



Louisiana Higher Education: A Six-Point Advocacy Agenda

Discussion of the Issues

November 11, 2010

*Sponsored by and prepared by
The Committee of One Hundred, Inc.
The Community Foundation*

*in behalf of
NW Louisiana's 7 Public Higher Education Institutions*



Strategies for the Global Knowledge Economy

Louisiana Higher Education: A Six-Point Advocacy Agenda

Discussion of the Issues

I—Competitiveness in the Global Knowledge Economy

I.1 Educational attainment must be very seriously accelerated. A 21st century society needs many more people educated and stronger education achievement at all levels.

In the *Global Knowledge Economy*, the US will not sustain competitiveness and prosperity—much less global economic dominance—without a major increase in the educational and skills attainment of the population. (It was a similar scale-up of educational attainment for the *Industrial Economy* that led to the very invention of public education and public higher education 150+ years ago.)

Measurably stronger outcomes are required of all education/training providers, including:

- General education for intellectual agility; knowledge of the world/global citizenship; civic/community responsibilities; and enjoyment of life's pursuits
- General intellectual skills in uses of information; quantitative and qualitative analytical tools; problem-solving; team behaviors; written and oral expression; etc.
- Specific (but flexible) skills and knowledge for pursuit of one or multiple occupations during a lifetime.

All the above attainment needs are served by an array of programs and providers in public pre-K to 12 education, community colleges, colleges, universities, and workforce development programs.

All must be challenged to improve the quality and quantity of the education results they produce. While there can be legitimate debate about what the new metrics should be, there should be no debate about the requirement of accountability for outcomes.

Increased educational attainment of the population and, therefore, stronger K-12 and higher education outcomes, including better support for innovation, are essential for US global competitiveness in the 21st Century *Global Knowledge Economy*. Our global challenges—perhaps not fully understood by the public—actually are staggering.

➡ Dismal statistics

- 68% of eighth-graders can't read at grade level.
- About 1/3 of our students drop out of high school (50% in some areas)
- Another 1/3 are not college-ready when they graduate.

➡ Of 30 developed nations, US is:

- 24th in Math
- 17th in Science
- 10th in Literacy

➡ Social cost

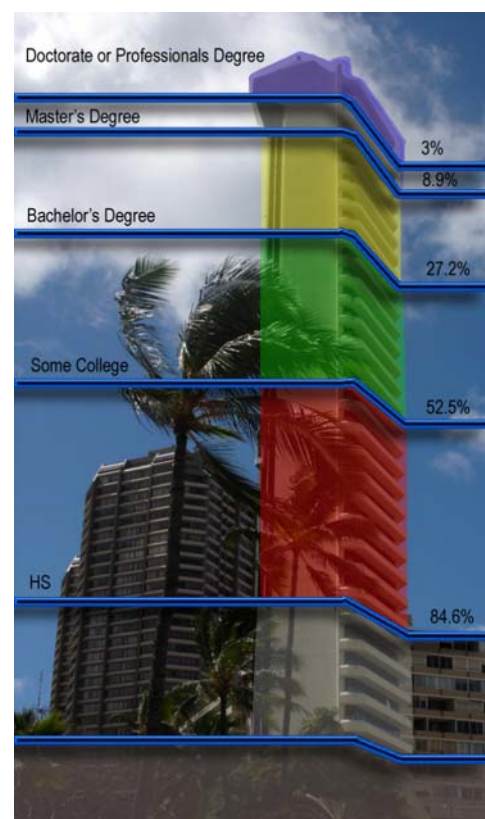
- Achievement gap costs the US \$525 billion each year.

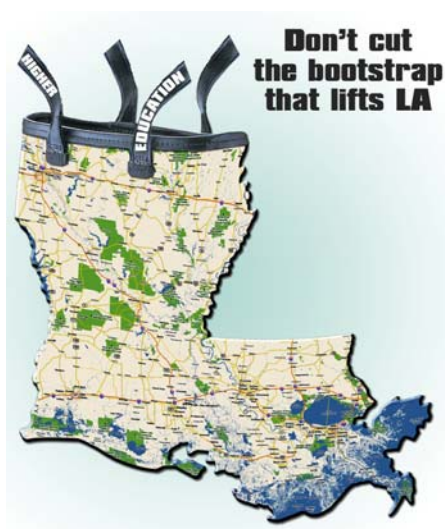
A Few Examples of Dangerously Lagging US Competitiveness

The United States is:

- Sixth in global innovation-based competitiveness, but 40th in rate of change over the last decade
- 11th among industrialized nations in the fraction of 25- to 34-year-olds who have graduated from high school
- 16th in college completion rate
- 22nd in broadband Internet access
- 24th in life expectancy at birth
- 27th among developed nations in the proportion of college students receiving degrees in science or engineering
- 48th in quality of K-12 math and science education
- 29th in the number of mobile phones per 100 people.

