

# BRAC RESEARCH BRIEF

## *Higher Education Funding Analysis*

May 22, 2013



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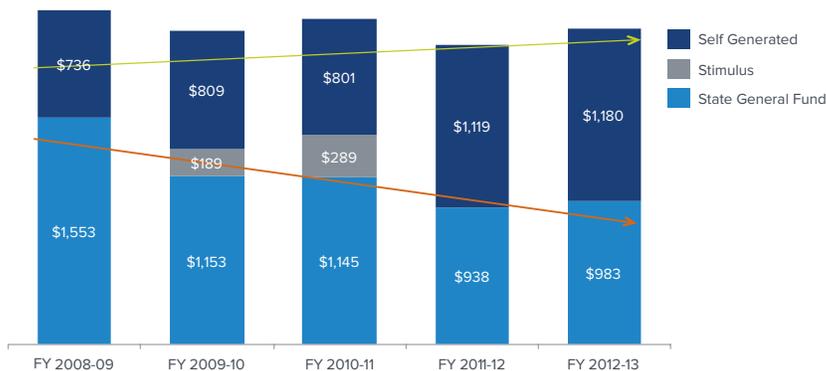
### Introduction

Higher education is critical to economic development, especially as we see global shifts to a knowledge-based economy. Further, it takes talent to breed talent, and it is critical for our higher education institutions to have the funding and latitude necessary to attract and retain talent among their ranks. Unfortunately, Louisiana’s higher education systems are facing a funding crisis, and are not equipped with the mechanisms necessary to fill the gap with self-generated revenue. As such, BRAC maintains its policy position to **pursue reforms that return control over tuition and fees to higher education management boards**. This research brief reviews the latest higher education funding data, as well as analysis about the Taylor Opportunity Program for Scholarships, better known as TOPS.

### Sharp Funding Declines

Since fiscal year (FY) 2008-09, state funding for higher education has decreased by 36.7 percent, a reduction of \$570 million, as shown in Figure 1.<sup>1</sup> Furthermore, over the same period, mandated costs have increased 26 percent. In FY 2008-09, mandated costs were \$428 million, and in FY 2012-13, costs expanded to \$607 million.<sup>2</sup> Louisiana’s higher education system has been kept from the brink through self-generated funding, mainly in the form of tuition and fee increases. The outlook for FY 2013-14 is expected to continue the trend of reductions in state funding and increases in self-generated funding.

FIGURE 1: FISCAL YEAR OPERATING BUDGET  
FY 2008–09 — FY 2012–13 (\$M)



Source: Louisiana Board of Regents, Office of Planning and Budget

FIGURE 2: FUNDS FOR EDUCATIONAL AND GENERAL (E&G) OPERATIONS  
Dollars Per FTE\*

	Four-year Academic Institution	Rank	Two-year Academic Institution	Rank
Delaware	\$28,127	1	\$8,722	2
Maryland	\$19,176	2	\$10,127	1
Kentucky	\$17,639	3	\$6,387	12
South Carolina	\$16,637	4	\$6,535	10
North Carolina	\$16,050	5	\$8,066	3
Virginia	\$15,048	6	\$6,353	14
Texas	\$14,809	7	\$7,541	4
Alabama	\$14,492	8	\$7,246	5
<b>Southern Avg.</b>	<b>\$14,189</b>		<b>\$6,878</b>	
Mississippi	\$14,069	9	\$6,381	13
Tennessee	\$12,918	10	\$6,957	7
Georgia	\$12,822	11	\$6,503	11
Oklahoma	\$12,747	12	\$6,614	9
West Virginia	\$12,702	13	\$6,928	8
Arkansas	\$12,598	14	\$7,086	6
<b>Louisiana</b>	<b>\$10,867</b>	<b>15</b>	<b>\$5,485</b>	<b>15</b>
Florida	\$10,536	16	\$5,045	16

\*Funds consist of (1) state tax revenues, (2) local tax revenues, (3) other funds such as earnings from state-funded endowments, (4) earmarked revenues, and (5) tuition and fee revenue  
Source: SREB; BRAC analysis

<sup>1</sup> Office of Planning and Budget

<sup>2</sup> Louisiana Board of Regents

These cuts not only make it more difficult to retain talented professors, researchers, and staff, but also put Louisiana further behind our fifteen Southern state peers.<sup>3</sup> As of 2011, Louisiana ranked fifteenth (out of sixteen) among peers in total funding per full time enrollee (FTE), as shown in Figure 2.<sup>4</sup> Total funding for Louisiana students enrolled in four-year universities (\$10,867 per FTE) still falls significantly below the Southern average (\$14,189 per FTE). Louisiana’s total funding for two-year institutions, such as community colleges, (\$5,485 per FTE) is also lower than the Southern average (\$6,878 per FTE).

