adding 2 accountants for the next two years for a total of 6 accountants by FY 22. For each accountant added, the SGF would increase by \$79,584 (\$46,960 salary + \$22,266 benefits + \$7,858 operating expenses + \$2,500 acquisition).

To the extent all 10 personnel noted above are hired by LOSFA, the total personnel cost in FY 22 will be \$776,194 (697,614 personnel costs + \$78,580 operating expenses).

According to the U.S. Department of Education, the 3 year average loan default rate for Louisiana is 11.9%. To the extent the default rate remains constant and the number of canceled awards remains constant, the number of students defaulting on TOPS repayments would increase from 310 in FY 19 to 1,496 in FY 22. Those student accounts that default on TOPS repayments would be turned over to either the Office of Debt Recovery or the Attorney General's Office to be collected. It is possible that the increased workload may result in either office hiring additional personnel to handle debt collection for LOSFA. The exact number of personnel hired will depend on the number of students that default on TOPS repayments. For each 1,000 accounts, the Attorney General would hire one Collector at a cost of \$70,404. This includes salary and benefits (\$52,704), operating expenses (\$13,100) and acquisitions (\$4,600). Based on the potential number of default against, 2 Collectors would be needed at a cost of \$140,808.

**REVENUE EXPLANATION CONTINUED FROM PAGE 1:**

- FY 19 - \$8.3 M
- FY 20 - \$15.9 M
- FY 21 - \$22 M
- FY 22 - \$119.5 M

This would result in \$165.7 M in TOPS award repayments that would be owed to the state in 4 years. This amount includes students that did not maintain eligibility based on either academic or time frame requirements. This amount does not include students who would not meet the 4 or 5 star job requirement. The amount actually collected by the state would depend on how LOSFA structures the repayment process, how many students continue making payments and the effectiveness of the Office of Debt Recovery or Attorney General's Office to recover final debts sent from LOSFA.

Additional awards may be canceled for students who are pursuing a degree, skill or occupational training that would not qualify the students for employment in a 4 or 5 star job as defined by the LA Workforce Commission. It is unknown how many students would not be enrolled in a degree, skill or occupational training and therefore would not maintain a TOPS award. For each student that does not meet this new eligibility requirement for maintaining a TOPS award, additional funds will be owed to the state through repayment. The potential impact of this is indeterminable.

It should be noted that the exact amounts that will be owed to the state each year are unknown and will depend on many variables including: the school the student attended while receiving the award (tuition), how many years the student received the award, the number of students that do not maintain eligibility/resign, and the number of students that receive exceptions. Furthermore, since the TOPS program would become a grant/loan program, student behavior may change to result in more students maintaining eligibility on an annual basis; however this cannot be determined. The average cost of award includes the cost of 4 year and 2 year schools.

The Office of Debt Recovery or the Attorney General's Office will likely increase statutory dedicated revenue as a result of collecting defaulted TOPS repayments. The exact increase is indeterminable since it is unknown how many students will default on TOPS repayments and how much will be owed at the time of default. However, any amounts collected by either office will be subject to a collection fee not to exceed 25% as authorized by statute.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" 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}

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