<http://www.nap.edu/catalog/12999.html>, *Rising Above the Gathering Storm, Revisited: Rapidly Approaching Category 5*. By Members of the 2005 "Rising Above the Gathering Storm" Committee; Prepared for the Presidents of the National Academy of Sciences, National Academy of Engineering, and Institute of Medicine. As summarized/quoted by Thomas L. Friedman, Op Ed, *The New York Times*, October 26, 2010.



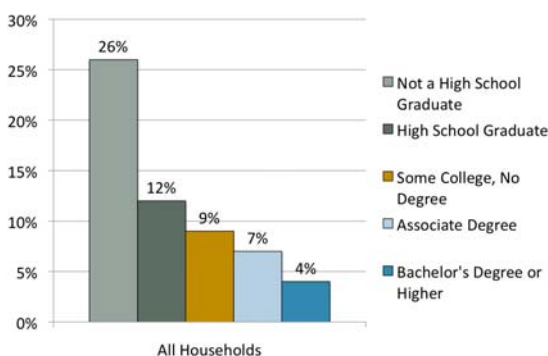


I—Competitiveness in the Global Knowledge Economy

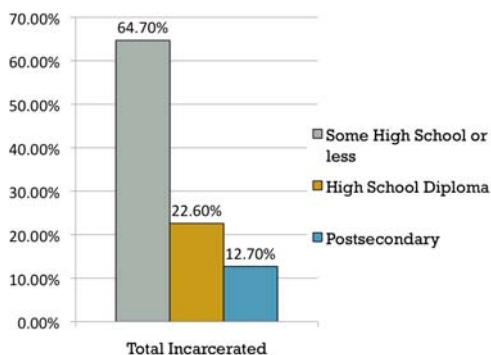
I.2 For society, there is a difference between *investments* and *expenditures*. Education and health *investments* are far less costly in the long run than *expenditures* to overcome chronic poverty, unemployment, crime, and disease.

Investments in Education and Higher Education make citizens more economically self-sufficient, more productive, better contributors to shared public purposes supported by taxes, stronger civic participants and leaders, and healthier. They should indeed be considered **public policy investments**—in contrast to **public expenditures** for such needs as unemployment compensation, uncompensated health care, or incarceration. (*Preventive* social programs similarly are *investments* that lead to avoidance of downstream *expenditures*.)

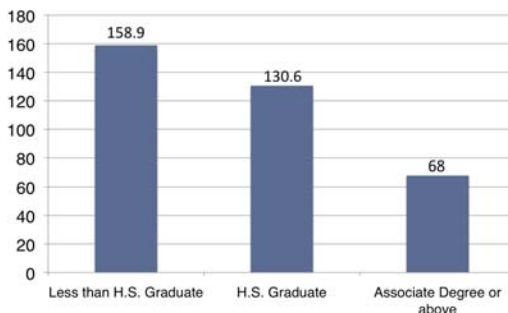
Percentage in Poverty by Education Level



Incarceration Rates by Education Level



Cancer Deaths per 100,000 Population Over 25 Years Old, by Education Level



Source: Graphics from presentation by Dr. T. Joseph Savoie to Louisiana Committee of 100, Lafayette, October 5, 2010

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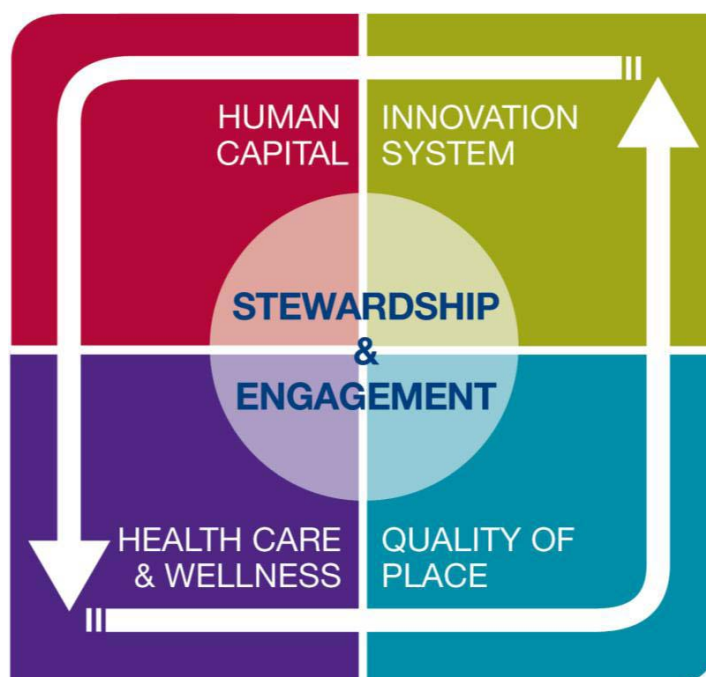
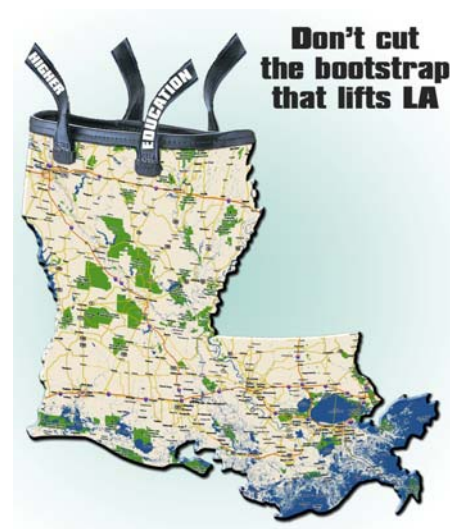
Discussion of the Issues

