



# **Southern University and A&M College System**

## **BOARD OF REGENTS OPERATING BUDGET REVIEW**

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**FY17-18**

**September 26, 2017**

**RAY L. BELTON**

*President – Chancellor*

# Responses for FY18 Budget Review by the Board of Regents

## 1. ENROLLMENT PROJECTIONS FOR FALL 2017 & SPRING 2018 AND COMPARISON TO PREVIOUS YEAR

| Campus | Actual Fall 2016 | Actual Fall 2017 | Increase/ (Decrease) | % Increase/ (Decrease) |
|--------|------------------|------------------|----------------------|------------------------|
| SUBR   | 6,359            | 6,493            | 134                  | 2.10%                  |
| SULC   | 556              | 565              | 9                    | 1.62%                  |
| SUNO   | 2,430            | 2,535            | 105                  | 4.32%                  |
| SUSLA  | 3,240            | 3,098            | (142)                | -4.38%                 |

| Campus | Actual Spring 2017 | Projected Spring 2018 | Increase/ (Decrease) | % Increase/ (Decrease) |
|--------|--------------------|-----------------------|----------------------|------------------------|
| SUBR   | 5,819              | 5,934                 | 115                  | 1.98%                  |
| SULC   | 523                | 514                   | (9)                  | -1.72%                 |
| SUNO   | 2,444              | 2,450                 | 6                    | 0.25%                  |
| SUSLA  | 2,830              | 2,650                 | (180)                | -6.36%                 |

## EXPECTATIONS FOR GROWTH AND TUITION INCREASES

### Southern University at Baton Rouge

SUBR is planning to implement aggressive recruitment and marketing strategies that will yield a 5% increase in enrollment in FY 2018-19. SUBR expects to increase tuition and fees by a minimum of 5% to offset prior reductions in state appropriations and escalating costs.

### Southern University Law Center

SULC does not expect or anticipate any significant growth in enrollment. SULC does anticipate a modest upturn of enrollment in the near future and, therefore will increase tuition and fees upward to five percent (5%) during the 2018 – 2019 academic year to keep pace with decreasing or stagnant state appropriation and rising costs.

### Southern University at New Orleans

SUNO expects gradual growth in enrollment due to increased marketing and recruiting efforts implemented. In addition, the new construction of campus buildings to provide quality-learning

environments should attract students and boost enrollment. Tuition increases are not anticipated for the academic year 2018-2019. However, monitoring of financial resources are ongoing to determine need for consideration of tuition increases.

### **Southern University at Shreveport**

SUSLA does not expect or anticipate any significant growth in enrollment. SUSLA does anticipate a modest upturn of enrollment in the near future. SUSLA is increasing partnerships with area high schools to increase programs for dual enrollment students. SUSLA is also redesigning marketing and recruitment strategies to boost enrollment. Tuition increases are not anticipated for the academic year 2018-2019. However, monitoring of financial resources are ongoing to determine need for consideration of tuition and fee increases.

## **MARKETING PLANS**

### **Southern University at Baton Rouge**

- Aggressively implement recruitment of dual enrollment students
- Fully utilize social media advertising
- Hire outside consultants to assist with innovative new marketing strategy development
- Include television and billboard advertisement in marketing strategy
- Increase public relations and marketing staff

### **Southern University Law Center**

- Fully implement an aggressive recruitment program utilizing social media
- Advertise in targeted periodicals and multimedia platforms

### **Southern University at New Orleans**

- Visit high schools in-state and out-of-state and attended college fairs
- Create new recruitment Literature
- Continue to enroll High School students into the Early Start Program
- Continue to encourage successful participants of the Early Start Program to apply to SUNO
- Continue to include television and radio announcements in SUNO's marketing strategies
- Integrate social media into recruitment through positive use of various social media networks & social media apps

### **Southern University at Shreveport**

- Strengthen strategic communication
- Integrate social media into recruitment through positive use of Facebook, Twitter, Instagram
- Televis over the course of the fiscal year four professionally developed commercials
- Strengthen partnerships with local school boards to promote opportunities for high school students and increased dual enrollment opportunities

## SYSTEM IMPLEMENTATION OF THE PROVISIONS OF ACT 455

- Southern University at Baton Rouge implemented a \$1,000 per student per semester reduction in nonresident tuition in FY 2016-17; however, the university is still analyzing data regarding its effect on retention and enrollment.
- Southern University Law Center assessed an increase in its non-resident fee for the 2017-2018 academic year. Revenues from this fee increase will be used to fund operations at the Law Center.
- Southern University at New Orleans has implemented a policy that allows for the waiver of nonresident fees for students targeted with high academic standing and student athletes.
  - This policy change has allowed the SUNO campus to attract, recruit, and retain students who will improve the institutional profile and student outcomes
  - Enables staff to recruit in neighboring markets, and to target national and international students
  - Increase revenues generated by the additional students who would otherwise not attend without a reduction in non-resident fees
- Southern University at Shreveport has not implemented any increases in non-resident fees for the 2017-2018 academic year. SUSLA offers students who are residents of East Texas and Southeastern Arkansas a waiver of non-resident fees because of their proximity to the campus.