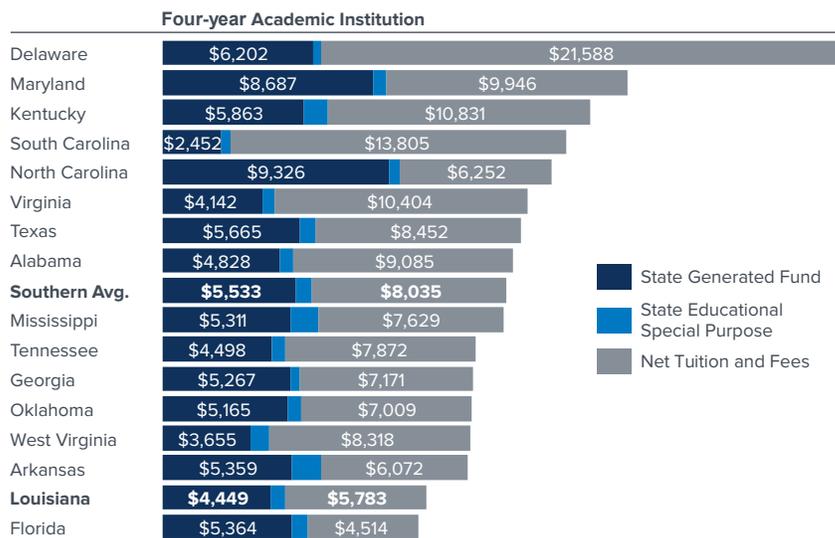
There are more clearly defined funding gaps when separated by sources of funding. State-generated funding for Louisiana colleges (\$4,449 per FTE) falls below the Southern average (\$5,533 per FTE), as shown in Figure 3.<sup>5</sup> Most significantly, net tuition and fees revenues (\$5,783 per FTE) are almost one-third less the amount of the Southern average (\$8,035 per FTE).

### Tuition Controls

While state funding continues its downward trend, Louisiana’s higher education institutions lack autonomy over their tuitions and fees. While the GRAD Act of 2010 (Granting Resources and Autonomies for Diplomas) provided limited tuition and fee autonomy for up to 10 percent increases per year, Louisiana is still the only state that requires a two-thirds vote of the state legislature to approve college tuition increases.

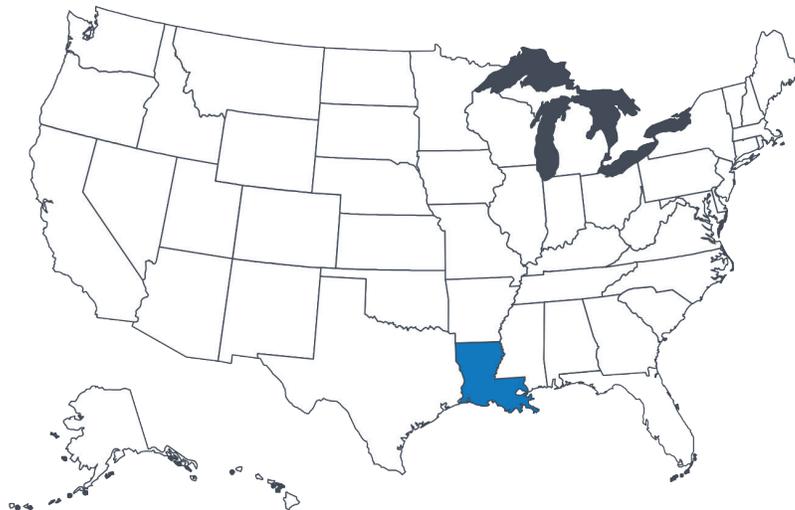
**FIGURE 3: SOURCES OF FUNDING FOR EDUCATIONAL AND GENERAL (E&G) OPERATIONS**

Dollars Per FTE\*



Source: SREB; BRAC analysis

**WHILE THE GRAD ACT CREATED GREATER TUITION AUTONOMY, LOUISIANA IS STILL THE ONLY STATE WHERE THE STATE LEGISLATURE (2/3 VOTE) HAS FINAL AUTHORITY OVER TUITION AND FEES**



Source: Southern Legislative Conference

<sup>3</sup> Southern peers, according to Southern Regional Education Board, include: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia

<sup>4</sup> Southern Regional Education Board, BRAC Analysis

<sup>5</sup> Southern Regional Education Board

As such, Louisiana's net tuition and fee revenue per four-year college or university student ranks fifteenth (out of sixteen) compared to Southern peers,<sup>6</sup> as shown in Figure 4. Furthermore, Louisiana's net tuition and fee revenue (\$5,783 per four-year FTE) is approximately two-thirds of the Southern average (\$8,035 per four-year FTE).<sup>7</sup> In fact, the highest-ranking Southern state (Delaware) generates almost four times as much revenue from tuition and fees as Louisiana. Louisiana's two-year academic institutions similarly face low tuition and fee revenues. Louisiana ranks tenth (out of sixteen) in net tuition and fee revenue per two-year college or university (\$3,231 per two-year FTE).

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### Impact on Louisiana's Flagship University

The combined effect of state cuts and lack of tuition control is evident at the flagship university, Louisiana State University (LSU). When compared with other premier public research universities, LSU's core revenues (\$30,500 per FTE) lag significantly behind the average (\$56,800 per FTE), as shown in Figure 5.<sup>8</sup> Furthermore, LSU's tuition and fee revenue per pupil for 2011 (\$7,000 per FTE) is approximately one-third less than the average tuition and fee

