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AGENDA
FINANCE COMMITTEE
Wednesday, June 26, 2013
10:05 a.m.

Louisiana Purchase Room 1-100
Claiborne Building
1201 North Third Street
Baton Rouge, Louisiana

- I. Call to Order
- II. Roll Call
- III. Review and Approval of the FY 2013-14 Operating Budget Distribution
- IV. Update on Investment Policy Revision
- V. Other Business

Committee Members: William Fenstermaker, Chair; Roy Martin III, Vice Chair; Raymond Brandt; Pamela Egan; Joseph Farr; Robert Levy; Richard Lipsey; Albert Sam, II; Louisiana Community and Technical College System Representative; Louisiana State University System Representative; Southern University System Representative; University of Louisiana System Representative

EXECUTIVE SUMMARY

Finance Committee

June 26, 2013

III. Review and Approval of the FY 2013-14 Operating Budget Distribution

At its March 2013 meeting, the Board of Regents approved a preliminary distribution of the higher education operating budget as proposed in the Governor's Executive Budget. This year's Executive Budget fundamentally changed the way Higher Education is funded. Historically, only state general fund dollars were used to fund the higher education formula. This year's recommendation included statutory dedicated funds via the "Overcollections Fund" to fund formula and non-formula units.

The source of funds deposited into the Overcollections Fund was heavily debated at both the Higher Education budget hearings and during the legislative session. The fund anticipates projected revenues from public/private hospital lease payments, litigation settlements, property sales and fraud initiatives at the Department of Revenue as well as various fund balances from other dedicated accounts. As the "Appropriations Bill" (HB 1) made its way through the legislative process there were amendments to the bottom line, which resulted in an overall funding decrease of \$261m from the existing operating budget.

Significant changes to the budget include the following:

- \$75.3m Means of Financing Swap to remove State General Fund and replace with Self-Generated Revenue derived from LaGrad Act tuition increases
- \$22m decrease to annualize the FY 2013 mid-year budget reduction
- \$4.4m decrease to adjust 8G and SELF Statutory Dedicated funds to anticipated revenues
- \$332m decrease for hospital adjustments
- \$45m increase in tobacco settlement funds to fully fund TOPS
- LSU System received \$15m -- \$9m is directed to the system office for distribution; \$1m to Pennington; and \$5m to the Ag Center
- SU System received \$17.5m — \$10.2m is directed to the system office; \$1.5m for each campus (BR, SUNO and SUSLA); \$1.8m to the Law Center; and \$1m for the Ag Center
- UL & LCTC Systems each received \$10m to be directed to the system offices for distribution

The Board of Regents' finance staff worked with legislators and their staff to advocate successfully for the use of one-time funds for campuses to address deferred maintenance or other one-time expenses. In the senate, our deferred maintenance amendment was expanded to allow for operational costs. The desire to have flexibility to use some of these funds for operational needs is understandable, but the Board of Regents reminded the systems that these funds will not be considered in the base and may not be available in future fiscal years. We will work with the systems to design a reporting mechanism for these funds to demonstrate sound budgeting practices to help us garner additional one-time funds for one-time expenses in the future.

HB1 contains language which directs the Commissioner of Administration to reduce the appropriations of state agencies to achieve a \$20m savings. We assume that Higher Education will be asked to absorb a portion of this reduction. Board of Regents' staff will work with the State Office of Planning and Budget and the management boards on an appropriate distribution for this reduction once an amount has been determined.

Additionally, staff has been working with the management boards on the allocation budgeted positions. State budget documents refer to this as T.O., or table of organization. We have received positive feedback from LOSFA, LUMCON, and the management boards, and will include the budgeted position allocations in the final operating budget allocation presented to the Board for approval.

NOTE: House Bill 1 has not been signed by the governor. The information above is subject to change should the governor exercise line item veto authority.