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FINANCE COMMITTEE REPORT
Wednesday, June 29, 2016

The Finance Committee met on Wednesday, June 29, 2016, at 10:25 a.m. in the Claiborne Building, Thomas Jefferson Room 1-136, A & B, in Baton Rouge, Louisiana. Committee Chair Markle called the meeting to order. The roll was called and a quorum was established.

Committee Members Present

Edward Markle – Chair
Gray Stream – Vice-Chair
Marty Chabert
Joel Dupre’
Joseph Farr
Roy Martin, III
LCTC Representative
LSU Representative
Southern Representative
UL System Representative

Other Board Members Present

Claudia Adley
Collis B. Temple, III

Committee Members Absent

Robert Levy

Guest List

See Attachment I

Review and Approval of the FY 2016-17 Operating Budget Distribution

Mr. Terrence Ginn, Deputy Commissioner for Finance and Administration, began his presentation by stating that at its March 2016 meeting, the Board of Regents approved a preliminary distribution of the higher education operating budget as proposed in the Governor’s FY 17 Executive Budget.

As the executive budget was presented in February, higher education was allocated \$570M state general fund for distribution to all of higher education. As a result of the 1st and 2nd Special Legislative Sessions, additional revenue was raised to fund higher education at \$919M state general fund, which includes \$149M for TOPS. Although funded at a total of approx. \$209M, TOPS remains funded at 70% of the estimated cost of the total program of \$293M for FY 17.

Approximately \$287M is available for specialized institutions units and boards, which represents a near standstill budget for these higher education entities. The major decreases associated with the specialized units are attributable to the medical schools. The operational and legacy costs are being funded through another financing mechanism outside of the higher education budget. Approximately \$480M is currently available for distribution to the 2&4 year institutions. This represents a decrease of \$8M from the appropriated budget for the current fiscal year. As a result of Act 462 of the 2014 Regular Legislative Session, the Board of Regents is mandated to implement an outcomes-based funding formula for the 2&4 year institutions. Over the past year starting July 23, 2015, the Board of Regents finance staff met regularly with system financial officers, Workforce Commission and LED to collaboratively develop an Outcomes Based funding formula methodology that was adopted by the Board of Regents at its December 2015 meeting and submitted to the legislature shortly thereafter. The outcomes based formula methodology has been lauded by advocacy groups such as CABL and LABI, as the new model seeks to reward outcomes, yet consider institutions cost and is designed to prevent drastic funding shifts among institutions. For fiscal year 2017, the initial goal was to implement the outcomes based model using 50% of the base appropriation, 25% cost, and 25% outcomes. Because we received less than the appropriated level of funding for the current year and in an effort to recognize that the formula was not to create drastic funding shifts among institutions, staff recommends that the appropriation be based on 70% base appropriation, 15% cost and 15% outcomes.

The 15% outcomes portion of the formula seeks to reward the best metrics of the Grad Act and the WISE program. The weights were designed to incentivize degree production in high wage and high demand jobs, research, level progression, degree production, transfers, Pell students and adults over 25 to name a few.

The 15% cost portion of the formula is still based on the Texas model, with the major change being the removal of the strategic initiatives which have been placed into the outcomes portion of the formula and changing the class size to better align actual Louisiana data and national data trends. Although current data suggests that the class size methodology is appropriate, Regents has engaged national formula expert to study class size and make suggestions to Regents prospectively. Also, the class size change represents a funding shift of approximately \$3.7M of the \$483M allocated to 2 & 4 year institutions. This changes the allocation by less than 1%.

As with any formula model, there are institutions that fare better than others. As we move forward, staff is committed to continuing to work with system representatives, LED and Workforce Commission to continue to refine the outcomes based model to ensure that the intent of the legislation continues to be met and funds continue to be distributed fairly and equitably. I also have the two associate commissioners who have worked on this formula seated next to me, Kim Harvey and Travis McIlwain, and we are available to answer any questions that you may have.

Senior staff recommends approval of the funding distribution for FY 2016-2017.

Senior Staff recommends that the Committee approve the funding recommendations for all Higher Education systems, boards and agencies in FY 2016-2017. Additionally, staff is requesting permission to make adjustments among institutions within the systems as needed.

On motion of Regent Stream, seconded by Regent Dupre', the Finance Committee approved the FY 2016-17 Operating Budget Distribution funding recommendations.

Adjournment

On motion of Regent Dupre', seconded by Regent Farr, the Finance Committee meeting adjourned at 11:06 p.m.

Appendix A

Guest List for June 29, 2016 for Board of Regents' Committee meetings

NAME**AFFILIATION**

Ann Smith	SUS
John Crain	SLU
Mary Ann Coleman	LAICU
Matt Lee	LSU
James W. Robinson	ALFS/LSUE
Flandus McClinton	SUS
Dan Reneau	ULS
Regina S. Robinson	SUSLA
Janet Newhall	LSU
Jeannine Kahn	UL System
Ronyelle B. Ricard	SUBR
Barbara Hatfield	LSUA
Bonnie Hymel	Pennington Biomedical
Nick Bruno	ULM
Renee Robichaux	LSUE
Alex Appeaning	LCTCS
Jane Cassidy	LSU
Ryan T. Landry	LSU
Ray L. Belton	SU
Patrick Martin	LSU
Davin Constant	LSU
Alisha Prather	Pennington Biomedical
Brad Jewell	Pennington Biomedical
Guy LaVergne	Pennington Biomedical
Joe Marin	LCTCS
Paul Carlsen	LCTCS
Winfred Sibille	ULS
Sujuan Boutte	LOSFA
Julie Falgout	UL Lafayette Foundation
Colette Billeaud	UL Lafayette Foundation
Bruce Murphy	Nicholls State University
Patrick J. Harrington	SULC/BoR
Colby Harrington	N/A
David S. Adegboye	SUNO
Margaret McMichael	BRCC
Denise Flock-Williams	LSUHSC Foundation