

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1033** HLS 14RS 1569
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2014	10:03 AM	Author: KLECKLEY
Dept./Agy.: Higher Education/Workforce Commission/LED		Analyst: Charley Rome
Subject: WISE Fund		

FUNDS/FUNDING REF DECREASE GF RV See Note Page 1 of 2
 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 an annual appropriation by the legislature, each fiscal year the sum of forty million dollars shall be deposited into the fund. Monies in the fund shall be appropriated to the Board of Regents to be distributed to and used by postsecondary education institutions 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.	\$16,850,000	\$0	\$0	\$0	\$0	\$16,850,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$23,150,000	INCREASE	INCREASE	INCREASE	INCREASE	\$23,150,000
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 \$29 M for the Workforce & Innovation for a Stronger Economy (WISE) initiative from the following funding sources: \$16.85 M in SGF and \$12.15 M IAT from Community Development Block Grant (CDBG) Program funding. The use of CDBG funds for this purpose will require HUD approval of an amendment to the State's Action Plan. Additionally, there is a deposit of \$11 M from the Overcollections Fund into the WISE Fund contained in the Funds Bill (HB 1026). These monies are appropriated in HB 2 for Library, Instructional and Scientific Equipment Acquisitions. Furthermore, with the exception of the \$11 M in HB 1026, the LFO is unaware of any legislative instrument which appropriates or provides for transfer of the remaining \$29 M into the WISE Fund.

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. **(Expenditure Explanation Continued on Page Two)**

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. However, in any fiscal year that the total appropriated funds from the sum of the state general fund and dedicated funds for higher education are below the appropriated funding in the prior fiscal year, the WISE Council may at its discretion, delay or waive matching requirements.

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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 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} |

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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. Match certification shall be reported to the Joint Legislative Committee on the Budget within thirty days of receipt of such match. The bill states that private matching funds can include the following: cash, in-kind donations of technology, personnel, construction materials, facility modification, or tangible property, internships, scholarships, sponsorship of staff or faculty, or faculty endowment. The WISE Council may authorize a match for an institution in types other than these upon request of the system president. In any fiscal year that the total appropriated funds from the sum of the state general fund and dedicated funds for higher education are below the appropriated funding in the prior fiscal year, the WISE Council may at its discretion, delay or waive matching requirements. 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 also has the authority to adjust the percentage of the distributions by no more than 10% relative to funds allocated for degree certification production (80%) and for federally funded research expenditures (20%). However, in no event shall the distribution based on federally funded research expenditures be reduced below 20%. 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. All actions of the WISE Council and the implementation of the WISE initiative shall be subject to the approval of the Board of Regents. Effective upon governor's signature.

(Expenditure Explanation Continued from Page One)

The remaining 20% of funds distributed shall be based on federally funded research expenditures as defined by the National Science Foundation. The WISE Council also has the authority to adjust the percentage of the distributions by no more than 10% relative to funds allocated for degree certification production (80%) and for federally funded research expenditures (20%). However, in no event shall the distribution based on federally funded research expenditures be reduced below 20%. 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.

<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}
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