**FIGURE 4: NET TUITION AND FEE REVENUE**  
Dollars Per FTE\*

	Four-year Academic Institution	Rank	Two-year Academic Institution	Rank
Delaware	\$21,588	1	\$3,610	6
South Carolina	\$13,805	2	\$4,515	2
Kentucky	\$10,831	3	\$3,867	4
Virginia	\$10,404	4	\$3,845	5
Maryland	\$9,946	5	\$4,593	1
Alabama	\$9,085	6	\$3,556	7
Texas	\$8,452	7	\$2,702	13
West Virginia	\$8,318	8	\$3,541	8
<b>Southern Avg.</b>	<b>\$8,035</b>		<b>\$2,977</b>	
Tennessee	\$7,872	9	\$4,030	3
Mississippi	\$7,629	10	\$2,748	12
Georgia	\$7,171	11	\$3,428	9
Oklahoma	\$7,009	12	\$1,916	15
North Carolina	\$6,252	13	\$1,702	16
Arkansas	\$6,072	14	\$2,995	11
<b>Louisiana</b>	<b>\$5,783</b>	<b>15</b>	<b>\$3,231</b>	<b>10</b>
Florida	\$4,514	16	\$2,371	14

\*Tuition and fee revenue minus amounts dedicated to debt service. Includes tuition and fee revenue from students receiving state student financial aid.

Source: SREB; BRAC analysis

**FIGURE 5: PUBLIC RESEARCH UNIVERSITIES CORE REVENUES**  
FY 2011 Per FTE (Thousands)

	U.S. News and World Report "Best Colleges" Ranking			
U of Michigan	\$65.5	\$6.8	\$17.2	29
UVA	\$58.7	\$5.9	\$14.7	24
UNC Chapel Hill	\$51.0	\$18.0	\$10.0	30
UC Berkeley	\$38.8	\$10.2	\$13.2	21
UT Austin	\$40.6	\$6.5	\$9.9	46
<b>Top Schools Avg.</b>	<b>\$36.1</b>	<b>\$10.2</b>	<b>\$10.5</b>	<b>51</b>
Georgia Tech	\$36.7	\$10.5	\$9.4	36
Texas A&M	\$29.5	\$10.2	\$8.3	65
U of Florida	\$29.8	\$12.2	\$5.8	54
UMD – College Park	\$19.4	\$12.2	\$11.3	58
UGA	\$12.3	\$11.1	\$8.3	63
<b>LSU A&amp;M</b>	<b>\$14.7</b>	<b>\$8.8</b>	<b>\$7.0</b>	<b>134</b>

Source: IPEDS

<sup>6</sup> Southern peers, according to Southern Regional Education Board, include: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia

<sup>7</sup> Southern Regional Education Board

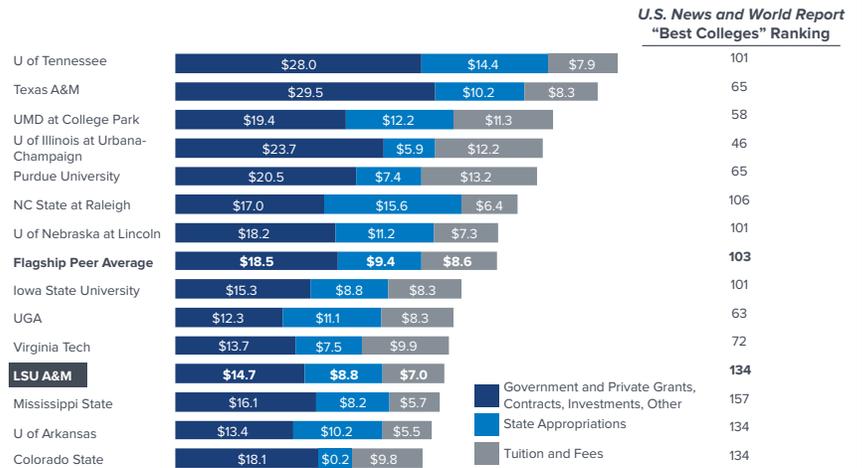
<sup>8</sup> Ibid.

revenue per pupil (\$10,500 per FTE) of top Southern research universities. LSU has the second lowest tuition and fee revenue of the eleven schools. While the average *U.S. News and World Report* ranking for aspirational peers in 2012 was 51, LSU's ranking was 134.

LSU defines its peer universities differently than these Southern public research universities. However, even when compared with its self-defined peer group, LSU's core revenue (\$30,500 per FTE) lags behind its peers and the average (\$36,500 per FTE), as shown in Figure 6.<sup>9</sup> LSU's tuition and fee revenue per pupil (\$7,000 per FTE) is about one-fifth less than the average tuition and fee revenue per pupil (\$8,600 per FTE). LSU has the fourth lowest tuition and fee revenue of the fourteen schools. As anticipated, the average *U.S.*

*News and World Report* ranking for self-defined peers in 2012 was 103, still higher than LSU's ranking of 134.

**FIGURE 6: SELF-DEFINED PEER FLAGSHIP UNIVERSITIES CORE REVENUES**  
FY 2011 Per FTE (Thousands)



Source: IPEDS

## Summary of Higher Education Funding Analysis

The data supports that Louisiana funds its higher education institutions less than other Southern states. Since FY 2009, the state has decreased state funding and replaced it only partially with self-generated funding such as tuition and fees. Louisiana universities have among the lowest tuition levels of Southern states. For LSU, total per-pupil funding and self-generated funding from tuition and fees both remain lower than top public research universities in the South. LSU is also funded below its self-defined peer group of universities.

In an environment with diminishing state funding for higher education, tuition and fees are the primary alternative for higher education funding. One might expect states with strong state support to offer low tuition, and states with minimal state funding to have higher tuition. However, Louisiana exerts price controls over the higher education marketplace because it is the only state where the legislature requires a two-thirds vote to increase tuition and fees. This political handle artificially suppresses tuition at below market rates. The funding framework leaves Louisiana's higher education system in an uncompetitive financial position. For those desiring to see LSU become a premier public research university, this current funding structure presents a significant challenge.

