

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: HB 537 HLS 11RS 893

Bill Text Version: ENGROSSED

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Table with 2 columns: Information (Date, Dept./Agy., Subject) and Author/Analyst (Author: TUCKER, Analyst: Charley Rome).

HIGHER EDUCATION EG INCREASE GF EX See Note Page 1 of 2
Provides for merger of SUNO and UNO

The proposed legislation requires actions by higher education officials to transfer Southern University at New Orleans (SUNO) and the University of New Orleans (UNO) to the University of Louisiana System. After this transfer, the bill requires actions by higher education officials to consolidate SUNO and UNO into a newly formed university, the University of Louisiana at New Orleans (ULNO). The bill requires that ULNO contains at least two colleges with differentiated admissions criteria, academic focus, and course and program offerings. The bill also requires the establishment of a branch campus of Delgado Community College located on the campus of ULNO to provide developmental education courses, general education courses, and college transfer degree programs. The proposed legislation requires the creation of a shared admissions and student academic and financial aid counseling center to be housed on the Delgado branch campus that will serve both institutions and facilitate student access and the ability to seamlessly transfer from the two-year institution to the four-year institution. Effective upon governor's signature.

Table with 7 columns: Category, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 5 -YEAR TOTAL. Rows include EXPENDITURES (State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, Annual Total) and REVENUES (State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, Annual Total).

EXPENDITURE EXPLANATION

State general fund expenditures will increase by at least \$2.4 million over Fiscal Years 2012 and 2013 due to the proposed legislation.

University of Louisiana System Costs (\$2.15 million to \$3.15 million over FYs 12 and 13)

The bill will increase expenditures at the the University of Louisiana System (UL System) by \$2.15 million to \$3.15 million over the next two years. The \$2.1 million cost for the UL System includes approximately \$570,000 for expenses related to institutional review and accreditation by SACS. This amount includes the following components: 2 Financial Affairs Consultants = \$150,000 (\$150 per hour for 1,000 hours), 2 Academic Affairs Consultants = \$225,000 (\$150 per hour for 1,500 hours), and 2 Legal Consultants = \$200,000 (\$200 per hour for 1,000 hours). The UL System costs also include an estimated \$490,000 for financial and legal consultants including \$90,000 for a search for the ULNO President and \$400,000 for academic consultants for institutional review, development of academic plans, and Joint SACS Prospectus. The UL System is unable to attribute these costs to specific fiscal years because the timing of the reviews by SACS is outside the control of these boards. (Expenditure Explanation Continued on Page Two)

REVENUE EXPLANATION

There is no anticipated impact on higher education tuition and fees in Fiscal Years 2012 and 2013 because the merger between SUNO and UNO cannot occur prior to FY 14 based on the bill's timelines. The bill's impact on overall higher education revenues from tuition and fees in FY 14 and thereafter is indeterminable. The bill is not expected to significantly increase or decrease overall higher education revenues from tuition and fees in FY 14 and thereafter.

The Southern University Board of Supervisors (SU System) anticipates losing \$7.2 million per year in Federal funding allocated to Historically Black Colleges and Universities (HBCUs) when and if the Southern Association of Colleges and Schools (SACS) approves the merger of Southern University at New Orleans (SUNO) and the University of New Orleans (UNO). Based on timelines in the bill, this merger between SUNO and UNO cannot occur prior to FY 14. However, research by the Governor's Office reports that the proposed legislation will have no impact on Federal funds for HBCUs in Louisiana based on a similar merger in another state. Further legal research is necessary to ascertain the bill's impact, if any, on Federal funds for HBCUs in Louisiana.

Senate Dual Referral Rules House
[] 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} [x] 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} [x] 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}
[] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}
H. Gordon Monk
Legislative Fiscal Officer



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Fiscal Note

Fiscal Note On: **HB 537** HLS 11RS 893

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 7, 2011 6:57 AM	Author: TUCKER
Dept./Agy.: Higher Education	
Subject: Merger of SUNO and UNO	Analyst: Charley Rome

CONTINUED EXPLANATION from page one: Page 2 of 2
(Expenditure Explanation Continued from Page One)

There are also estimated costs of \$1 million to \$2 million for finance and human resources software to integrate SUNO and UNO into the University of Louisiana System as estimated by the LSU System. However, the responsibility for implementing these software changes will likely fall to the University of Louisiana System, and the UL System is unable to estimate these costs currently (This Fiscal Note uses LSU estimate). The UL System will also incur administrative costs related to signage, letterhead, business cards, etc. There is no way to estimate these costs at this time.