## FACULTY AND STAFF PAY INCREASES GIVEN OR PLANNED FOR 2017-2018

### **Southern University at Baton Rouge**

SUBR gave a four percent (4%) across the board pay increase to unclassified faculty and staff based on their salary rate at June 30, 2017. Classified employees received raises in accordance with Civil Service regulations.

### **Southern University Law Center**

Effective July 1, 2017, faculty and staff were given pay increases averaging approximately 4% of their salary at June 30, 2017. Classified employees received pay increases in accordance with State Civil Service rules.

### **Southern University at New Orleans**

Southern University at New Orleans has not given indication of advancing pay increases to eligible faculty and staff until financial stability is achieved and sustained to meet the financial requirements of university operations.

### **Southern University at Shreveport**

Southern University at Shreveport anticipates providing pay increases effective October 1, 2017 to eligible faculty, unclassified and classified staff. The increases will range from two percent (2%) to three percent (3%).

**Southern University Agricultural and Research Center**

Effective July 1, 2017, the Southern University Agricultural and Research Center increased salaries for eligible classified employees in accordance with Civil Service guidelines. The campus is reviewing additional funding sources in an effort to increase pay for unclassified employees in the future.

**CRITICAL FUNDING NEEDS FOR FY 2017-2018**

**Faculty recruitment and hiring to improve ratios:**

| Description   | SUBR        | SULC      | SUNO      | SUSLA     | Amount      |
|---|-------------|-----------|-----------|-----------|-------------|
| Faculty and Staff Recruitment and Hiring to improve ratios and student services | \$1,045,688 | \$567,000 | \$350,000 | \$300,000 | \$2,134,688 |

**Deferred Maintenance Needs:**

| Campuses              | Amount               |
|-----------------------|----------------------|
| SUBR, SULC and SUAREC | \$92,492,384         |
| SUNO                  | \$11,679,002         |
| SUSLA                 | \$10,591,968         |
| <b>TOTAL</b>          | <b>\$114,763,354</b> |

**Utilization of Facility Fees / Maintenance Fees:**

| Campus | Use   | Amount           |
|--------|---|------------------|
| SUBR   | Emergency facility projects and maintaining facilities  | \$547,234        |
| SULC   | Exterior and interior lighting, restroom soffit repairs, replace ceiling tiles and carpet   | \$57,000         |
| SUNO   | Frequent repairs to aged buildings, equipment and lighting that are very costly, but necessary to continue University operations    | \$35,928         |
| SUSLA  | To support numerous building maintenance, HVAC, and emergency repair projects that are outside the scope of the operational budget. | \$150,000        |
|        | <b>TOTAL</b>  | <b>\$790,162</b> |



**Roofing Projects:**

| Campus       | Number of Roofing Projects | Amount             |
|--------------|----------------------------|--------------------|
| SUBR         | 11                         | \$2,393,561        |
| SULC         | 0                          | 0                  |
| SUNO         | 2                          | \$648,850          |
| SUSLA        | 5                          | \$1,050,000        |
| <b>TOTAL</b> | <b>18</b>                  | <b>\$4,092,411</b> |

**Amount spent on Major Repairs from the Operating /Auxiliary Budgets:**

| Campus       | Total Amount       |
|--------------|--------------------|
| SUBR         | \$1,120,619        |
| SULC         | \$430,000          |
| SUNO         | \$66,695           |
| SUSLA        | \$33,000           |
| <b>TOTAL</b> | <b>\$1,650,314</b> |

**Questions for Southern University System to specifically address:**

***PROGRESSION OF TEMPORARY BRIDGE - SUBR***

SUBR recently hosted a visit from Governor Edwards where he announced that \$10 million dollars had been allocated to repair the temporary bridge and repairs to B. A. Little Road. The projects are currently being designed by DOTD and the university expects construction to begin sometime in 2018.

ADA projects associated with the consent decree are fully funded at this time through Capital Outlay. Planning and design documents are being prepared for the three buildings noted in the report, T. T. Allain, A. W. Mumford Stadium, and F. G. Clark Activity Center.

