



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 537** HLS 11RS 893
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 15, 2011 10:08 AM	Author: TUCKER
Dept./Agy.: Higher Education	
Subject: Transferring UNO from the LSU System to UL System	Analyst: Charley Rome

HIGHER EDUCATION RE1 INCREASE GF EX See Note Page 1 of 2

Provides for the transfer of UNO from the LSU System to the UL System and specifies goals for the postsecondary education delivery system for the New Orleans region

Proposed legislation provides that no later than August 1, 2011 the chancellor of the University of New Orleans (UNO) shall submit a letter to the president of the Southern Association for Colleges and Schools, Commission on Colleges (SACS) stating intent for governance change from Board of Supervisors of LSU to the Board of Supervisors of the UL System. Upon approval from the association, the transfer shall become effective. Proposed legislation prevents the LSU System from taking any personnel action with regard to any instructional or administrative employee of the UNO without the prior approval of the Board of Regents. Proposed legislation provides for the commissioner of administration to ensure sufficient funds and resources are available to fully effect the transfer of UNO. Proposed bill provides that the Board of Regents and the state shall indemnify and hold harmless the transferee and transferor management boards for any liability and costs which may directly result from the mandated transfer. The bill requires legislative appropriation to effect the transfer. Effective upon governor's signature.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation will result in an indeterminable cost increase that will exceed \$100,000 of SGF expenditures in FY 12 and FY 13.

The proposed legislation will result in an indeterminable increase in one-time expenditures due to anticipated transition costs associated with moving UNO from the LSU Board of Supervisors to the UL Board of Supervisors that will likely occur over multiple fiscal years. The specific potential major transition costs include: expenses related to accreditation and academic affairs, title transfer on UNO property from the LSU Board to the UL Board, and bond succession costs. The bill provides that the Board of Regents and the state shall indemnify the LSU System Board and the UL System Board for any liability and costs directly related to the mandated transfer. The bill also states that fees previously paid by the University of New Orleans to the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College which become due after the effective date of the transfer shall be paid to the Board of Regents to defray the costs of the transfer of UNO. The Legislative Fiscal Office is unsure of the source and amounts of these "fees" and has requested additional information relative to these fees and will include this information when available.

Accreditation/Academic Affairs Costs

According to the LSU System, any governance change of an institution is considered a major change by the Commission on Colleges of the Southern Association for College and Schools and would require application and committee visits by the commission. UNO would be assessed \$300 for the review plus travel, lodging, food, and 25% of the total cost of the committee. According to the LSU System, based upon prior experience, the total direct costs could be approximately \$10,000. In addition, the UL System indicates the potential need for an academic affairs consultant to assist with accreditation costs and other other yet-to-be identified academic issues that could include analysis of tenure policies and potential changes in the academic calendar. The UL System projects the consultant costs to be approximately \$75,000 (\$150/hour for 500 hours). Also, the UL System anticipates approximately \$90,000 for costs related to the search for the UNO President position, which is currently vacant. These costs include advertising, institutional review and board meetings.

(continued on page 2)

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. This fiscal note assumes that the current tuition rates charged at UNO will remain unchanged as a result of the transfer from the LSU Board of governance to the UL Board of governance.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<i>Evan Brasseaux</i>
		<input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<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}	Evan Brasseaux Staff Director



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CONTINUED EXPLANATION from page one: Page 2 of 2

EXPENDITURE EXPLANATION CONTINUED:

Property Title Transfer

According to the Office of State Lands, the University of New Orleans has approximately 337.43 acres of property (317.85 acres owned; 19.58 leased from the UNO Foundation) worth approximately \$178 million (according to the LSU System) that is currently in the name of the LSU Board. Thus, there will be legal costs associated with the title transfer from the LSU Board to the UL Board. The approximately 338 acres are associated with 9 various portions of the campus. The LFO does not know how many specific land titles would require transfer from the LSU Board to the UL Board.

Bond Succession Costs

Per the State's FY 10 CAFR (latest state financial statements), UNO has a total of approximately \$111 million in outstanding bond debt (\$62.7 million principal) with annual debt service payments of approximately \$5.01 million (\$2.03 million principal). According to the LSU System, these bond issuances are in the name of the LSU System and not UNO. Thus, there will likely be indeterminable legal costs associated with finalizing that these outstanding debts are now the responsibility of the UL System and UNO and not the LSU System. Some of these unknown 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. However, for illustrative purposes, to the extent the UL system utilizes a legal contractor, per the State Bond Commission, bond attorneys may charge from \$125/hour to \$250/hour depending upon the nature of the work.

Other Potential Costs

The LFO is unable to determine the specific costs related to bond succession. However, the UL System indicates a potential need for a financial affairs consultant and legal consultant who would likely assist in the bond succession work. Additional consultant expenses may include: cooperative endeavor agreements, affiliated foundations, grants, donations, property title work (as mentioned on page 1) and miscellaneous legal provisions. The UL System projects these 2 consultants to cost a total of \$175,000 (legal - \$200/hour for 500 hours; financial - \$150/hour for 500 hours).

This fiscal note assumes transition costs to be incurred over a 2-year period. The LFO is unable to determine if such costs would extend beyond 2 years.

NOTE: When this transfer is completed, there will be a need for budgetary changes as UNO's budget will be removed from the LSU System and moved into the UL System. It is indeterminable at this time if the budgetary changes will be performed via a BA-7 in FY 12 or during the FY 13 budget development process. Section 3B of HB 1 (preamble) allows the commissioner of administration the ability to adjust the budget in the event of agency transfer. The LFO does not know if such adjustment (BA-7) could be done in-house or with JLCB approval.

According to the FY 12 Executive Budget Recommendation, UNO's FY 11 existing operating budget (as of 12/1/2010) is as follows: \$41.8 million - SGF, \$119.3 million - Total MOF).

NOTE: The legislation requires the legislature to appropriate sufficient funds to the Board of Supervisors to fully effect the transfer of the University of New Orleans to the University of Louisiana System.

Senate	Dual Referral Rules	House	<div>Evan Brasseaux</div> <div>Evan Brasseaux</div> <div>Staff Director</div>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<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}		