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FINANCE COMMITTEE REPORT

Wednesday, February 24, 2010

The Finance Committee met on Wednesday, February 24, 2010, at 9:55 a.m. in the Claiborne Building, Louisiana Purchase Room, in Baton Rouge, Louisiana. Committee Chair Brame called the meeting to order. The roll was called and a quorum was established.

Committee Members Present

Scott Brame, Chair
Victor Stelly, Vice Chair
Richard D'Aquin
Ingrid Labat
W. Clinton Rasberry, Jr.
Mary Ellen Roy
Harold Stokes
Walter Guidry, Southern University System
Jimmy Long, Sr., UL System

Other Board Members Present

Charlotte Bollinger
Maurice Durbin
Marc Guichard
Donna G. Klein
Robert W. Levy
Roland M. Toups
Artis L. Terrell, Jr.

Staff Members Present

Wendy Simoneaux
Donald Vandal
Carolyn Blanchard

Committee Members Absent

LCTCS Representative
LSU Representative

Guests

Appendix A

REVIEW OF THE GOVERNOR'S EXECUTIVE BUDGET FOR FISCAL YEAR 2010-2011

Mr. Donald Vandal, Deputy Commissioner for Finance and Administration, mentioned that the Governor's Executive Budget proposal for Fiscal Year 2010-2011 was due to the Joint Legislative Committee on the Budget (JLCB) on Friday, February 12th, but due to inclement weather, JLCB cancelled its meeting. He said the budget was released publicly on Friday, February 12, 2010 and was available on the Division of Administration website under the Office of Planning and Budget at that time. Mr. Vandal mentioned that the budget was officially presented to the JLCB on Friday, February 19th.

Deputy Commissioner Vandal remarked that, in contrast to earlier expectations that the budget proposal would have another round of significant funding reductions for higher education; the Governor's proposal maintains essentially the same level of funding as it existed in the current fiscal year after the mid-year reduction of \$84 million.

Mr. Vandal reviewed several items regarding the budget proposal:

- The Governor's Executive Budget continues the \$84 million mid-year reduction into the new fiscal year.
- Approximately \$100 million in additional federal Stimulus funding is inserted into the higher education budget financing with a like amount of state general funding withdrawn. That results in an amount of \$289.6 million in federal Stimulus funding in the higher education budget for FY 2010-11, which will drop out in FY 2011-12.
- Total General Fund support will be \$167.6 million less than the budget level for higher education at the beginning of the current fiscal year.
- All state funds and position authorization/control (which now includes the institutions as well) are consolidated at the Regents to begin the process; other means of financing (self-generated, federal and interagency transfer other than stimulus funding) remain at the systems/institutions.
- The "operational" budgets of the boards are reduced by a total of \$5.2 million (Regents' reduction specifically is \$2,064,600), approximately 30% of those previously budgeted amounts for board operations. The remaining amounts are expected to be distributed to the institutions and received by the boards via interagency transfers back from the institutions.
- All "special legislative projects" were non-recurred (eliminated) – such items are funding for the Louisiana Endowment for Humanities, truancy program funding, some health care centers, Delta Development Initiative, and various other small items.
- Funding for the "supplemental retirement payments" for the LSU Agricultural Center in the amount of \$1,761,453 was annualized.

- TOPS funding was enhanced by \$4.7 million which is designed to provide funding for the 5% tuition increase under current legislative authorization (an additional \$6.2 million in General Fund support of TOPS was included to make up the shortage of available funding from the TOPS trust fund). Go Grant and Dual Enrollment/Early Start are funded at the same level as current year (after mid-year reduction in GO Grant).
- Adult education funding in the amount of almost \$15 million (\$4.9 million of which is state general funding) is transferred from the Department of Education to the Louisiana Community and Technical College System.
- Language in the Executive Budget (which will likely be in the original General Appropriations Bill) provides that “The Board of Regents plan will provide at least the required level of State fund support to ‘public institutions of higher education’ as defined in the ARRA (federal stimulus) requirements to allow the State to receive funding provided by the ARRA.” This provision could have consequences for those higher education entities not eligible for ARRA funds under the federal provisions. More analysis of the potential impact of this provision will be required before the staff can adequately address.

Mr. Vandal stated that although the governor’s executive budget maintains essentially the same level of funding as it existed in the current fiscal year after the mid-year reduction of \$84 million, the estimated amount of mandatory cost increases for items such as retirement contributions is approximately \$70 million. Mr. Vandal stressed that those cost increases must largely be absorbed by the higher education entities.

Mr. Vandal then introduced Mrs. Wendy Simoneaux, Associate Commissioner for Finance and Administration, to present detailed schedules of the proposed FY 2010-2011 changes to the existing operating budget for postsecondary education as reflected in Appendices B and C.

UPDATE ON FORMULA FUNDING REVISIONS

Mr. Vandal reported on the first meeting of the new Formula Funding Task Force of Thursday, February 18, 2010. He reviewed the charge, membership and general timeline for the Task Force work as follows:

Charge: The charge to the Task Force is to work with Board of Regents staff and its consultant and provide advice for consideration of the Board of Regents on:

- a) recommendations to modify the current funding formula for technical colleges, two-year, and four-year institutions to place a greater emphasis on performance and to be consistent with the overall goals and recommendations of the *Postsecondary Education Review Commission*;
- b) formula implementation strategies to be used in times of various fiscal environments (stable, growth, declining); and

- c) a strategic framework and proposed timeline for the development of a performance based funding formula for other funding entities, including the State's Agricultural Centers, Health Science Centers, Law Centers, and the State's non-formula research oriented entities.

Membership of the Task Force: It is recommended that each system head, or his designee, be a member of the Task Force. In addition, the system head should appoint one institutional representative to serve on the Task Force, preferably a President. The Commissioner will also serve on the Task Force.

Timeline: It is anticipated that the Task Force will complete its initial work and that the recommendations will be presented to the Board of Regents in May 2010.

ADJOURNMENT

There being no further business to come before the Committee, Chair Brame declared the meeting adjourned at 10:45 a.m.