

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 470** HLS 19RS 478

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 6, 2019	11:27 AM	Author: GLOVER
Dept./Agy.: Higher Education		Analyst: Ryan Guidry
Subject: LSU-Shreveport and LA Tech merger		

COLLEGES/UNIVERSITIES OR INCREASE GF EX See Note Page 1 of 2
Provides for the merger of Louisiana Tech University and Louisiana State University at Shreveport

Proposed law provides for the transfer of LSU - Shreveport (LSU-S) from the LSU System to the University of Louisiana (UL) System and merges LSU-S with LA Tech. The bill requires the chancellors at LSU-S and La Tech to submit letters to the Southern Association of Colleges and Schools, Commission on Colleges (SACS) to transfer LSU-S to the UL System and to merge LSU-S and La Tech. The bill requires LSU-S and the UL System board to take every action necessary to comply with SACS requirements. Requires the UL System board to develop policies and procedures related to status and tenure of LSU-S faculty and to assist with development of a joint prospectus of a merger. Directs the Board of Regents to provide oversight and guidance. Beginning in FY 20, funds previously paid by LSU-S to the LSU Board will be paid instead to the UL Board and such payments shall not be less than that paid in FY 19. The bill requires the commissioner of administration to ensure that sufficient funds to effect the transfer and that such funding will not impact the higher education funding formula. The bill also requires the legislature to appropriate sufficient funds to effect the transfer.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

There will be an indeterminable increase in SGF expenditures in FY 20 and FY 21. The costs in FY 22 and thereafter will depend on the implementation timetable and other factors that cannot be estimated currently.

The University of La. System (UL System) estimates the following costs (\$150,000) in FY 20 related to the proposed transfer/merger: 1) \$50,000 for legal services; and 2) \$100,000 for consulting services. The UL System estimates the following costs (\$580,000) in FY 21: 1) \$30,000 in fees and expenses related to the SACS applications/reviews; 2) \$250,000 for legal services; and 3) \$200,000 for academic and financial consultants. The UL System anticipates ongoing personnel and operational costs (increased faculty and academic support salaries, ERP system changes, infrastructure improvements, and other operating costs) in FY 22 related to the transfer/merger, but is unable to estimate such costs. According to the UL System, there may be some savings in FY 22 and thereafter due to consolidation of LSU-S and La Tech, but the UL System cannot estimate potential savings at this time.

The LSU System was unable to estimate the FY 20 and FY 21 costs related to the transfer/merger but anticipates similar types of expenditures to those of the UL System. The LSU System indicates there may be increased costs for the employer share of health insurance premiums as LSU-S employees will move from the LSU's health plan to the state health plan operated by the Office of Group Benefits (OGB).

EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

There would be an unknown impact on self-generated tuition revenue as a result of the transfer/merger of LSU-S and La Tech impact on enrollment. Annual resident tuition and fees for full-time students is \$3,236 higher at La Tech compared to LSU-S. Existing students in good-standing at LSU-S will be allowed to continue their enrollment at La Tech if they remain in good standing, but new students will have to meet the higher academic admission standards at La Tech compared to LSU-S. It is unclear how many students will meet the higher academic admission standards and pay the higher tuition and fees charged by La Tech after the merger of both institutions.

Furthermore, there would be an indeterminable impact on the distribution of SGF through the higher education outcomes-based funding formula to all public postsecondary institutions. The Board of Regents (BOR) distributes SGF funding for public postsecondary institutions via an outcomes-based funding formula that considers both costs and outcomes. For FY 20, proposed law requires that at least the FY 19 amount paid to LSU-S be paid instead to the UL System. Because the transfer/merger will change some of the input values for these institutions in the formula, the LFO is unclear how the transfer/merger will impact the distribution of funding between institutions in FY 21 and thereafter.

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:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

Additionally, LSU reported potential costs and issues related to the following: 1) legal change of obligator and impact on financing costs; 2) cooperative endeavors and other contracts; 3) joint contracts and shared resources; 4) affiliated foundations; 5) obligations between systems and affiliated foundations; 6) faculty tenure and employment rights; 7) impact on joint appointments, ventures, and projects between LSU-S and other institutions; 8) impact on grants; 9) impact on donations; 10) impact on student rights and responsibilities; 11) impact on miscellaneous legal and statutory provisions; and 12) impact on athletic programs. The LSU System was unable to quantify costs related to these factors.

Furthermore, there will be an approximate \$1.9 M SGF increase in TOPS SGF expenditures related to the higher tuition costs at La Tech compared to LSU-S. For academic year 2017-2018, LSU-S had 589 students on TOPS scholarships. Based on the higher annual resident tuition and fees for full-time students is \$3,236 at La Tech compared to LSU-S, these 589 students would have required an additional \$1.9 M SGF expenditures from the TOPS fund.

Senate

Dual Referral Rules

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6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

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