I—Competitiveness in the Global Knowledge Economy

I.3 Higher education institutions historically have been drivers of economic activity in their regions, as documented in numerous economic impact studies.

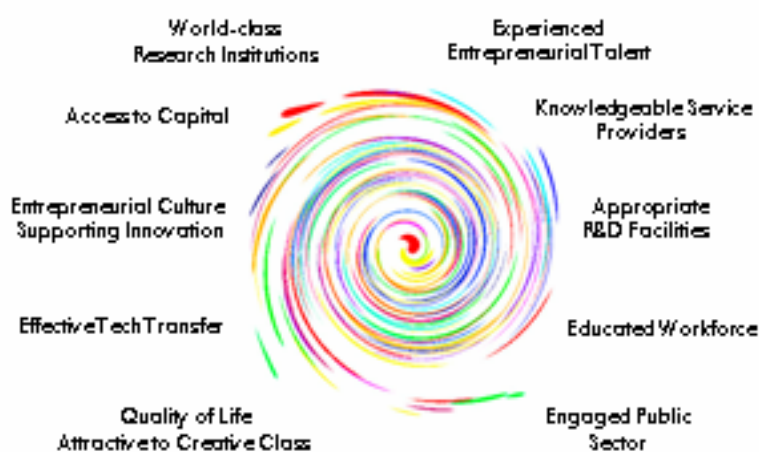
Now, 21st century institutions also are core elements in emerging *Regional Innovation Systems* that bring together many regional assets to diversify regional economies based on innovation. Still newer is the emerging 21st century concept of universities and colleges as *stewards* or *stewards of place* in their communities and regions.

- Econometric studies have long demonstrated the economic activity that higher education investments generate. In Louisiana, such studies are available for the UL system and for various other institutions.
- Basic research and new programs for applied problem-based research are essential to drive *Innovation Capacity*, and to attract federal and private investment.
- Elements of *Regional Innovation Systems*, including business services and workforce solutions, are within the domain of all colleges and universities—not limited to research and not limited only to the research and technology development performed in research universities.
- All higher education institutions must turn their attention outward and take more direct responsibility (than in the past) for constructively addressing community, social, economic, educational, health/ wellness, governance, and other needs in their regions. This is newly referred to as *The Engaged Institution*—and adds significant new or augmented responsibilities—beyond teaching and research.



Source: Lloyd A. Jacobs, MD and Eva Klein, *The Relevant University: Making Economic and Community Engagement Matter*, 2010

Critical Elements of Innovation System



Source: Center for Emerging Technologies, St. Louis, MO

Louisiana must compete in this *Global Knowledge Economy* context, despite the fact that our State has not been competitive in the metrics by which the *Global Knowledge Economy* is measured.



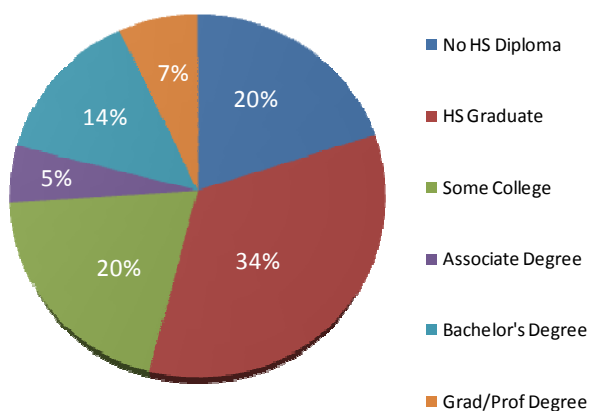
II—Louisiana's Human Capital Performance

II.1 Louisiana must compete in the *Global Knowledge Economy*. There is no alternative. The question is whether the State will have the *Human Capital* base and *Innovation* capacities it needs to compete successfully in that economy. Louisiana enters the 21st century with relatively modest rankings in educational attainment of its population, in higher education performance, and in innovation metrics.