BRAC supports market-based tuition, believing it is in the best interest of higher education for tuition to be set by the boards that govern Louisiana's universities and colleges. With this transfer of tuition-setting power from the legislature to higher education governing boards comes a transfer of responsibility and accountability for decisions made regarding tuition and fees.

<sup>9</sup> *Ibid.*

# BRAC RESEARCH BRIEF

## Higher Education Funding Analysis



By supporting the vesting of power over tuition setting in higher education governing boards, it is necessary to address TOPS, the state's merit-based scholarship program.

### History of TOPS

The Louisiana College Tuition Plan was signed into law in 1989, creating the first state-funded, merit-based college tuition program. The program was originally conceived to provide college access for low- and moderate-income students as a reward for their academic achievements. It was the result of local businessman Patrick F. Taylor's work to promote educational advancements for families who lacked the means to pursue a college education. The program required a 2.5 GPA in a college preparatory curriculum and a score of 18 on the ACT.

The original program included a family income requirement, limiting eligibility to families with an income of \$25,000 with one dependent child, increasing it by \$5,000 for each additional child, up to a maximum of \$35,000. In 1992, the program was renamed the Tuition Assistance Plan.

The Louisiana Legislature expanded the Tuition Assistance Plan in 1997 by removing the program's income cap and allowing all students to qualify based on academic performance. The legislation also provided for the renaming of the program to the Tuition Opportunity Program for Students (TOPS), Act 1375 of the 1997 Regular Session. In 2008, Governor Jindal signed Act 652 into law, renaming TOPS the Louisiana Taylor Opportunity Program for Students in honor of Mr. Patrick F. Taylor.

FIGURE 7: TOPS DESIGNATED PERFORMANCE STANDARDS

Award	Benefits	Eligibility Requirements	Retention Requirements
<b>Opportunity</b>	<ul style="list-style-type: none"> <li>Tuition and certain fees at any LA Public College or University</li> <li>The weighted average tuition of LA Association of Independent Colleges and Universities (\$3,636/year)</li> </ul>	<ul style="list-style-type: none"> <li>GPA: 2.5 on core courses</li> <li>ACT: prior year state average; currently 20 (48th percentile)</li> </ul>	<ul style="list-style-type: none"> <li>GPA of 2.3 after freshman year, and GPA of 2.5 after all other years</li> <li>Maintain 2.0 cumulative GPA for all semesters</li> <li>Full-time schedule</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>Opportunity award plus \$400 annual stipend</li> </ul>	<ul style="list-style-type: none"> <li>GPA: 3.0 on core courses</li> <li>ACT: 23 (68th percentile)</li> </ul>	<ul style="list-style-type: none"> <li>GPA of 3.0 at end of all academic years</li> <li>Maintain 2.0 cumulative GPA for all semesters</li> <li>Full-time schedule</li> </ul>
<b>Honors</b>	<ul style="list-style-type: none"> <li>Opportunity award plus \$800 annual stipend</li> </ul>	<ul style="list-style-type: none"> <li>GPA: 3.0 on core courses</li> <li>ACT: 27 (87th percentile)</li> </ul>	<ul style="list-style-type: none"> <li>Same as Performance Award</li> </ul>
<b>Tech</b>	<ul style="list-style-type: none"> <li>Tuition at any LA Community and Technical College or LA approved Proprietary and Cosmetology Schools</li> </ul>	<ul style="list-style-type: none"> <li>GPA: 2.5</li> <li>Tech Core Units</li> <li>ACT: 17 (28th percentile)</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative GPA of 2.5 at end of every Spring semester</li> <li>Maintain minimum GPA of 2.0</li> </ul>
<b>Tech Early Start</b>	<ul style="list-style-type: none"> <li>Fifty dollars (\$50) per credit hour for up to six credit hours per semester at a public postsecondary institution for industry-based occupation or vocation education</li> </ul>	<ul style="list-style-type: none"> <li>Be in "good standing" as an 11th or 12th grade student at a LA public high school</li> <li>GPA: 2.0</li> <li>ACT: 15</li> <li>Have in place an approved 5-year education and career plan</li> </ul>	<ul style="list-style-type: none"> <li>Remain in "good standing" at a LA public high school</li> <li>Cumulative GPA of 2.0 in high school courses</li> <li>Be in "good standing" at the public college attended</li> <li>Cumulative GPA of 2.5 at end of every Spring semester, and a 2.0 at the end of all other terms</li> </ul>

Source: Louisiana Office of Student Financial Assistance, Louisiana Legislative Auditor

### Eligibility Requirements

Louisiana’s TOPS Program offers five award types: Opportunity, Performance, Honors, Tech, and Tech Early Start. The minimum eligibility for a TOPS award is a 2.5 GPA and 17 on the ACT, with the most stringent requirement being a 3.0 GPA and 27 on the ACT, as outlined in Figure 7.<sup>10</sup> Louisiana has not changed the eligibility requirements substantially since the program’s creation in 1989, although there is broad evidence that student achievement has increased in high school since the creation of TOPS and Louisiana’s system of high stakes accountability. TOPS students are eligible to use their TOPS awards to attend public universities, as well as private universities in Louisiana.

