

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1033** HLS 14RS 1569

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 21, 2014	8:06 AM	Author: KLECKLEY
Dept./Agy.: Higher Education/Workforce Commission/LED		Analyst: Charley Rome
Subject: WISE Fund		

FUNDS/FUNDING

RE DECREASE GF RV See Note

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Provides for enactment of the Workforce and Innovation for a Stronger Economy (WISE) Fund

Proposed law creates the Workforce and Innovation for a Stronger Economy Fund (WISE) to fund degree and certificate production and research priorities in high demand fields through programs offered by Louisiana's public postsecondary education institutions to meet the state's future workforce and innovation needs. Subject to appropriation by the Legislature, the bill directs the state treasurer to deposit \$40 million into the fund at the beginning of each fiscal year and provides that monies in the fund shall be appropriated to the Board of Regents to be distributed in accordance with a statewide workforce demand and gap analysis and research priorities according to implementation plans. Funds distributed to any institution that remain unexpended or unobligated at the end of the fiscal year shall be available for use in the subsequent fiscal year by an institution pursuant to their implementation plan. **(Summary Continued on Page Two)**

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$7,000,000	\$0	\$0	\$0	\$0	\$7,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$33,000,000	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$33,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$40,000,000					\$40,000,000

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

HB 1 includes \$7M in state general fund and \$33M from the Overcollections Fund for deposit in or appropriation to the WISE Fund in FY15. In subsequent years, the state treasurer is directed to deposit \$40M per year to the WISE Fund, subject to appropriation by the Legislature. The bill directs Regents to allocate monies from the WISE Fund based on degree and certificate production and research priorities in high demand fields targeted by a statewide workforce demand and employment gap analysis. Specifically, 80% of funds distributed shall be based on degree and certificate production in fields required for Four and Five STAR Jobs, as defined by the Louisiana Workforce Commission, and weighted by cost and a prioritization of high demand degree and certificate production based on data provided by the Department of Economic Development and the Louisiana Workforce Commission. The remaining 20% of funds distributed shall be based on federally funded research expenditures as defined by the National Science Foundation. There is no way to anticipate the amount of funding individual institutions will receive from the WISE Fund prior to completion of the bill's required statewide workforce demand and employment gap analysis. All affected agencies report being able to administer the WISE Fund and the bill's requirements with existing staff and resources.

REVENUE EXPLANATION

The bill will likely decrease state general fund revenues in FY16 and thereafter because, subject to appropriation, it directs the state treasurer to deposit \$40 million into the WISE Fund at the beginning of each fiscal year. State general fund is the presumed funding source for the annual deposits to the WISE Fund in FY16 and thereafter because the bill does not identify a funding source.

Revenues to public postsecondary education institutions will likely increase due to the bill's 20% matching requirements. The bill states that funding from the WISE Fund shall only be distributed to postsecondary institution receiving matching funds of 20% or more from private entities. Public postsecondary education institutions would generate \$8M in additional self-generated revenues if they obtained the required 20% match as cash or new revenue sources matched to \$40M in WISE funding in FY15. However, the bill states that matching funds can include the following items that might not represent new revenue sources: in-kind donation of technology, construction materials, facility modification or construction, internships, scholarships, sponsorship of staff or faculty, faculty endowment or tangible property. Self-generated revenue increases at higher educational institutions will be less than \$8M (20% match) to the extent that matching items are "in-kind" in nature.

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|--|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input checked="" type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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
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Staff Director

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CONTINUED EXPLANATION from page one:
(Summary Continued from Page One)

Furthermore, funding shall only be distributed by Regents upon receipt of certification by the management board on behalf of the receiving institution that a match of no less than 20% of the amount of funding to be distributed has been guaranteed by a private entity. The bill states that private matching funds can include the following: cash, in-kind donation of technology, construction materials, facility modification or construction, internships, scholarships, sponsorship of staff or faculty, faculty endowment or tangible property. The WISE Council may authorize a match for an institution in types other than these upon request of the system president. The bill establishes the membership of the WISE Council and associated meeting and reporting requirements. The WISE Council shall develop a method for the distribution of monies in the fund in alignment with the statewide workforce demand and gap analysis and research priorities. The methodology for the distribution shall be reevaluated no more than once every three years unless a majority of the WISE Council vote to reevaluate the methodology more often. The methodology of distribution shall be as follows: 1). Eighty percent of funds distributed shall be based on degree and certificate production in fields required for Four and Five STAR Jobs, as defined by the Louisiana Workforce Commission, and weighted by cost and a prioritization of high demand degree and certificate production based on data provided by the Department of Economic Development and the Louisiana Workforce Commission. 2). Twenty percent of funds distributed shall be based on federally funded research expenditures as defined by the National Science Foundation. The WISE Council and the Board of Regents shall review and approve the statewide workforce demand and gap analysis and research priorities. The WISE Council shall review and approve implementation plans submitted by institutions. The implementation plans shall include, at a minimum, a plan for expenditure of monies and outcomes expected. The bill states that monies appropriated or allocated from the WISE fund shall not be included in the Regent's funding formula calculation or supplant any SGF allocations provided to institutions. The proposed legislation states that the Board of Regents shall promulgate rules developed jointly and collaboratively by the commissioner of higher education and the system presidents for the administration of the fund. Prior to final adoption, the rules shall be approved by the WISE Council per the bill. Effective upon governor's signature.

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

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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