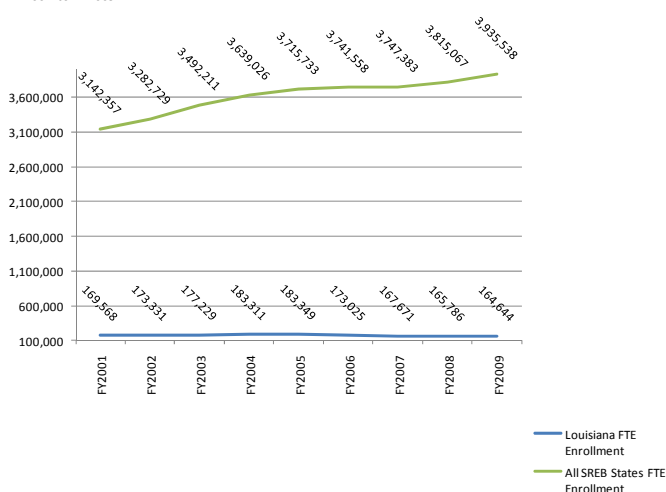
Louisiana never has been highly ranked among US states in these human resource inputs, which now are more critical than ever to creation of competitiveness and prosperity.

- Louisiana's total postsecondary enrollments have declined to about the level they were in FY2001—about **165,000** FTEs in FY2009. The "Katrina effect" does not explain all of this. High school completion and preparation levels may be a significant factor. (High school graduates are **74.8%** of Louisiana's population, vs. **80.4%** for the US.)
- In 2008, only **26%** of Louisiana's adults (25 years+) held an associate degree or higher and only **18.7%** hold a baccalaureate degree or higher (vs. US average of **24.4%**).
- From 2001 to 2009, Louisiana's total FTE enrollments in postsecondary education declined **3%**, while the 15 SREB states overall increased FTEs by **20%**. This is a **23%** gap.
- Conscious policies are needed to advance Louisiana's accomplishments and rankings in *Human Capital* formation and for generating or supporting Innovation. This challenge forms important context for considering solutions to the FY2012 crisis:
 - Should Louisiana willingly diminish capacities of its existing higher education and academic health care enterprises—since rebuilding these capacities for future growth could take many decades?
 - How should Louisiana to build on / refine the good intent of the GRAD Act, to pursue improvements in productivity and quality and better metrics of outcomes, in order to achieve better higher education outcomes with the present level of investment?
 - Assuming strengthened performance with existing resources, should Louisiana then invest more (not less) in higher education (and health care)—to advance its competitiveness? *What are the Human Capital goals for the future?*
 - What viable alternatives can be applied to meet current budget constraints—in the interests of sustaining the higher education advances Louisiana made earlier in this decade and to keep alive the possibilities of future competitive advances?

Educational Attainment, Population 25 Years and Over, in Louisiana, 2006-2008



Change in Total FTE Public Institution Enrollment: Louisiana vs. ALL SREB States: FY2001 to FY2009



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III—Statewide and Regional Perspectives

III.1 NW Louisiana is a reasonably distinct regional economy, centered on the greater Shreveport-Bossier City metro area. It is a 10-parish area including Bienville, Bossier, Caddo, Claiborne, DeSoto, Lincoln, Natchitoches, Red River, Sabine, and Webster parishes.

The economy of NW Louisiana contributes significantly to the State's economy. Its economic development strategies and higher education needs may differ from those of other state regions—as it shares characteristics with the multi-state *ArkLaTex* (or *ArkLaTexOma*) region.

In any modern planning, defining *regions* is both necessary, and a challenge. In Louisiana, one way is economic development regions or the eight (8) *planning district* regions. Other definitions are, or can be, used.

Due to the changing ways in which regional economies function, the Board of Regents is articulating its intent to focus more of its planning at the regional level.

III.2 Seven (7) extremely diverse public institutions, located in the 10 parishes that constitute NW Louisiana, represent one-fifth (19%) of the State's higher education enrollments and resources.

Together, these seven public institutions enroll more than 31,000 annual Full-time Equivalent (FTE) students. They also represent a microcosm of the State's higher education enterprise—ranging from two-year community college degree, certificate, and workforce programs to doctoral programs that include engineering, to the health sciences, including medicine. NW Louisiana also is served by Centenary College (private) and has a growing for-profit sector.

