

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **HB 34** HLS 17RS 438

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 21, 2017	8:13 AM	<b>Author:</b> PUGH
<b>Dept./Agy.:</b> Higher Education		<b>Analyst:</b> Willis Brewer
<b>Subject:</b> Postsecondary Education Governance		

POSTSECONDARY ED OR SEE FISC NOTE GF EX Page 1 of 2

Constitutional amendment to abolish the Board of Regents and the postsecondary management boards and transfer their powers, duties, functions, and responsibilities to a newly created Board of Trustees for Postsecondary Education.

The proposed constitutional amendment creates the Board of Trustees for Postsecondary Education and abolishes the Board of Regents, the Board of Supervisors for the University of Louisiana System, the Board of Supervisors of LSU, the Board of Supervisors of Southern University and the Board of Supervisors of Community and Technical College. These boards shall be abolished on January 1, 2020 and the powers, duties, function and responsibilities shall be transferred to the Board of Trustees.

Proposed bill provides for the governor to appoint the initial members of the new board no later than March 1, 2019. To be submitted to the electors at the statewide election to be held on November 6, 2018.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<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>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<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>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The proposed Constitutional amendment will have an indeterminable impact on state expenditures. This legislation is likely to increase expenditures in FY 19 and FY 20 and will likely decrease state expenditures in FY 21 and thereafter by indeterminable amounts. There is no way to estimate these initial costs and whether any potential long-term savings will exceed these costs during this time period. To the extent a single governing board centralizes the management of the state's public higher education system and revises the delivery of academic programs across regions and institutions and realign available resources, there could be increased efficiencies and/or reductions in expenditures. There will be initial one-time costs related to the transition to one board, in particular legal costs related to the transfer of bond obligations, affiliated organizations (private foundations), and retirement benefit obligations from the four management boards to the newly created Board of Trustees. Per each higher education system's latest state financial statements, higher education has a total of approximately \$2.73 B in outstanding bond debt (\$1.8 B principal and \$913 M interest) with debt service payments of \$120.5 M, including \$62.4 M principal in FY 17. The bond debt is associated with 76 bond issuances from various campuses within the higher educational system. According to the Board of Regents, the majority of these bond issuances are in the name of the management boards. There will likely be indeterminable costs associated with legally assigning these outstanding debts to the newly created Board of Trustees for Postsecondary Education. Some of these unknown legal costs include: signature authorization, securitization changes, new certificates, and certifications to the rating agencies. The actual costs associated with the bond succession are indeterminable and will ultimately depend upon what is contained within each bond indenture. It is anticipated that there will be savings in subsequent fiscal years due to potential board staff reductions, board per diem and travel, potential consolidation of system presidents, and the potential consolidation of back office functions such as human resources, fiscal/ accounting and IT. Any savings from staff elimination will be a recurring savings, but will partially offset by one-time employee payout costs for annual/sick leave. It is anticipated there will be partial savings in other support costs such as travel, operating services, and supplies (FY 17 = \$3.3 million at all boards). However, there could be unknown one-time costs that may arise from the consolidation of all of these office functions. To the extent this merger results in an increase in retirements by board employees, any increase in retiree group insurance expenditures will have to be transferred to this new board. **Expenditure Explanation 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**

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**CONTINUED EXPLANATION from page one:**

The FY 17 existing State General Fund (SGF) and Statutory Dedications (Stat Ded) budget for the Board of Regents and the four management boards is \$305.6 M (SGF - \$210.5 M and Stat Ded - \$95.1 M). However, \$277.9 M of this is for passthrough expenditures including the Taylor Opportunity Program for Students (TOPS) Award (\$209.4 M), LA Quality Education Support Fund grants (\$24.2 M), Go Grants (\$26.4 M), START program (\$1.5 M), and \$15.5 M in pass throughs at the LCTC System for Workforce Training, Adult Education, and SGF match needed for the Perkins grant. Excluding BOR, the management boards' state funding after accounting for passthroughs is \$5.5 M.