FIGURE 8: GEORGIA AND FLORIDA’S LOTTERY-FUNDED PROGRAMS COMPARABLE TO TOPS

Program / Location	Description	Eligibility Requirements	Funding	Award Amount
<b>HOPE Scholarship / Georgia</b>	Assists Georgia residents who have demonstrated academic achievement	<ul style="list-style-type: none"> <li>Graduate from a HOPE-eligible high school or home study program with a 3.0 GPA</li> <li>Or, score in the national composite 85th percentile or higher on the SAT or ACT</li> <li>Not be in default on a student financial aid program</li> </ul>	<ul style="list-style-type: none"> <li>Georgia Lottery</li> <li>Since 1993, \$5.8+ billion to 1.4+ million students</li> </ul>	<ul style="list-style-type: none"> <li>Amount based upon a per-hour rate at the institution</li> <li>Private colleges or universities: \$1,800 per semester; part-time: \$900 per semester</li> </ul>
<b>Bright Futures / Florida</b>	Establishes scholarships to reward Florida high school graduates for high academic achievement	<ul style="list-style-type: none"> <li>Core coursework</li> <li>FMS award: 3.0 GPA; 1170 SAT / 26 ACT</li> <li>FAS award: 3.6 GPA; 1290 SAT / 29 ACT</li> <li>Vocational award</li> <li>Community Service Component</li> <li>Submit the FAFSA</li> <li>Not be in default on a student financial aid program</li> </ul>	<ul style="list-style-type: none"> <li>Florida Lottery</li> </ul>	<ul style="list-style-type: none"> <li>FMS award: \$100 per credit hour per semester</li> <li>FAS award: \$75 per credit hour per semester</li> </ul>
<b>Pittsburgh Promise / City of Pittsburgh</b>	Created for Pittsburgh Public School students to attend any post-secondary institution in PA	<ul style="list-style-type: none"> <li>Graduate of a Pittsburgh Public School</li> <li>A student and a resident of Pittsburgh continuously since the 9th grade</li> <li>2.5 GPA</li> <li>Attendance record of 90%</li> <li>Earn admission to any public or private post-secondary school located in PA</li> </ul>	<ul style="list-style-type: none"> <li>The Pittsburgh Federation of Teachers union, partners and investors</li> </ul>	<ul style="list-style-type: none"> <li>Up to a \$40,000 scholarship over four years</li> </ul>

Other states have comparable programs to TOPS, notably Florida and Georgia. These equivalent programs have higher eligibility requirements for student achievement on the GPA and ACT, as noted in Figure 8. Louisiana’s TOPS program has some of the lowest standards. As a result, Louisiana should consider raising the eligibility requirements for the TOPS program.

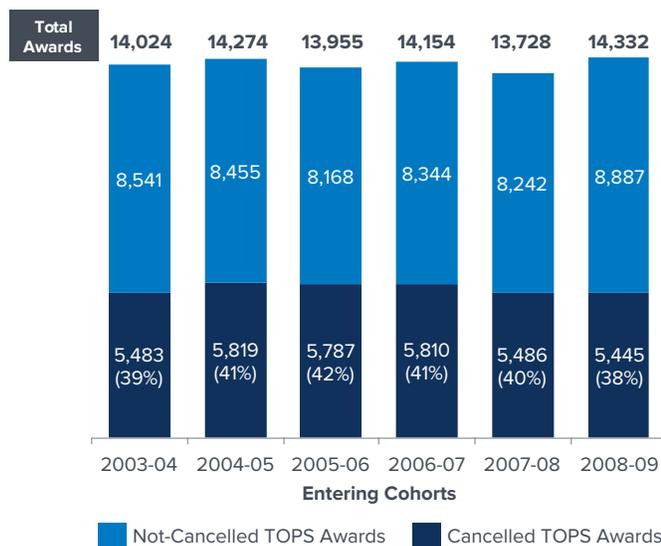
<sup>10</sup> Louisiana Office of Student Financial Assistance, Louisiana Legislative Auditor

### Retention and Graduation

On average, approximately 40 percent of all TOPS awards are cancelled at some point, as shown in Figure 9.<sup>11</sup> Between 2003 and 2009, Louisiana spent \$165 million on awards that would eventually be cancelled. A majority (65.4 percent) of the cancellations from 2003 to 2012 were due to students' failure to earn twenty-four hours of college credit during the school year. Similarly, when focusing specifically on the 2008-2009 school year, 26 percent failed to meet the same twenty-four-hour requirement, followed by 9 percent of students who were not continuously enrolled. Only 3 percent of students lost their TOPS award that year due to failing to meet GPA requirements. It is important to note that students receiving an Opportunity award, the lowest non-technical collegiate award, are more likely to have their awards cancelled than those receiving a Performance or Honors award.