III.3 NW Louisiana's institutions have a particularly vigorous track-record of inter-institutional collaborations, including via CERT, their formal regional organization. And they acknowledge that “more” is possible and desirable.

Obviously, the region's institutions were not developed from a regional perspective. They were created in another era and they always have been parts of three (now four) statewide systems—with statewide/system-level direction of budgets and programs. These institutions nonetheless have a particularly interesting history of collaboration that includes:

- Creation of the Consortium for Education, Research, and Technology of North Louisiana (CERT) through which many collaborative economic development and education initiatives have been undertaken.
- Extensive articulation agreements for learner mobility
- Many other types of institution-to-institution and community partnership initiatives.

Detailed data are available.

III.4 However, the fate of NW Louisiana's higher education institutions in serving the region is completely tied to the fate of statewide higher education goals, policies, resources, and performance.

This fiscal crisis is clearly a statewide challenge, with the Governor, Legislature, Board of Regents, state Boards of Supervisors, and state and regional business and community organizations as players and all representing—in various ways—the real stakeholders, the people of Louisiana.

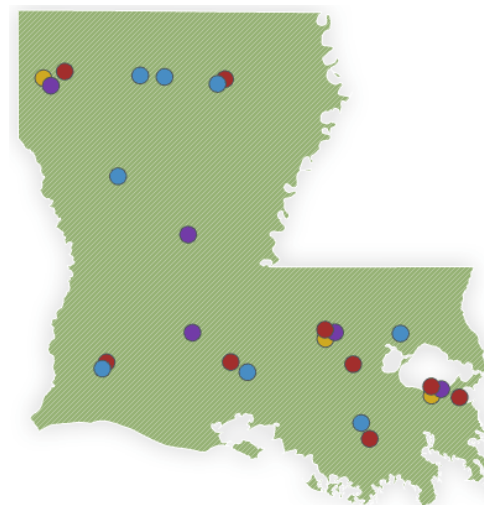
NW Louisiana leadership thus hopes to engage with statewide and regional partners in creating solutions to avert critical losses and to preserve the State's potential for greater accomplishments in the future.

Regionalism is important, but Louisiana needs statewide Human Capital solutions.

NW Louisiana has 7 public institutions and one private college. The CERT geography is broader—North Louisiana.



How does the Board of Regents intend to define postsecondary education *regions* and organize regional planning?



Louisiana is in a severe fiscal crisis for FY2012, but FY2012 is neither the first nor last hard year. Institutions already have applied substantial personnel, program, and other cuts. Short-term solutions applied for FY2012 will affect the long-term future—and thus must take that long-term future into account.

Why the Current Crisis?

Surge of revenues being related to Hurricane Katrina and dollars being pumped into the economy by the federal government and insurance companies

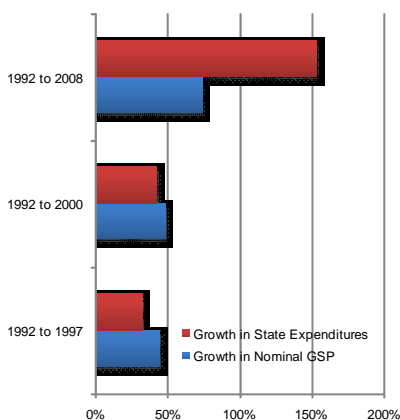
A rising energy market from 2004 through 2008 completely filling the Rainy Day Fund and thereby allowing the state general fund to once more be susceptible to the fluctuations in energy prices, and

Public decisions predicated on the implicit assumption that the Katrina surge in revenues would last forever and high energy prices would be permanent.

- Spending programs
- Tax reductions

The national (indeed, the global) economy incurred a major financial shock in 2008.

Over a long time period the citizens approved constitutional amendments that limited budget flexibility creating asymmetrical budgetary outcomes



Dr. Jim Richardson
Alumni Professor of Economics
Louisiana State University
Presentation to C100, October 5, 2010

IV—The Current Fiscal Crisis and Views to the Future

IV.1—In Louisiana, many say that, in times of budget deficits, higher education and health care bear nearly the full brunt of required cuts. The Governor asserts otherwise—that higher education has been cut less than other agencies. Clarity in the facts could help the dialogue.

