

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 438** HLS 16RS 566
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 7, 2016 4:38 PM	Author: IVEY
Dept./Agy.: Office of Student Financial Assistance	Analyst: Matthew LaBruyere
Subject: TOPS Tech Scholarship	

STUDENT/LOANS-SCHOLARSHIP EG DECREASE GF EX See Note Page 1 of 2
 Creates a new Taylor Opportunity Program for Students (TOPS) award, the TOPS-Tech Transfer Award

Proposed law creates a new TOPS award, the TOPS-Tech Transfer Award. Proposed law provides that a student who receives this award shall receive the equivalent of a TOPS-Tech Award for his first two years of postsecondary education and, if he meets certain criteria, the equivalent of an Opportunity Award for his remaining four semesters. Proposed law provides that the first cohort of students eligible for such an award shall be those graduating from high school in the 2019-20 school year. Present law requires that for an Opportunity Award, a student must attain an ACT score that is at least equal to the state's average score but never less than 20. Proposed law instead applies this ACT score requirement to the TOPS-Tech Transfer Award and provides that the minimum score for an Opportunity Award is 21. Present law requires a minimum cumulative GPA of 2.50 for a TOPS-Tech or Opportunity Award and a 3.00 for a Performance or Honors Award. Proposed law raises the minimum GPA for the Opportunity Award from 2.50 to 3.00. Proposed law requires a minimum GPA of 2.50 for TOPS-Tech Transfer. Present law requires students qualifying for an Opportunity Award maintain a **(CONTINUED ON PAGE 2)**

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 grade point average (GPA) and ACT score to receive the Taylor Opportunity Programs for Students (TOPS) Opportunity award, increasing the minimum GPA for maintaining TOPS awards after completion of 24 and 48 hours of credit, and by creating the TOPS Tech Transfer award. The exact decrease is indeterminable because it is unknown how many high school graduates will meet the eligibility requirements, how many students currently receiving TOPS will not meet the future GPA requirements, and how many students will become eligible for TOPS Tech Transfer. Since the GPA increase for maintaining eligibility will not apply to students until FY 21, a potential savings cannot be displayed in the time frame above and Louisiana Office of Student Financial Assistance (LOSFA) projections do not forecast awards and amounts that far into the future.

Opportunity Award GPA and ACT Requirements

Based on 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 7,463 students that qualified for the TOPS Opportunity award and based on the proposed legislation, only 7,206 would qualify for the award with at least a 3.00 GPA and 21 ACT, a decrease of 1,041 students or 13.9%. 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 \$2.9 M in FY 21. To the extent 13.9% of the projected 8,374 incoming freshmen did not qualify for TOPS Opportunity, 1,168 students (8,374 students x 13.9% ineligible rate) would not qualify and the projected savings would be \$6.2 M. The savings would be partially offset by all of the 1,168 students accepting the new TOPS Tech Transfer award in place of the Opportunity Award. TOPS Tech expenditures in FY 21 would increase from \$5 M to \$8.3 M, an increase of \$3.3 M. The decrease in TOPS Opportunity Award payments of \$6.2 M and increase in TOPS Tech payments of \$3.3 M would result in a total net decrease of \$2.9 M in FY 21. **(CTD. ON PG. 2)**

REVENUE EXPLANATION

The proposed legislation may result in a decrease in self-generated revenue for public institutions. As a result of increasing the GPA for maintaining 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 chooses not to remain enrolled in public institutions, then the institutions could experience a decrease in enrollment. The potential impact of this is indeterminable. In addition, the TOPS Tech Transfer award would result in a decrease in SGR for 4 year institutions **(CTD. ON PG. 2)**

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|---|--|
| <u>Senate</u> | <u>House</u> |
| <u>Dual Referral Rules</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:

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minimum cumulative GPA of 2.30 after 24 credit hours and 2.50 after 48 credit hours. Proposed law increases these minimum GPA requirements from 2.30 to 2.50 and from 2.50 to 2.75, respectively. Proposed law requires a GPA of at least 2.75 upon graduation from his initial institution to qualify for a TOPS-Tech Transfer Award.

CONTINUED EXPENDITURE EXPLANATION FROM PAGE 1:

LOSFA estimates a net savings in FY 21 of \$2.6 M (-\$5.5 M Opportunity savings + \$2.9 M TOPS Tech increase). LOSFA projects a decrease of 1,041 students (based on the 2015 graduating class) that would not meet the GPA and ACT requirement. This decrease in students would result in a projected Opportunity Award payment in FY 21 of \$139 M, a decrease of \$5.5 M. LOSFA further projects that all 1,041 students that would not qualify for TOPS Opportunity would accept TOPS Tech, which would increase TOPS Tech payments by \$2.9 M for a total net decrease of \$2.6 M in FY 21.

Increased GPA for Maintaining Opportunity Award

Based on data provided by LOSFA, there were 23,809 TOPS Opportunity award recipients in 2014-2015 Academic Year that met the GPA requirements to maintain eligibility. Of these awards, 6,810 students have completed 24 or more hours, but less than 48 hours and 15,011 have completed 48 hours or more. Of the 6,810 that have completed between 24 and 47 hours, 978 have a GPA between 2.30 and 2.49. Of the 15,011 students that completed 48 hours or more, 3,810 have a GPA between 2.50 and 2.74.

To the extent these GPA changes were imposed on the students receiving TOPS Opportunity awards in 2014-2015, 978 students with 24 hours and less than 48 hours would become ineligible and 3,810 students with 48 hours or more would become ineligible. For illustrative purposes, if the proposed legislation affected the 2014-2015 TOPS recipients, the savings would be \$25.1 M (4,788 students x \$5,254 FY 16 award amount) based on the current award amount since 4,788 students would not be eligible for TOPS.

NOTE: The 2014-2015 Academic Year was used for this analysis since it contained students that had completed more than 48 hours of credit.

TOPS Tech Transfer Award

The TOPS Tech Transfer award would allow a student to attend a community or technical college and then receive a TOPS Opportunity award if the student transfers and enrolls in a 4 year college or university within the state. The impact of this new award is factored into the savings noted in the analysis above.

TOPS costs would increase beginning in FY 23 as students receiving TOPS Tech Transfer, enroll in a 4 year college or university and are awarded TOPS Opportunity awards. The impact cannot be determined at this time.

CONTINUED REVENUE EXPLANATION FROM PAGE 1:

and increase in SGR for 2 year institutions based on the enrollment of TOPS Tech Transfer award students. This impact 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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