

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 60** HLS 15RS 307
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 21, 2015 9:35 AM	Author: CARMODY
Dept./Agy.: Higher Education	Analyst: Charley Rome
Subject: Postsecondary Education Governance	

HIGHER EDUCATION OR INCREASE GF EX See Note Page 1 of 2
 (Constitutional Amendment) Relative to management of public postsecondary education, abolishes the Board of Regents and the management boards and transfers their powers, duties, and responsibilities to a newly created La. Postsecondary Education Board of Trustees. The proposed constitutional amendment creates the Louisiana Postsecondary Education Board of Trustees and abolishes the Board of Regents, the Board of Supervisors for the University of Louisiana System, the Board of Supervisors of LSU, the Board of Supervisors of Southern University and the Board of Supervisors of Community and Technical College. These boards shall be abolished on January 1, 2017. Proposed bill provides for the governor to appoint the initial members of the new board no later than March 1, 2016. Provides for submission of the proposed amendment to the voters at the October 24, 2015 statewide election.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	DECREASE	DECREASE	DECREASE	
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	2015-16	2016-17	2017-18	2018-19	2019-20	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 Constitutional amendment will likely increase expenditures in FY16 and FY17 by indeterminable amounts, and may decrease state expenditures in FY 18 and thereafter. There will be initial one-time costs related to transitioning to one board. The state will incur these transitional costs for at least one year prior to creation of the new board on January 1, 2017. According to the Board of Regents, the potential transitional costs include legal costs related to the transfer of bond obligations and consulting costs related to the creation of policy functions of the new board. There may also be savings in subsequent fiscal years due to potential board staff reductions, potential consolidation of system presidents and the potential consolidation of back office functions such as human resources, accounting/fiscal and IT. However, the Board of Regents and higher education management boards are facing significant SGF reductions in FY16. Budget reductions in FY16 and thereafter may negate opportunities for efficiencies from consolidation of higher education boards beginning in FY17 and thereafter. There is no way to estimate these initial costs and potential long-term savings without an in-depth analysis of current management operations and staffing. To the extent a single governing board of higher education could centralize the management of the state's public higher education system, revise delivery of academic program across regions and institutions and realign available resources, there could be increased efficiencies and/or reductions in expenditures.

Per the State's FY 14 CAFR (latest state financial statements), higher education has a total of approximately \$2.65 billion in outstanding bond debt (\$1.7 billion principal) with annual debt service payments of \$110 million, including \$65.2 million principal (does not include LCTCS Phase I of Act 360 issued in Dec. 2014 - \$128.3M bonds issues). The bond debt is associated with 68 bond issuances from various campuses within the higher educational system. According to the Board of Regents, the majority of these bond issuances are in the name of the management boards. Thus, there will likely be indeterminable costs associated with legally assigning these outstanding debts to the newly created Louisiana Postsecondary Education Board of Trustees. 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. **(Expenditure Explanation Continued on Page Two)**

REVENUE EXPLANATION

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

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <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 type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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:

(Expenditure Explanation Continued from Page One)

The proposed constitutional amendment will be considered by voters at the statewide election to be held on October 24, 2015. The Secretary of State may incur minimal ballot printing costs associated with this measure. However, as a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments for the fall statewide elections.

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 Rev. Red. to State {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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