**FY 17 State Funding to Boards**

	<b>FY 17 SGF EOB</b>	<b>FY 17 SD</b>	<b>Passthroughs</b>	<b>State Funds Avail.</b>
Board of Regents <sup>1</sup>	\$14,922,757	\$24,748,700	(\$24,630,000)	\$15,041,457
LA Universities Marine Consortium	\$2,279,428	\$40,980	\$0	\$2,320,408
Office of Student Financial Asst.	\$182,208,087	\$60,321,750	(\$237,767,170)	\$4,762,667
<b>Board of Regents Total</b>	<b>\$199,410,272</b>	<b>\$85,111,430</b>	<b>(\$262,397,170)</b>	<b>\$22,124,532</b>
LCTCS Board of Supervisors	\$7,103,950	\$10,000,000	(\$15,540,417)	\$1,563,533
LSU Board of Supervisors <sup>2</sup>	\$0	\$0	\$0	\$0
Southern Board of Supervisors	\$2,958,087	\$0	\$0	\$2,958,087
BD of Suprs-Univ of LA System	\$1,026,178	\$0	\$0	\$1,026,178
<b>Total Boards</b>	<b>\$210,498,487</b>	<b>\$95,111,430</b>	<b>(\$277,937,587)</b>	<b>\$27,672,330</b>

<sup>1</sup> Board of Regents operations includes several statewide initiatives that are paid for by BOR including Louisiana Optical Network Initiative (LONI), Louisiana Library Network (LOUIS), and Center for Innovative Teaching and Learning (CITAL).

<sup>2</sup> The LSU System management board function was transferred to LSU A&M in FY 16 and LSU A&M absorbed the SGF appropriation and responsibilities of the LSU System Office management board.

**FY 16 Board Member Cost Reimbursements**

The proposed Board of Trustees will be composed of 25 board members. There are 106 total board members that received \$10,350 in per diems and \$82,233 in travel allowances (total \$92,583) in FY 16. To the extent the new board members receive comparable per diem and travel reimbursements, the one board cost reimbursements is estimated to be approximately \$70,747 less than FY 16. However, it should be pointed out that in FY 17, the LOSFA board expenditures and board members have been removed since LOSFA is under the Board of Regents.

	<b># Board Members</b>	<b>Per Diem</b>	<b>Travel</b>	<b>Total Reimbursements</b>
Regents	16	\$700	\$13,571	\$14,271
LOSFA*	25	\$2,200	\$12,914	\$15,114
LSU System	16	\$0	\$0	\$0
UL System	16	\$800	\$11,263	\$12,063
SU System	16	\$0	\$28,809	\$28,809
LCTC System	17	\$6,650	\$15,677	\$22,327
<b>Total Members</b>	<b>106</b>	<b>\$10,350</b>	<b>\$82,233</b>	<b>\$92,583</b>
Per Member Average		\$98	\$776	\$873
<b>Proposed Board</b>	<b>25</b>	<b>\$2,441</b>	<b>\$19,395</b>	<b>\$21,836</b>
<i>\$ Difference</i>		<i>(\$7,909)</i>	<i>(\$62,838)</i>	<i>(\$70,747)</i>

\*Beginning in FY 17, LOSFA expenditures and board members are now under the Board of Regents.

**President and Board Employees Salaries**

As of the latest employee survey (November 1, 2016), there are approximately 235 unrestricted (operating budget) Full-time equivalent employees at the Board of Regents (which includes the Louisiana Office of Student Financial Assistance and Louisiana Universities Marine Consortium), Southern University Board, Louisiana Community and Technical Colleges Board, and University of Louisiana Board. The LSU Board of Supervisors (LSU BOS) employees were transferred to LSU A&M in FY 16; therefore, there is no employee data for LSU BOS. The total salaries for these employees is \$16.8 million. The current combined salaries and emoluments (housing and car allowances) for the Commissioner and System presidents is \$2.2 million, however, the LSU and Southern system Presidents serve as both President and Chancellor at LSU A&M and SU A&M, respectively. Excluding these two positions, the total remaining salaries and emoluments is \$1.15 million.

Any reduction in the number of filled positions is expected to yield savings, however, each system and management board deals with different methods of management and daily operations. SU System manages historically black colleges and universities (HBCUs), LCTC System manages the state's technical and community colleges (excluding SU Shreveport and LSU Eunice), and the UL System manages regional universities. The proposed Board of Trustees may find savings in duplicative services and positions, however, the newly created Board of Trustees may require staff knowledge and experience found at these management boards. The number of positions that could be eliminated is indeterminable.

The proposed constitutional amendment will be considered by voters at the statewide election to be held on November 6, 2018. 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.

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

Dual Referral Rules

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}

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