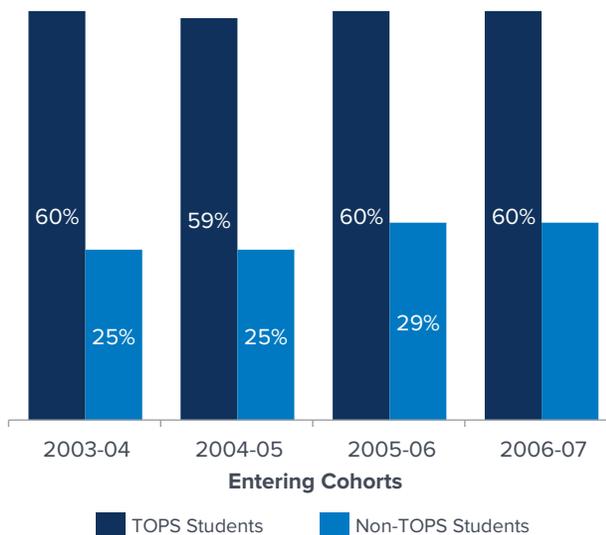
Despite award cancellations, students who begin their education with TOPS are more likely to graduate. Approximately three out of five TOPS recipients complete a baccalaureate degree within six years, compared with one out of four non-TOPS students.<sup>12</sup> The findings are the same for students pursuing associate degrees. In FY 2009, 15.7 percent of TOPS recipients earned an Associate's degree within three years, compared with 3.8 percent of non-TOPS students.<sup>13</sup> Nonetheless, Louisiana is incurring costs for two out of five TOPS recipients who do not graduate.

FIGURE 9: TOPS AWARDS AND CANCELLATIONS BY ENTERING COHORTS 2003-2009



Source: Board of Regents, Louisiana Legislative Auditor

FIGURE 10: BACCALAUREATE 6-YEAR GRADUATION RATE AMONG TOPS AND NON-TOPS STUDENTS



Source: Board of Regents

<sup>11</sup> Board of Regents, Louisiana Legislative Auditor

<sup>12</sup> Board of Regents

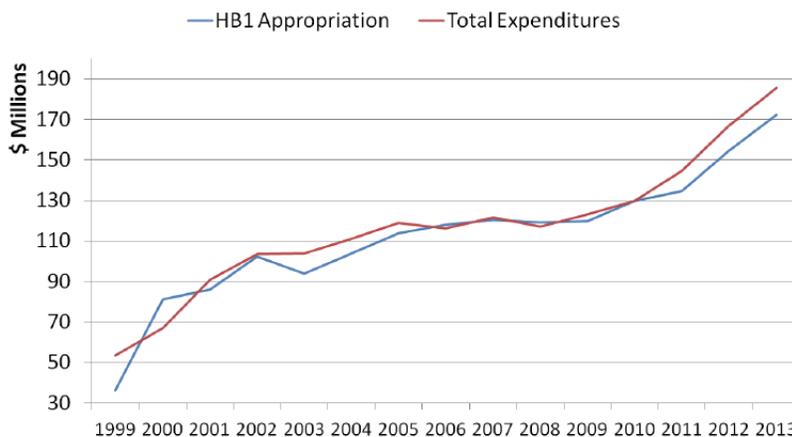
<sup>13</sup> Board of Regents

### TOPS Funding

Louisiana spent roughly \$166 million on the TOPS program in FY 2012, as shown in Figure 11.<sup>14</sup> Between 2005 and 2009, the cost of the TOPS program hovered between \$110 million and \$120 million. There has been a growing disparity between HB1 appropriations and total TOPS expenditures since FY 2010, requiring supplemental funding for TOPS. The average TOPS award amount in 1999 was \$2,592, and by 2012, the average TOPS award amount had increased 54 percent to \$3,981. During this duration, Louisiana has spent approximately \$1.5 billion to fund TOPS, while expenditures have increased 212 percent. Also, more students are using the program each year. The annual number of students served has increased 140 percent since 1999.

The state's cost of the TOPS program has escalated significantly since 2009, even as overall state funding for higher education has declined, as shown above in Figure 1. This is a result of the shift of higher education funding away from state support toward more self-generated funding from tuition and fees. As tuition rises, especially at the state's best public universities, there is a corresponding increase in the expense of TOPS to the state. As shown in Figure 1 above, the state is increasing its dependence on tuition to fund higher education, which will directly affect the growing expense of the TOPS program to the state budget.

FIGURE 11: TOPS TUITION PROGRAM FUNDING 1999-2013\*



\*2012-2013 figures are estimates

Source: LA Board of Regents TOPS Analysis, Louisiana Legislative Auditor

FIGURE 12: TOPS RECIPIENTS BY HOUSEHOLD INCOME

1998-1999			2011-2012		
Household Income	TOPS Recipients	Percent	Household Income	TOPS Recipients	Percent
Over \$100k	2,342	10.0%	Over \$100k	16,328	36.6%
\$75k to \$99.9k	2,368	10.1%	\$75k to \$99.9k	6,150	13.8%
\$50k to \$74.9k	3,495	14.9%	\$50k to \$74.9k	5,827	13.1%
\$25k to \$49.9k	4,801	20.4%	\$25k to \$49.9k	6,464	14.5%
\$1 to \$24.9k	7,812	33.2%	\$1 to \$24.9k	6,801	15.2%
Zero income reported		2.5%	Zero income reported		1.0%
No income reported	2,101	8.9%	No income reported	2,599	5.8%
	23,496			44,608	

Source: LA Office of Student Financial Assistance

### Demographics of TOPS Recipients

From 1998-1999, roughly 33 percent of TOPS recipients came from families with household incomes below \$25,000, as shown in Figure 12.<sup>15</sup> In the 2011-2012 academic year, this bracket represented only 14.5 percent of users. By contrast, nearly 37 percent of students represented families with household incomes of over \$100,000, which represented just 10 percent of recipients in 1998-1999. Since the program's income cap removal in 1997, more students of higher income brackets have accepted and/or earned TOPS awards. As a result, TOPS is disproportionately awarded to students of higher income brackets.

