

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 528** HLS 17RS 713
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2017 3:44 PM	Author: BROADWATER
Dept./Agy.: Higher Education	Analyst: Willis Brewer
Subject: Abolishes Board of Regents and creates Board of Trustees	

HIGHER EDUCATION OR INCREASE GF EX See Note Page 1 of 2
 Creates and provides for the Louisiana Postsecondary Education Board of Trustees as the successor of the Board of Regents.

Proposed law creates and provides for the Louisiana Postsecondary Education Board of Trustees, which shall 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. Provides that the member appointed by the governor shall serve as chairman. Retains provisions for student body member increasing total board to eight. Proposed law retains Board of Regents powers including formulating a master plan and funding formula, requiring management boards to submit annual budget plan, and to recommend priorities for capital construction and improvements. Proposed law further requires funding formula to require a vote of five members. Initial appointments no later than Jan. 1, 2018, First meeting no later than Jan. 15, 2018. All implementation actions required prior to July 1, 2019 (Board of Regents officially abolished). Proposed law requires Board of Trustees to develop transition plan which includes staff recommendations, BOT budget proposal, outcome based funding formula evaluation, and recommendations for transition legislation. Requires constitution amendment (HB 342) to be enacted and approved by voters in the fall.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	
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 law will increase expenditures in FY 18 and FY 19 as a result of overlapping policy boards and the required annual audit by an independent certified public accountant (CPA) of the data used in the funding formula. 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 law 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 approximately \$3,568 (\$892 x 4 board members). However, during FY 18 and FY 19, both the Board of Regents and Trustees will be conducting meetings since the proposed law eliminates the Board of Regents July 1, 2019 (FY 20). This temporary operation of two boards is anticipated to have minimal increase in expenditures during the first two fiscal years.

This legislation will require the Board of Trustees beginning in FY 18 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 the first year of implementation. However, the actual cost will not be known until a Request for Proposal (RFP) is issued for these services.

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REVENUE EXPLANATION

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

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
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Staff Director

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CONTINUED EXPLANATION from page one:

Beginning FY 20 there will be an indeterminable impact on expenditures of higher education entities as a result of the proposed Board of Trustees. Proposed law 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. Once the Board of Regents is officially abolished (July 1, 2019), 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 potential recurring legacy costs for retirees. The net fiscal impact cannot be determined at this time.

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.

Senate Dual Referral Rules
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