



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 391** HLS 11RS 243
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 11, 2011 9:26 AM	Author: TUCKER
Dept./Agy.: Higher Education	
Subject: Postsecondary education governance	Analyst: Charley Rome

HIGHER EDUCATION RE INCREASE GF EX See Note Page 1 of 2
(Constitutional Amendment) Relative to management of 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

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, 2013. Proposed bill provides for the governor to appoint the initial members of the new board no later than March 1, 2012.

Provides for submission of the proposed amendment to the voters at the October 22, 2011 statewide election.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	DECREASE	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	\$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 constitutional amendment will result in an indeterminable one-time increase in state expenditures in FY 12 due to transition costs, but may result in state expenditure 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. This bill 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.

According to the Board of Regents, the potential transition costs that may be incurred include: retirement systems resolutions (retiree costs) and potential legal costs related to the transfer of bond obligations, and the potential consulting costs related to the creation of the policy functions of the new board. There is no way to estimate these costs without an in-depth analysis of current management operations and staffing. The state would incur these costs for at least one year prior to the implementation year of the proposed constitutional amendment.

Per the State’s FY 10 CAFR (latest state financial statements), higher education has a total of approximately \$2.3 billion in outstanding bond debt (\$1.4 billion principal) with annual debt service payments of approximately \$88.8 million (\$29.9 million principal). The bond debt is associated with approximately 60 various bond issuances from the various campuses within the Louisiana higher educational system. According to the Board of Regents, the majority of these bond issuances are in the name of the management board that oversees the institution. Thus, there will likely be indeterminable legal costs associated with finalizing that these outstanding debts are now the responsibility of 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. However, for illustrative purposes, to the extent the newly created board 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. The LFO is unable to determine the specific costs related to bond succession. However, the potential legal costs may be significant. (See Page 2)

REVENUE EXPLANATION

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

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}	 H. Gordon Monk Legislative Fiscal Officer
		<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}	



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CONTINUED EXPLANATION from page one: Page 2 of 2

EXPENDITURE EXPLANATION CONTINUED:

Although this bill could increase one-time state expenditures related to transition costs, the subsequent fiscal year impact will presumably result in overall indeterminable expenditure savings due to the potential elimination of various positions and back office consolidations. According to the Board of Regents, as of April 2011 there are 254 FTEs within all the various management boards (Board of Regents - 73, LSU - 57, Southern - 37, LCTCS - 72, UL - 15) and projected FY 12 operating budget of \$124.6 million of which \$13.9 million is projected to be state general fund. The projected budgetary information excludes various pass-throughs that are not relative to the operations of the various management boards. For example, as of July 1, 2010, total state general fund reflected in the FY 11 appropriations letter for all higher education management boards was \$34.8 million. However, after approximately \$20.3 million in pass-throughs are excluded, the total state general fund initially appropriated for operations in FY 11 is \$14.5 million.

The proposed constitutional amendment is silent on the staffing requirements of the new board. For **illustrative purposes**, to the extent 25% of the total staffing levels of all the management boards eliminated upon consolidation, this bill could result in potential savings of approximately \$3.5 million state general fund and reduce approximately 64 FTEs. The consolidated board would be deliberated by the Legislature in the annual budget process and adjustments may be made to eliminate duplicative positions.

To the extent FTEs are reduced and individuals are laid-off, any potential expenditure savings resulting from those position reductions could be diminished due to indeterminable termination costs related to those layoffs.

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}	<input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	<i>H. Gordon Monk</i>
<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}		H. Gordon Monk Legislative Fiscal Officer