A disparity may also exist in the racial demographics of TOPS recipients. Although the data on racial demographics is not being kept up-to-date by the Louisiana Office of Student Financial Assistance (LOFSA) or the Board of Regents, the most recent available data on racial demographics of TOPS from the 2008-2009 school year found that nearly eight out of ten (75.6 percent) TOPS recipients are Caucasian, while only six out of ten (62.6 percent) Louisiana residents are Caucasian.<sup>16</sup> Specifically, during the 2008-2009 academic year, 31,795 TOPS recipients were Caucasian students, compared to 4,881 African-American students. American-Indian, Mexican-American, Asian-American, Other Hispanic, and multiracial students accounted for 5.7 percent of TOPS recipients, or 2,388 students, during this same time period.

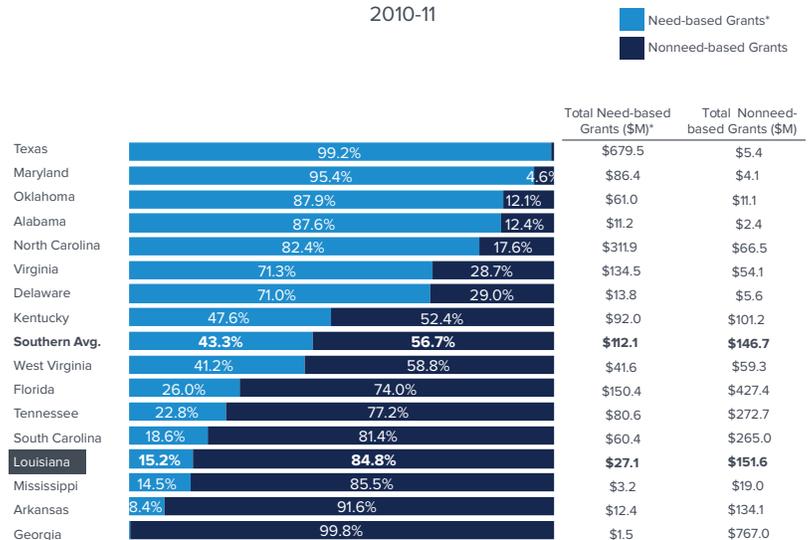
FIGURE 13: TOPS RECIPIENTS BY RACIAL DEMOGRAPHIC  
2008-2009

	TOPS Recipients	Percent	% of Eligible who Accept Award
Not Reported	2,980	7.1%	25.0%
Other*	2,388	5.7%	95.0%
African-American	4,881	11.6%	79.9%
Caucasian	31,795	75.6%	96.4%

\*Other includes American-Indian, Mexican-American, Asian-American, Other Hispanic, Multiracial

Source: LA Office of Student Financial Assistance, 2010 Census, Louisiana Legislative Auditor

FIGURE 14: PERCENTAGE OF NEED-BASED VS. NONNEED-BASED GRANTS FOR TOTAL UNDERGRADUATE AID  
2010-11



\*Includes Primary Need-based Grants and Other Need-based Aid  
(Data for TX and WV include program entirely or partially funded by student tuition revenue)  
Source: National Association of State Student Grant and Aid Programs

<sup>15</sup> LA Office of Student Financial Assistance

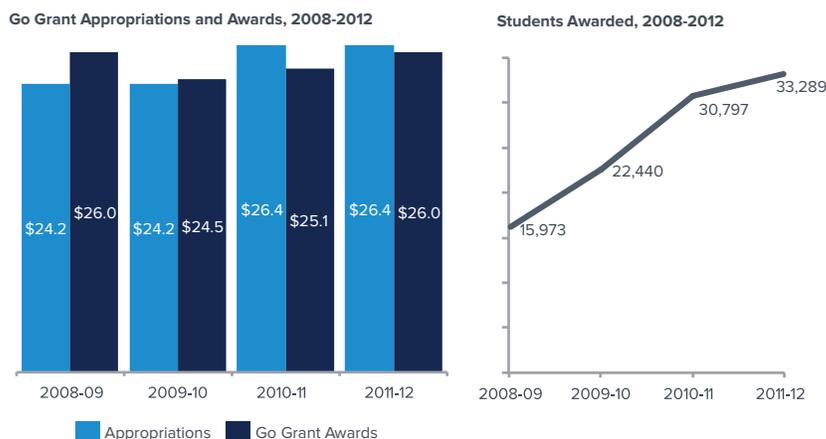
<sup>16</sup> LA Office of Student Financial Assistance, 2010 Census, Louisiana Legislative Auditor

## Decline in Go Grant Funding

Trends show that most of the students who score lower on the ACT tend to be minority and low-income students, a group that has the greatest challenges paying for college. As a result, students from higher income brackets and Caucasian students disproportionately earned TOPS awards, as shown in Figures 12 and 13.<sup>17</sup> Currently, Louisiana's percentage of need-based grants (15.2 percent) falls below the Southern average (43.3 percent), as shown in Figure 14.<sup>18</sup> All the while, funding for Louisiana's need-based grants, Go Grant, has remained stagnant while the number of students awarded has climbed dramatically. Go Grant appropriations have risen by only 9.1 percent from 2008 (\$24.2 million) to 2012 (\$26.4 million), and typically do not cover all awards, as shown in Figure 15.<sup>19</sup> At the same time, the total number of students awarded grants has increased by 109 percent. As a result, criteria for annual awards changes each year, with a downward trend on the total award amount. The state reduced the award amount by 50 percent from 2008 (\$2,000 per FTE) to 2012 (\$1,000 per FTE).<sup>20</sup>

If changes are made to the academic standards, it may impact use of the TOPS program by low-income and/or minority students. To address this potential consequence, the state should consider increasing state need-based aid made available through Go Grants at the same time as making changes to the TOPS program's academic standards.