The UL System anticipates a reduction in the current administrative staff with the proposed merger of SUNO and UNO. According to the UL System, there would be some reduction in course offerings, merger of departments and a corresponding reduction in faculty. There may also be an opportunity to reduce personnel in the business offices, plant operations and security force according to the UL System. However, the UL System cannot determine the extent of any overall cost savings without specific financial, programmatic data and operational details of the institutions for an in-depth review and evaluation of the activities and services associated with each expenditure function. The UL System assumes that necessary data would be collected and analyzed as part of the preliminary planning and coordination activities as well as the development of academic plans and SACS prospectus development which takes place in the first two years of implementation.

LSU System Costs (Minimum Amount of \$240,000 over FYs 12 and 13)

The LSU System is unable to determine the bill’s fiscal impacts and will require a minimum of \$240,000 over FYs 12 and 13 for legal and financial consultants to provide needed information and analysis. The LSU System anticipates considerable legal and financial costs and risks associated with property ownership, bonds and other financing, licenses, affiliated foundations, management and information systems, contracts, cooperative endeavor agreements, auxiliary operations, employee rights and benefits, grants, and donations. The bill’s impacts are complex, and it is impossible to estimate the number of man hours required to constructively resolve all of the issues. Although the workload on consultants is unknown, the hourly rate for legal experts ranges from \$100-\$175 per hour and hourly rates for financial experts ranges from \$100-\$205 per hour.

The LSU System also anticipates additional costs to UNO of approximately \$40,000 over the next two years for expenses related to accreditation by the Southern Association of Colleges and Schools (SACS). Specifically, UNO will incur these costs related to a substantive change from moving UNO from the LSU System to the UL System and then from a request for a substantive change to merge with SUNO as required by the bill. The LSU System is unable to attribute these costs to specific fiscal years because the timing of the reviews by SACS is outside the control of these boards.

Southern University System Costs (\$40,000 over FYs 12 and 13)

The Southern University Board of Supervisors (SU System) estimates costs of approximately \$40,000 over the next two years for expenses related to accreditation by the Southern Association of Colleges and Schools (SACS). Specifically, SU will incur these costs related to moving SUNO from the SU System to the UL System as required by the bill. The SU System is unable to attribute these costs to specific fiscal years because the timing of the reviews by SACS is outside the control of these boards.

Louisiana Community and Technical College System Costs

Louisiana Community and Technical College System (LCTCS) will incur no significant costs relative to institutional review, SACS accreditation, and associated financial and legal factors related to creation of the Delgado Branch on the ULNO campus as required by the bill. LCTCS will not incur significant SACS costs related to creation of the Delgado Branch on the ULNO campus.

Fiscal Impacts in Fiscal Year 2014 and Thereafter

The bill should be, at a minimum, cost neutral, and may reduce expenditures in FY14 and thereafter because resources currently allotted to operate SUNO and UNO could be used to operate the University of Louisiana at New Orleans created by the bill. However, the Legislature will determine the actual funding of affected higher education institutions and boards based on the proposed legislation. There may be savings attributable to elimination of duplicate management positions by combining SUNO and UNO. The number of faculty could be affected by the merger if specific programs or courses are merged or eliminated. However, there is no way to estimate or predict the bill’s impact on staffing and costs at this time. The Board of Regents has not presented a plan regarding integration of administrative and teaching resources by merging SUNO and UNO into the newly created ULNO.

The following factors may impact the costs related to SB 183: property ownership, bonds and other financing, legal change of obligor and impact on financing costs, transfer of property on other contractual obligations, cooperative endeavor agreements and other contracts, joint contracts and shared resources, affiliated foundations, faculty tenure and other contractual employment rights, employee health insurance and other benefits, joint appointments, joint ventures, projects between multiple campuses, grants, donations, student rights and responsibilities, miscellaneous legal (statutory) provisions, pending FEMA matters, athletic programs and funding, intellectual property and ownership and licensing. The Legislative Fiscal Office cannot estimate the impact of these different factors at this time as a comprehensive plan has not been developed. There is also no way to estimate potential employee costs related to laying off faculty and tenured staff due to the merger of SUNO and UNO.

Senate	Dual Referral Rules	House	
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<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		H. Gordon Monk Legislative Fiscal Officer