## ***EFFICIENCY MEASURES TO ELIMINATE BUDGET SHORTFALLS***

### **System Wide Efficiency Measures Implemented:**

- Merged position of President/Chancellor
- Merged positions of System Vice President for Academic and Student Affairs and SUBR Executive Vice Chancellor for Academic Affairs and created a new position entitled "Executive Vice President/Provost"
- Merged positions of System Vice President for Information Technology and SUBR Chief Information Officer and created a new position entitled "Associate Vice President for Information Technology/CIO".
- Consolidation of system and campus information technology services
- Merged the functions of the System and Campus Directors of Communications

### **Southern University at Baton Rouge.**

- Implementation of strategies to increase grant funding through increased proposal submittals
- Increased class sizes
- Closely monitoring and reduction of adjunct personnel
- Seeking savings and increased efficiency through automation of manual processes

### **Southern University Law Center**

- Consolidation of the positions of Associate Vice Chancellor for Academic Support and Director of Bar Preparatory Programs into one Associate Vice Chancellor position
- Reassignment of ADA duties and Title IX duties utilizing existing personnel

### **Southern University at New Orleans**

- Developing strategies for reduction of personnel cost
- Reducing the number of Adjunct Professors
- Increasing class sizes for efficient use of faculty resources
- Restricting overtime to emergency needs only
- Increasing revenues from university auxiliary facilities rental by enhanced marketing strategies
- Increasing SUNO housing occupancy to obtain profitability in this auxiliary. SUNO housing is available to students from other universities
- Contracting with a management group for assistance in the recovery of reimbursements from FEMA for damages incurred from Hurricane Katrina
- Increasing marketing strategies for Alumni contributions and participation
- Increasing grant proposals for additional grant funding

### **Southern University at Shreveport**

- Monitoring of personnel costs and a freeze on non-critical program positions
- Increasing class sizes for efficient use of faculty resources and reduce adjunct/overload positions

- Completing debt refinancing to reduce debt service requirements for housing bonds and increase occupancy rates
- Implementing new technical programs and partnerships with local high schools and community partners to increase enrollment and revenue

## **LAW SCHOOL ENROLLMENT**

Law School enrollment has significantly decreased nationally by almost 40% over the last six years. Enrollment for SULC over the last seven years has been as follows:

| Term | Year | Enrolled | Decrease Based on 2011 |         |
|------|------|----------|------------------------|---------|
|      |      |          | Enrolled               | Percent |
| Fall | 2017 | 565      | (188)                  | -25.0%  |
| Fall | 2016 | 556      | (197)                  | -26.2%  |
| Fall | 2015 | 622      | (131)                  | -17.4%  |
| Fall | 2014 | 646      | (107)                  | -14.2%  |
| Fall | 2013 | 682      | (71)                   | -9.4%   |
| Fall | 2012 | 696      | (57)                   | -7.6%   |
| Fall | 2011 | 753      |                        |         |

The aforementioned enrollment figures for the last seven years show that SULC enrollment has declined for the last six years consistent with national trends. The enrollment declines, along with reduced legislative appropriations have negatively affected the budget for SULC. The Law Center has reduced the size of its faculty and staff by fifteen (15) employees over the last six years to offset the loss of legislative appropriations and the loss of enrollment due to national trends.

The Southern University Law Center has announced a plan to possibly expand its operations by establishing a “satellite” or “branch” campus in downtown Shreveport. The first step in the process is to conduct a feasibility study in the current fiscal year and the 2018-2019 fiscal year. SULC anticipates that the feasibility study may require additional resources of approximately \$100,000. In addition, a “major change” site visit from the American Bar Association (ABA) Section on Legal Education and a “Substantive Change” visit from the Southern Association for Colleges and Schools-Commission on Colleges (SACSCOC) will be required possibly in 2019-2020 and additional resources may be needed for those site visits.

## **FINANCIAL WATCH – CAUSES OF FINANCIAL STRESS**

### **Southern University at New Orleans**

- Reductions in state appropriations
- 24.1% decline in enrollment since Hurricane Katrina



- Escalating mandated cost
- Ongoing high cost to maintain deteriorated buildings and equipment
- University cost to restore buildings and equipment from damages of Hurricane Katrina that were not covered by FEMA
- Rental of portable air conditioning units for second and third floors of Library and University Center due to damage HVAC System from Hurricane Katrina.
- Rental of portable lighting units to provide campus wide security and safety. Restoration of electrical and permanent campus lighting is in progress.
- University cost to fund major repairs to housing, due to deficient construction which caused major damages and deterioration of the facilities
- Major maintenance cost of the Lake Campus modular buildings due to constant water leaks, water line breakage, and failure of air conditioning systems
- Faulty construction of College of Business building – constructed after Hurricane Katrina. Ongoing roof leaks, causing damage to ceiling tiles throughout the facility
- SUNO housing has traditionally operated at a loss since inception due to low occupancy (55% in FY2016-2017)