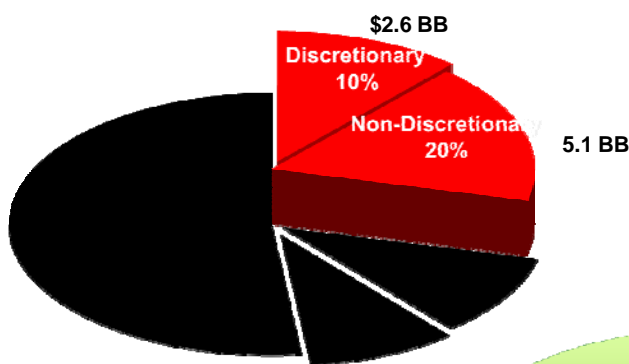
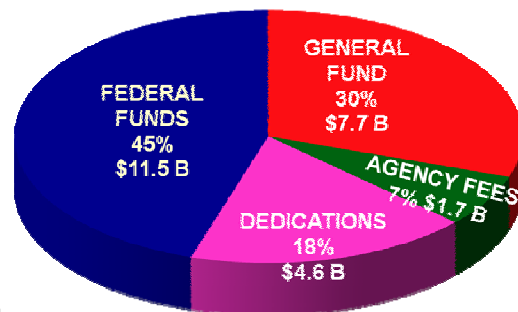
Over time, Louisiana has hemmed itself in—limiting its ability to make public policy choices—by protecting large portions of public funds from the Governor's and Legislature's reach in budget-making. Although the figure may change, an estimate now is that **\$1.6 BB** must be cut for FY2012.

- Some budget items are **constitutionally-protected** and thus extremely unlikely to be changed, at least in the short run. In some cases, there are "triggers" that would bring such budget items into play, but the triggers are not met for the forthcoming FY2012 budget year (as projected revenues are not low enough).
- Some budget lines are **mandatory**, such as debt service or designated federal funds.
- Some budget items are **protected by statutes**. Although politically challenging, at least some may be more viable targets for sharing in pain of FY2012 budget reductions.

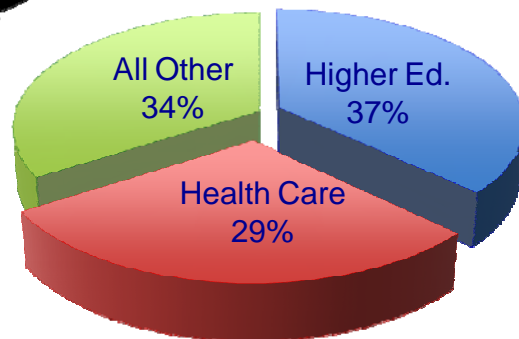
Only about **12% (or \$3.1 BB)** of the State's **\$25.5 BB** budget is flexible or **Discretionary**. Postsecondary expenditures of institutions are in this **\$3.1 BB**. It is this portion of the budget that is most easily targeted for the (potential) **\$1.6 BB** in cuts for FY2012.

Budget Review

1. The General Fund (most flexible funds) is **\$7.7 BB** (or **30%** of the State's **\$25.5 BB** expenditures. *It is not true that a figure such as \$1.6 BB can be cut from the entire \$25.5 BB.*
2. But, only **\$2.6 BB** of the **\$7.7 BB** is **Discretionary**, because of state-imposed restrictions even on the General Fund. The estimated **\$1.6 BB** cut is **61%** of the "cut-able" **\$2.6 BB**.



3. Higher Education and Health Care together comprise **66%** of the **Discretionary** (most easily "cut-able") General Fund budget. A variety of state programs make up the remaining one-third.



