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W. Clinton Raspberry, Jr.
Mary Ellen Roy
William Clifford Smith
Victor T. Stelly
Harold M. Stokes
Roland M. Toups
James Klock, Student

BOARD OF REGENTS

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FINANCE COMMITTEE MEETING

Wednesday, June 27, 2007

The Finance Committee met on Wednesday, June 27, 2007, at 10:42 a.m. in the Louisiana Purchase Room of the Claiborne Building, 1201 North Third Street, Baton Rouge, Louisiana. Chair Scott Brame called the meeting to order. The roll was called, and a quorum was established.

COMMITTEE MEMBERS PRESENT

Scott Brame, Chair
Richard D'Aquin
W. Clinton Raspberry, Jr.
Clifford Smith
Victor Stelly
Harold Stokes
Roland Toups
Jimmy Long, UL System
Steve Smith, LCTC System
Alvin Kimble, LSU System

STAFF MEMBERS PRESENT

E. Joseph Savoie
Donald J. Vandal
Wendy Simoneaux

GUESTS PRESENT

Appendix A

OTHER BOARD MEMBERS PRESENT

Mary Ellen Roy
Pat Strong
Maurice Durbin
Ingrid Labat
Robert Bruno
Robert Levy
James Klock

COMMITTEE MEMBERS ABSENT

Artis Terrell, Jr., Vice Chair
SU System Representative

Mr. Donald Vandal, Deputy Commissioner for Finance and Administration, requested that the Committee revise the agenda to include item VI. McNeese State University Lease Agreement with McNeese State University Foundation.

After discussion, the Finance Committee took the following action:

On motion of Regent Rasberry, seconded by Regent Smith, the Finance Committee unanimously voted to revise the agenda to include item VI. McNeese State University lease agreement with McNeese State University Foundation.

FY 2007-08 BUDGET ISSUES

UPDATE ON GENERAL APPROPRIATIONS AND SUPPLEMENTAL APPROPRIATIONS BILLS

Mr. Vandal explained to the Committee that the 2007 Regular Session of the Louisiana Legislature was required to adjourn by Thursday, June 28th and then proceeded to lead the Committee through a discussion of the funding available to higher education for the new fiscal year as reflected in House Bill 1, the General Appropriations Bill. Mr. Vandal presented a brief overview of the major items and adjustments for Postsecondary Education as the Governor's Executive Budget proceeded through the appropriations process (Appendix B). Mr. Vandal also informed the Committee that there were a significant number of items that were funded with one-time funds through the Supplemental Appropriations Process. The principal instruments for these appropriations were House Bill 765 and House Bill 953. Mr. Vandal then lead the Committee on a discussion of the supplemental appropriations for Postsecondary Education (Appendix C).

CONSIDERATION OF FACULTY PAY GUIDELINES

Mr. Vandal explained that funds have been appropriated in House Bill No. 1 to each management board and allocated to each institution and to the Louisiana Universities Marine Consortium, in an amount totaling \$30 million to be expended for higher education faculty pay increases. Mr. Vandal reviewed the proposed faculty pay guidelines (Appendix D) noting that language in the bill specifies that each institution shall allocate one - half of those funds for an

across-the board pay increase and the associated retirement contribution for all full-time faculty and that faculty return to work retirees shall receive any faculty pay increase. The one-half remaining balance of funds are to be allocated by each institution in accordance with a plan which considers factors such as performance, comparable SREB faculty salary averages or other appropriate professional faculty salary benchmarks, market demand by discipline, institutional priorities, and equity issues. These funds will be available only for academic faculty whose primary function is instruction and/or research, librarians, research associates and cooperative extension agents. Salary adjustment plans, approved by each management board, are to be submitted to the Board of Regents with each institution's operating budget and shall include a description of goals and accomplishments of the plan.

After discussion, the Finance Committee took the following action:

On motion of Regent Rasberry, seconded by Regent Toups, the Finance Committee voted to unanimously recommend the Board approve the proposed faculty pay plan guidelines as reflected in Appendix D.

CONSIDERATION OF ALLOCATION PLAN FOR \$10 MILLION FOR PUBLIC INSTITUTIONS FOR FACULTY RETENTION, RECRUITMENT, AND RECOVERY

Mr. Vandal lead the Committee through the proposed allocation plan (Appendix E) for \$10 million appropriated to the Board of Regents in House Bill 1 to assist Louisiana's hurricane-affected public postsecondary institutions meet the challenges faced in retaining existing faculty, recruiting replacement faculty in cases of key faculty losses, and for efforts to restore and recover the research and operational capacity of those campuses. The distribution methodology was based on a pro-rata share of those institutions calculated base funding using 2004-2005 FTE and 2005-2006 SREB funding rates.

After discussion, the Finance Committee took the following action:

On motion of Regent Rasberry, seconded by Supervisor Kimble, the Finance Committee voted to unanimously recommend the Board approve the proposed distribution of the \$10 Million for public institutions for faculty retention, recruitment, and recovery as reflected in Appendix E.

CONSIDERATION OF ALLOCATION PLAN FOR \$10 MILLION FOR PUBLIC INSTITUTIONS FOR EXPENSES RELATED TO STORM RECOVERY

Mr. Vandal lead the Committee through the proposed allocation plan (Appendix F) for \$10 million appropriated to the Board of Regents in the supplemental appropriation, House Bill No. 765, for operating expenses related to storm recovery for public institutions. The distribution methodology was based on a pro-rata share of those institutions calculated base funding using 2004-2005 FTE and 2005-2006 SREB funding rates, with the exception that McNeese State University is allocated an amount of \$1.2 million. Mr. Vandal also explained to the Committee that there was language in the bill that directs the institutions to deposit funds received into a restricted fund or funds to be used and expended solely and exclusively for the purposes of the appropriation.