## FINANCIAL WATCH – CORRECTIVE ACTION PLAN

### Southern University at New Orleans

- Increase housing occupancy to obtain profitability – 71% for FY 2017-2018 (represents increase of 16% from prior year). SUNO also houses students from other universities.
- SUNO has terminated contract with American Campus Communities (housing management company). Immediate savings is \$150,000.
- SUNO has the assistance of a management group to recover unreimbursed costs from FEMA
- Reduce personnel costs
- Consider outsourcing major operations (grounds maintenance, custodial services, HVAC operations etc.)
- Increase emphasis on recruitment and retention efforts
- Reduction of Adjunct Faculty
- Increase class sizes for efficient use of faculty resources
- Restrict overtime to emergency needs only
- Increase auxiliary revenues from facilities rental by utilizing aggressive marketing strategies

## FUNDING ALLOCATION FOR ATHLETIC PROGRAMS

| Revenue               | SUBR        | SUNO     | SUSLA     |
|-----------------------|-------------|----------|-----------|
| Ticket Sales          | \$1,785,000 |          | \$1,1751  |
| Game Guarantees       | 1,037,500   | \$12,500 |           |
| Student Athletic Fees | 2,700,000   | 311,500  | \$310,992 |
| Parking Fees          | 235,000     |          |           |

|                          |                    |                  |                  |
|--------------------------|--------------------|------------------|------------------|
| Conference Distributions | 383,000            |                  |                  |
| Other Income             | 506,000            | 10,000           |                  |
| Transfers                | 2,199,841          | 395,000          |                  |
| Gender Equity            | 175,000            |                  |                  |
| <b>Total</b>             | <b>\$9,021,341</b> | <b>\$729,000</b> | <b>\$312,743</b> |

**INFORMATION REGARDING THE MEDICAL MARIJUANA PROJECT OVERSEEN BY THE SOUTHERN AG CENTER**

On June 29, 2015, Louisiana Governor Bobby Jindal signed Senate Bill 143 (Act 261, also known as the “Alison Neustrom Act”) into law, establishing a framework for the legal production and sale of medical marijuana products in the state of Louisiana. In May 2016, Governor John Edwards signed Senate Bill 271 (Act 96) into law, allowing physicians to ‘recommend’ medical marijuana to qualifying patients instead of ‘prescribing,’ which had previously created legal barriers to patient access and physician participation. The following month, the governor also signed Senate Bill 180 (Act 343), creating legal protections for qualified patients in possession of medical marijuana. These bills collectively ensure that patients may legally access medical marijuana under the state’s program, while providing a market for legally produced medical marijuana.

One of the provisions of Act 96 grants the right of first refusal to Southern University Agricultural Center (“SU AgCenter”) and Louisiana State University Agricultural Center (“LSU AgCenter”), to produce medical marijuana either separately or jointly. In June 2016, the Southern University Board of Supervisors notified the Louisiana Department of Agriculture and Forestry that they had approved a measure authorizing the institution to establish a medical marijuana production facility, pursuant to Act 96.

In May 2017, Southern University released its Medical Marijuana Cultivation and Production Facility Operator Request for Applications (RFA), following LaPAC (Louisiana Procurement and Contract Network) guidelines. As required by state law, the SU AgCenter will enter into and oversee a contractual relationship with a private organization who will be responsible for all operational aspects of the Facility including, but not limited to, cultivation, processing, extraction, production, and any other necessary activities to produce approved medical marijuana products.

On June 30, 2017, the Procurement Office received seven (7) applications in response to the RFA. The successful applicant will enter a five-year contract, assuming responsibility for all of the expenses involved in running the business. Southern has estimated the initial investment will range from \$5 million to \$7 million. No state tax dollars are involved in producing medical marijuana. Revenues generated from the program shows promise of strengthening the Southern University System as a whole.

**September 8, 2017**

A special board meeting to reveal the three finalist by the SU AgCenter committee. The finalist are Advanced Biomedics, Med Louisiana and Southern Roots Therapeutics. Under the original timeline, oral presentations and interviews would have begun 10 days after the finalists were announced. The university

had set aside a week for that task, with the winning vendor announced three days after the interviews and presentations being completed. The selection is anticipated to be announced at the September 22, 2017 Board of Supervisors meeting.

**September 22, 2017**

At the SU Board of Supervisors meeting a selection was made on the contract for the medical marijuana project. The contract for the cultivation and production of marijuana for medical purposes has been awarded to Advanced Biomedics.