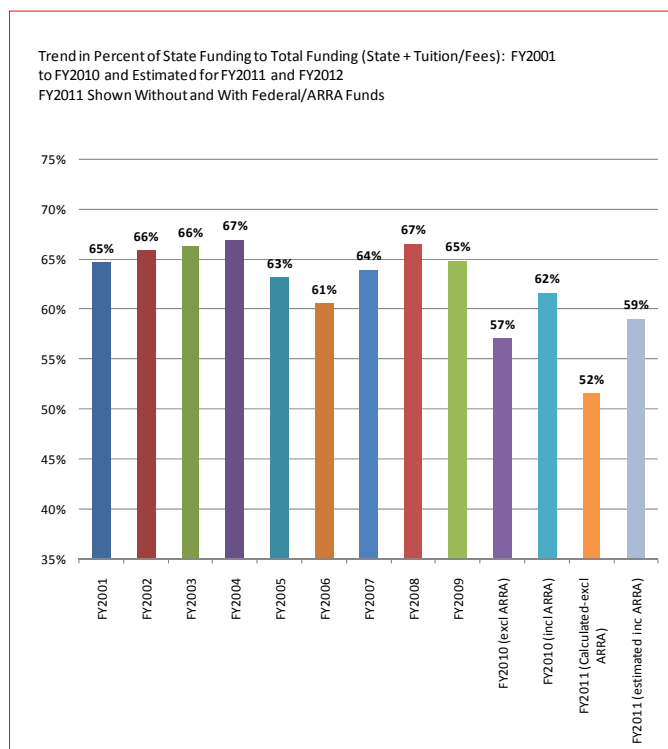
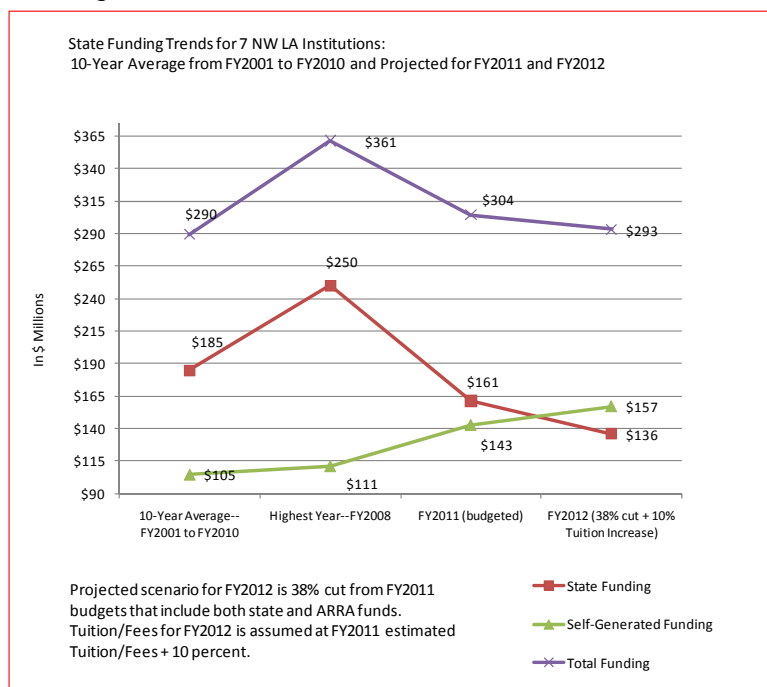
IV—The Current Fiscal Crisis and Views to the Future

IV.2 FY2012 cuts to higher education (and academic health education), in ranges that have been discussed, e.g. 32%, on top of the recent cuts, would severely damage the institutions. For the smallest ones, the damage would be even more acute, perhaps crippling, because of lack of economies of scale.

The proposed FY2012 budget cuts (e.g. **32%**) follow substantial cuts already made in state support (softened for two years by application of “soft money”—federal stimulus funds). FY2012 may not be the last fiscal year of cuts. It is necessary to evaluate the cumulative dire effects of the combined reductions on a critical state enterprise—higher education.

- For two years, federal stimulus (ARRA) funds cushioned a very serious decline in state taxpayer support to higher education, providing **\$189,700,000** in FY2010 and **\$289,592,480** in FY 2011. But, however helpful as a temporary solution this was, this two-year assist has masked a considerable slide in state support to the institutions.
- From about high year, FY2009, state taxpayer support appropriated to institutions for their operations (and excluding certain special purpose funding) fell from about **\$1.3 BB** to about **\$818 MM** in FY2011 (a decrease of **37%**).
- Mandated increased costs for such items as risk management and benefits programs, are not included in institutional budget changes. Thus, these *unfunded mandates* amplify negative effects of budget cuts and further reduce operating budget flexibility.
- State support, which averaged about **65%** of total institutional funding from 2001 through 2009, now is at **59%** of funding in FY2011—even with federal ARRA included. With a hypothetical 32% cut for FY2012, the state’s share could be down to **47%**, with student tuition/fees generating **53%**. The State is moving toward *reversing* the mix of state support and student-generated funds.

The graph below for NW Louisiana’s 7 public institutions shows the fact that tuition/fees revenues could begin to surpass public funding. The second graph shows statewide changes through FY2011.



IV—The Current Fiscal Crisis and Views to the Future

IV.3 Louisiana's higher education institutions have been restricted on the revenue side not only by the tax/funding policies of the State, but also, until very recently, by state policies on tuition and mandatory fees. Beyond just shifting costs to tuition, a comprehensive study of cost, tuition, and financial aid could be beneficial.

Certainly, tuition/fee policies that maintain relatively low tuition constitute sound public policy. Low tuition makes the advantages of college education accessible and affordable.

In fact, the changes noted immediately above in the share of per FTE cost being shifted to tuition/fees are alarming—especially if they are not being made as a result of deliberate policy and if increased tuition/fees are only replacing lost state resources, rather than enhancing education for students.

However, the particular tuition policy framework in Louisiana at present limits severely the flexibility of institutions to grow their resources based on *market factors*.

- Tuition/fees must be approved by the Legislature. This is a rare practice.
- Under the GRAD Act, institutions now may raise tuition by **10%** per year, in exchange for meeting six-year performance requirements. This is a helpful, positive step.