After discussion, the Finance Committee took the following action:

On motion of Regent Rasberry, seconded by Regent Stokes, the Finance Committee voted unanimously to recommend that the Board approve the proposed distribution of the \$10 Million for public institutions for expenses related to storm recovery as reflected in Appendix F and to direct institutions to deposit the funds received into a restricted fund or funds to be used and expended solely and exclusively for the purposes of the appropriation as directed in HB No. 765.

CONSIDERATION OF ALLOCATION PLAN FOR \$5 MILLION FOR INDEPENDENT INSTITUTIONS FOR EXPENSES RELATED TO STORM RECOVERY

Mr. Vandal then lead the Committee through the proposed allocation plan (Appendix G) for \$5 million appropriated to the Board of Regents in the supplemental appropriation House Bill No. 765 for operating expenses related to storm recovery for independent institutions to be administered under the provisions of R.S. 17:2053, the Aid to Independent Institutions program. The distribution methodology was based on a pro-rata share of those institutions calculated base funding using the Fall 2004 ATI aggregated FTE and the Fall 2004 ATI adjusted funding rate.

After discussion, the Finance Committee took the following action:

On motion of Regent Rasberry, seconded by Regent Smith, the Finance Committee voted unanimously to recommend that the Board approve

the proposed distribution of the \$5 Million for independent institutions for expenses related to storm recovery as reflected in Appendix G.

Dr. Savoie then proceeded to express his sincere appreciation to the Governor and the legislature for this monumental investment into higher education and the citizens of the State.

ENERGY SURCHARGE REVIEW AND CONSIDERATION

Mr. Vandal reminded the Committee that in August 2001, the Board of Regents after consideration of the issue of significantly increasing utility costs on institutional campuses and after extensive discussions with the Council of Student Body Presidents, approved recommendations for the management boards to authorize their institutions to charge students an energy surcharge under certain stipulations and conditions. The original authority was granted for a three year period. In June 2004, the Board extended this authority with the same stipulations and conditions until July 1, 2007. Mr. Vandal explained that in an effort to determine if a need remained for further extension of this authority, the system offices were asked to provide verification of existing data that had been previously reported and to provide additional data relative to energy costs, energy usage, surcharge rates, collections, and projections. Mr. Vandal indicated that this data had been collected and reviewed and it has been determined in accordance with Appendix H that continuation of the energy surcharge is warranted.

After discussion, the Finance Committee took the following action:

On motion of Regent Smith, seconded by Regent Stelly, the Finance Committee voted unanimously to recommend that the Board authorize the management boards to continue to address the energy issues of their respective institutions under the conditions stipulated by the Resolution of Student Body Presidents, inclusive of the provision of quarterly reports on utility costs and reductions in rates if energy costs decrease, and that the three-year sunset provision be extended until July 1, 2010.

POLICY FOR STATE FUND USAGE IN ATHLETIC PROGRAMS

Mr. Vandal also informed the Committee that staff had been reviewing considerable

amounts of data and information regarding the financing of athletic programs, both in Louisiana and outside the state, and in conjunction with the Board's policy for state fund usage in athletic programs. There is clear evidence that the athletic programs are generally underfunded compared to their competition, and that in some cases, the Louisiana programs are some of the lowest funded programs within their respective conferences. Mr. Vandal presented a proposal as reflected in Appendix I for revisions to the current policy which is designed to allow more flexibility for institutions to provide additional operating budget assistance for the athletic programs as determined necessary by campus heads and management boards.

After discussion, the Finance Committee took the following action:

On motion of Regent Toups, seconded by Regent Rasberry, the Finance Committee unanimously recommended that the matter of the proposed changes to the Board of Regents Policy for State Fund usage in Athletic Programs as reflected in Appendix I be deferred until such time as the Board has had more opportunity to consider the need for and merits of the proposal.

MCNEESE STATE UNIVERSITY LEASE AGREEMENT WITH MCNEESE STATE UNIVERSITY FOUNDATION

Mr. Vandal presented a proposed lease agreement between McNeese State University and McNeese State University Foundation for the purpose of installing artificial turf and all required drainage at Cowboy Stadium at the tenant's (Foundation) sole cost and expense, and funded from donations. All permanent improvements or alterations made to the leased property shall become the property of the lessor and the tenant shall not be entitled to any credit, reimbursement or payment for such improvements.

After discussion, the Finance Committee took the following action:

On motion of Regent Rasberry, seconded by Regent Stelly, the Finance Committee voted unanimously to recommend that the Board approve the McNeese State University lease agreement with McNeese State University Foundation for the purpose of installing artificial turf and all required drainage at Cowboy Stadium contingent upon approval of this item by the University of Louisiana Board of Supervisors.

REPORT FROM DEPUTY COMMISSIONER

Mr. Vandal informed the Committee that the first Formula Funding Taskforce Steering Committee meeting was held on June 7, 2007. Mr. Vandal expressed pleasure with the expertise and understanding of the group as to the goals and objectives of the project being sought by the Regents. Mr. Vandal also informed the Committee that the next meeting of the Formula Funding Taskforce would be held on July 26, 2007.

ADJOURNMENT

There being no further business to come before the Committee, the Finance Committee adjourned at 12:35 pm.