

LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 418

Fiscal Note On: **HB 549** HLS 11RS 393

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:



Date: July 27, 2011	5:50 AM	Author: TUCKER
Dept./Agy.: Higher Education		
Subject: Granting Resources & Autonomy for Diplomas Act (GRAD)		Analyst: Charley Rome

COLLEGES/UNIVERSITIES EN SEE FISC NOTE GF EX See Note Page 1 of 2
 Provides relative to the La. Granting Resources and Autonomy for Diplomas Act, including additional operational autonomies to be granted to public postsecondary education institutions and reporting requirements for such institutions and the Board of Regents. The proposed legislation requires the Board of Regents to establish student success objectives to meet GRAD Act performance requirements based on graduation rates, retention rates, and percentage change in program completers. The bill also requires publishing cost performance information annually on the Board of Regents website. The bill gives the Board of Regents authority to raise performance objectives in consultation with affected institutions and their management boards. The legislation creates the following 3-tiered performance structure which includes the following levels: Base, Intermediate, and High. The bill grants increased operational autonomies as levels increase providing authority to perform the following functions assigned to the Division of Administration under current law: purchasing, personnel, facilities, and investment. The bill expands the contract review process to include annual renewals. Each institution of higher education shall receive an initial certification and annual reviews to manage the autonomies granted by the Division of Administration. **(Bill Summary Continued on Page 2)**

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	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	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	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						

EXPENDITURE EXPLANATION

The impact of the proposed legislation on state expenditures is indeterminable.

The bill provides greater autonomies to higher education institutions in the following areas: procurement, contracting, and information technology purchases. These increased autonomies may reduce unnecessary delays and result in quicker transactions with reduced staff time for review and oversight which may result in potential cost savings. However, reduced oversight in procurement, contracting, and information technology purchases may result in less efficient and effective purchasing decisions at higher costs in some cases. There is no way to estimate waste, fraud, and abuse averted by current procurement review procedures removed by the proposed legislation.

The bill also requires higher education institutions to meet specific performance requirements to receive autonomies allowed by the bill. Furthermore, the bill requires approval by the Board of Regents and the Division of Administration to obtain and keep additional authorities authorized in the bill. The Division of Administration anticipates no impact on the agency's expenditures from the proposed legislation. However, the Legislative Fiscal Office anticipates that the autonomies provided in the bill may allow for decreased administrative costs in the Division of Administration. **(Expenditure Explanation Continued on Page 2)**

REVENUE EXPLANATION

The bill grants additional authorities to higher education institutions to carry forward unexpended and unobligated funds from one fiscal year to the next. The Constitution requires that unexpended and unobligated funds declared as non-recurring surplus by the Revenue Estimating Conference be used for certain enumerated purposes. The bill may reduce funds for these purposes if higher education institutions have greater authority to retain unused funds as authorized in the bill. The bill's provisions authorizing carryforward of funds are shown as potential impacts to state general funds, but could also affect revenues from other means of finance.

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

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CONTINUED EXPLANATION from page one:
(Bill Summary Continued from from Page 1)

Provides for review and approval by the Joint Legislative Committee on the Budget (JLCB):

1. Authority to retain unexpended and unobligated funds from one Fiscal Year to the next.
2. All autonomies granted to "Intermediate Level" institutions.
3. Gives authority and responsibility for development of a "pilot procurement code" to the first institution granted "High Level" status under the proposed law.
4. Autonomies to participate in a pilot procurement code and exclusion from the state's Risk Management Program for institutions designated as "High Level" per the bill.

Provides that any operational autonomies granted to an institution pursuant to this Subsection shall terminate immediately upon revocation of the institution's six year performance agreement by the Board of Regents. The Board of Regents shall notify the Joint Legislative Committee on the Budget of any such revocation of a performance agreement.

Provides that any operational autonomy granted to an institution pursuant to this Subsection shall terminate immediately upon determination by the division of administration that an institution has failed to maintain the operational capacity relevant to that autonomy. The division of administration shall notify the Joint Legislative Committee on the Budget of any institution's failure to maintain the operational capacity relevant to any previously granted operational autonomy.

Effective upon governor's signature.

(Expenditure Explanation Continued from Page 1)

The bill authorizes exemption from participation in the state's risk management program for eligible higher education institutions, pursuant to a phased-in plan of implementation as determined by the higher education institution in collaboration with the Division of Administration. Exodus of higher education institutions from the state's risk management pool may concentrate remaining risks potentially increasing premiums for remaining state agencies and decreasing efficiencies by reducing economies of scale for remaining risk management operations.

The bill authorizes investment by higher education institutions in tax exempt bonds and other taxable government bonds subject to the prior review and approval of the investment advisory committee.

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