

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 337** SLS 14RS 53  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 18, 2014 5:38 PM	<b>Author:</b> APPEL
<b>Dept./Agy.:</b> Higher Education	<b>Analyst:</b> Charley Rome
<b>Subject:</b> Outcomes-Based Funding Formula	

POSTSECONDARY ED OR INCREASE GF EX See Note Page 1 of 1  
 Provides for the development of an outcomes-based funding formula for postsecondary education. (gov sig)

Proposed law requires the commissioner of higher education and the presidents of each system to review the funding formula and develop an outcomes-based formula that ensures the equitable allocation of state funds to public postsecondary educational institutions. The bill requires the commissioner and presidents to do the following: consult with stakeholders, make recommendations relative to LA GRAD Act, and focus on developing the optimal methodology to allocate funding to provide incentives for institutions to achieve desired outcomes. Requires the following factors be considered and included in the formula as appropriate: student success, alignment with economic development/workforce needs, research/innovation, and funding. Requires the formula to consider the role, scope, and mission of each institution, establish a concise set of outcomes/defined metrics for each institution, and determine the optimal allocation of state funds. Requires formula implementation as soon as practicable, but not later than the beginning of the FY17. Requires reports from the commissioner and the Board of Regents and biannual review of the funding formula. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The bill will increase state general fund expenditures by indeterminable amounts. The Board of Regents and management boards already engage in formula discussions and support staff assists with research and data analysis. However, the Board of Regents indicates that if the collaborators determined it was appropriate to propose new outcomes and metrics a national expert potentially could be engaged to assist in the development of measures that are reliable, accurate, nationally recognized, and benchmarked to institutional peers in other states. The cost of the consultant will depend on the scope of the work. To illustrate possible costs, the Board of Regents contracted with National Center for Higher Education Management Systems (NCHEMS) in 2010 and estimated costs for a similar bill last year. These costs are described below.

In 2010 the Board of Regents contracted with the NCHEMS in response to Senate Resolution 123 of the 2010 regular session. The Board of Regents paid \$74,000 to NCHEMS for the study for SR 123.

A similar bill last year (SB 117) proposed creation of the Outcome-Based Funding Task Force. The Fiscal Note for SB 117 reported an estimated increase in governmental expenditures of \$44,800 in FY14. The proposed Task Force was similar to the Governance Commission that met in 2011 and 2012. Based on costs from the Governance Commission, the fiscal note for SB 117 reported that the proposed Task Force would have the following costs: professional services for specialized or technical fields (\$32,900), travel (\$1,000), postage (\$1,200), supplies (\$1,600), meals (\$4,000), and printing (\$4,100). The fiscal note also assumed that current staff with the Board of Regents and other participating entities would provide administrative support to the Task Force.

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|---|--|---|
| <u>Senate</u>   | <u>Dual Referral Rules</u>   | <u>House</u>  |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |   |

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