FIGURE 15: GO GRANT FUNDING VS. STUDENTS AWARDED  
2008-2012



Source: LA Office of Student Financial Assistance

FIGURE 16: BACK-OF-THE-ENVELOPE CALCULATIONS SHOW THAT \$92M COULD HAVE BEEN SAVED DURING THE 2010-2011 SCHOOL YEAR, HAD THE ACT STANDARDS BEEN IN LINE WITH GA AND FL

- During 2010-2011, the total TOPS Payments were approximately \$145M, with 43,363 students receiving awards
- Had the ACT standards been raised to 23, we could have experienced cost savings of approximately \$45M,\* with 15,473 fewer students receiving TOPS awards
- Had the ACT standards been raised to 26, to be more in line with Georgia and Florida's merit-based awards standards, we could have experienced cost savings of approximately \$92M,\* with 29,172 fewer students receiving TOPS awards
- Trends show that most of the students who score lower on the ACT tend to be minority and low-income students, a group that has the greatest challenges paying for college in the first place
  - Yet, Louisiana's need-based financial aid funding is below the Southern average, towards the bottom of the ranking among our peers

\*This figure assumes that no students who scored above a 20 on the ACT took the TOPS Tech Award instead of the TOPS Opportunity Award  
Source: LA Office of Student Financial Assistance

17 *Id.*

18 National Association of State Student Grant and Aid Programs

19 LA Office of Student Financial Assistance

20 *Id.*

## Financial Impacts of Potential TOPS Program Changes

Currently, the lowest-level TOPS award for a four-year institution requires a 20 ACT score and 2.5 core GPA. During FY 2011, the total TOPS payments were approximately \$145 million, with 43,363 students receiving awards—an average award of \$3,344 per student.<sup>21</sup> Louisiana could have experienced cost savings of approximately \$92 million had the ACT standard been raised to 26, in line with Georgia and Florida’s merit-based award standards.<sup>22</sup> If Louisiana’s ACT requirement were 29, then 29,172 fewer students would have received TOPS awards, as shown in Figure 16. Had the ACT standard only been raised to 23, Louisiana could have experienced cost savings of approximately \$45 million with 15,473 fewer students receiving awards.

## Findings and Recommendations

In sum, the success of our economic development efforts hinge on the need for increased funding support for higher education institutions. Louisiana remains in a class of its own, as the only state where the legislature requires a two-thirds majority to approve tuition and fee increases. LSU, Southern, the Baton Rouge Community College, and the River Parishes Community College are critical regional assets that will not thrive in support of our area’s workforce demands if they are not equipped with the ability to control their self-generated revenues. BRAC supports transferring authority over tuition and fees from the Louisiana Legislature to the state’s higher education management boards.

Because of the importance of tuition and fee authority for higher education funding, BRAC recommends that changes be made to TOPS program in a manner that protects the program’s intent and elevates its goals. BRAC supports the reform of TOPS to include de-coupling TOPS awards from tuition cost, raising academic standards, and increasing funding to Go Grants.

BRAC supports de-coupling TOPS awards from tuition costs which would provide for a maximum award amount each school year regardless of tuition, and subject to legislative appropriation. This approach was proposed in SB 83 of the 2013 Regular Session of the Louisiana Legislature.

In addition, academic standards should change as a result of increases in student performance and higher eligibility standards of similar programs in other Southern states. BRAC supports an increase in academic standards as follows:

- **Opportunity Award:** 2.5 GPA in core courses to 3.0 GPA in core courses, 20 on ACT to 26 on ACT (83rd percentile)
- **Performance Award:** 3.0 GPA in core courses (unchanged), 23 on ACT to 28 on ACT (91st percentile)
- **Honors Award:** 3.0 GPA in core courses to 3.5 in core courses, 27 on ACT to 30 on ACT (95th percentile)

This change in academic standards should potentially be phased in over multiple years, and implemented in a manner to minimize the effect on rising and graduating seniors in high school for the year in which the change is implemented. Such changes could also affect low-income and minority students. BRAC supports an increase in Louisiana’s need-based aid made available through Go Grant simultaneous to a shift in academic standards.

BRAC recommends that there also be further study of the program’s use by its original intended target, which was aimed at lower to middle income families. The legislature should require such reporting be produced annually by the Board of

<sup>21</sup> LA Office of Student Financial Assistance

<sup>22</sup> *Id.*

Regents and/or LOFSA to track the effectiveness of the program by demographic and income strata. This study should also include an evaluation or study of using income criteria as a requirement to qualify for some portion of a TOPS award, which might realign TOPS toward the original intent of the program as a merit based scholarship for those who were middle income families or below.

BRAC will actively advocate for the transfer of tuition and fee authority from the Louisiana Legislature to the state's higher education management boards. Further, BRAC will support the reform of TOPS to include de-coupling TOPS awards from tuition cost, raising academic standards, and increased funding to Go Grants.