

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 342** HLS 17RS 712
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2017 3:45 PM	Author: BROADWATER
Dept./Agy.: Higher Education	Analyst: Willis Brewer
Subject: Abolishes Board of Regents, establishes Board of Trustees	

Higher Education OR INCREASE GF EX See Note Page 1 of 2

Abolishes the Board of Regents and transfers certain board powers, duties, and responsibilities to a newly created board (Constitutional Amendment).

Proposed constitutional amendment abolishes the Board of Regents, creates the La. Postsecondary Education Board of Trustees, and transfers these general responsibilities from the Board of Regents to the new Board of Trustees
 Proposed constitutional amendment retains present constitution that creates the management boards that includes Board of Supervisors for the University of La. System, the Board of Supervisors of La. State University and Agricultural and Mechanical College, the Board of Supervisors of Southern University and Agricultural and Mechanical College, and the Board of Supervisors of Community and Technical Colleges.

Proposed constitutional amendment retains provisions that grants specific powers to the Board of Regents including the power to formulate and make timely revision of a master plan for postsecondary education which includes a formula for equitable distribution of funds (the funding formula).

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$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	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed constitutional amendment is anticipated to result in increased state expenditures beginning in FY 18. This constitutional amendment will require the Board of Trustees to contract with an independent certified public accountant to audit the data used in the development and implementation of the funding formula. Based on data provided by the Board of Regents, an independent CPA will cost approximately \$230,000 (2,000 work hours at a contracted rate of \$115 per hour). An independent CPA hourly rate ranges from \$75 - \$225 based on information provided to the LFO. The number of hours required to audit all the data is anticipated to be significant especially in the first year of implementation. However, the actual cost will not be known until a Request for Proposal (RFP) is issued for these services.

Currently, the Board of Regents has 15 members appointed by the governor (subject to Senate confirmation) and one student board member (total 16 members). The proposed constitutional amendment provides for the Board of Trustees to have seven members (the president of each public postsecondary education system, one member appointed by the governor subject to Senate confirmation, one member appointed by the La. House of Representatives, and one member appointed by the La. Senate) and one student board member (total 8 members). In FY 17, the Board of Regents spent \$14,274 in cost reimbursements (per diem and travel) to its board members (average \$892 per member). To the extent this rate remains constant, the reduction in eight board members will reduce these costs by half (\$7,135). Since the four system presidents reside in Baton Rouge and some receive emoluments including travel, it is anticipated the board reimbursement costs will be reduced to approximately \$3,568 (\$892 x 4 board members).

Companion legislation (HB 528) will require the Board of Trustees to recommend prior to 2018 Regular Session which BOR staff positions and functions should be retained, eliminated, or transferred to a management board or other entity. Any savings from staff elimination will be a recurring savings, but will be partially offset by one-time employee payout costs for annual/sick leave and, potentially, recurring legacy costs for retirees. In addition, there will be an increase in professional services expenditures for an independent certified public accountant to evaluate the strengths and weaknesses of the outcomes-based funding formula.

CONTINUED ON PAGE 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Staff Director

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 342** HLS 17RS 712
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 8, 2017 3:45 PM **Author:** BROADWATER
Dept./Agy.: Higher Education **Analyst:** Willis Brewer
Subject: Abolishes Board of Regents, establishes Board of Trustees

CONTINUED EXPLANATION from page one:

Proposed law retains several present law powers provided to BOR but removes the power to revise or eliminate an existing degree program and to approve, disapprove, or modify a proposed degree program. This will eliminate Trustees' oversight and review of degree programs across all Louisiana postsecondary institutions which consolidates or terminates duplicative/low enrollment/low completer degree programs around the state. Additional powers that are removed by this legislation includes the authority to study the need for and feasibility of creating a new institution of postsecondary education, which includes establishing a branch of such an institution; converting any non-degree granting institution to one that grants degrees; converting any institution limited to offering degrees of a lower rank than baccalaureate to one that offers baccalaureate degrees, or merging institutions; establishing a new management board; and transferring an institution from one board to another. The constitution provides that powers not specifically vested to the Board by the constitution are reserved to the management boards (RS 17:3130). To the extent management boards exercise this authority without oversight and coordination, duplicative and inefficient delivery of programs across the state could result. However, the actual impact is indeterminable.

Provides for submission of the proposed amendment to the voters at the statewide election to be held October 14, 2017. The Secretary of State may incur minimal ballot printing costs associated with this measure. However, as a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments for the fall statewide elections. Effective July 1, 2019, except transition provisions are effective December 1, 2017.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Staff Director