Two things are needed:

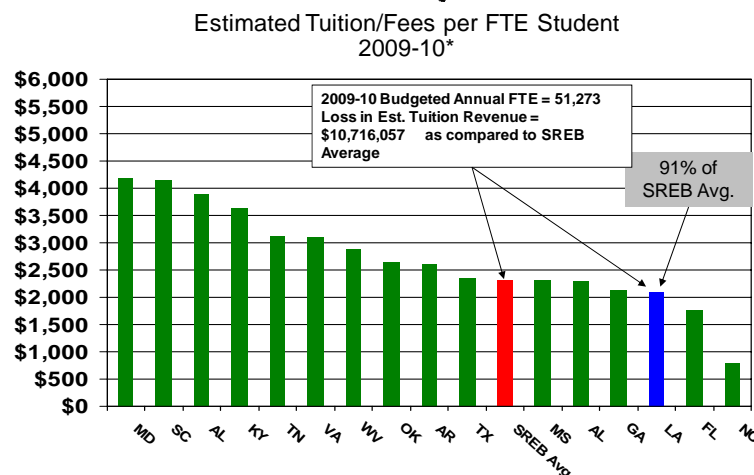
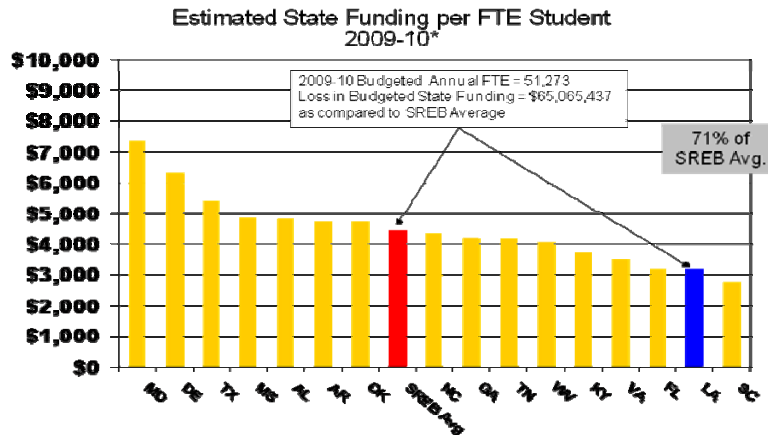
- An immediate(short-term) solution that raises revenues to help address the FY2012 crisis
- A longer-term reconsideration of tuition/fee policies in the full context of market factors, state resource constraints, institutional productivity, financial aid policy, and the need to educate many more Louisiana citizens in the future.

Recent Comparisons with 15 States (SREB)

Tuition/fee levels for in-state undergraduate students typically have been below the SREB averages but recently, not by much.

- In FY 2010, Louisiana was at **91%** of the SREB Tuition/Fees Average.
- It is state funding in Louisiana that is low, compared with SREB now. In FY2010, Louisiana was at **71%** of SREB average for state funding.

These comments and graphics at right taken from PowerPoint presentation provided by Bob Keaton, Louisiana Committee of 100 Panel, Lafayette, October 5, 2010, based on data from State Data Exchange, Southern Regional Education Board (SREB).



IV—The Current Fiscal Crisis and Views to the Future

IV.4 NW Louisiana's institutions already have pared back programs and personnel positions and are lean—before further cuts are imposed.

Program Eliminations. As a result of the State's fiscal problems in the last few years and projected additional difficulties, in NW Louisiana, the institutions already have taken steps to:

- Merge, restructure, or eliminate colleges or departments
- Eliminate degree programs, certificates, minors, and concentrations.

Detailed data are available.

Personnel Reductions. In addition, NW Louisiana institutions already have made significant operating budget reductions, including reductions of many positions—both vacant and with incumbents. Positions have been eliminated, frozen, or transferred to grant and auxiliary budgets. People have been laid off and put on partial furloughs.

The institutions are operating "lean" now.

NW Louisiana Institutions--Position and Budget Reductions from July 1, 2008 through Present¹

Positions Eliminated, Layoffs, Non-Renewals, and FTE Impact of Furloughs	# FTEs Reduced	Dollars Reduced
Unclassified Staff	176	\$8,561,761
Classified Staff	201	\$5,861,776
Faculty	205	\$15,339,667
Total Positions and Personnel Budget Reductions--All 3 Categories ²	581	\$29,763,204
Base on June 30, 2008--Before Eliminations/Reductions	4,388	\$234,492,387
% Reductions from July 1, 2008 to Now	13.2%	12.7%

Sources and Notes:

¹Data collected by Eva Klein & Associates from the institutions. Includes BPCC, LA Tech, LSUHSC-S, LSUS, NSU, and SUSLA. GSU data were unavailable at the time of data collection.

²Eliminations of contracts or contract changes are in addition and not included in the above reductions.

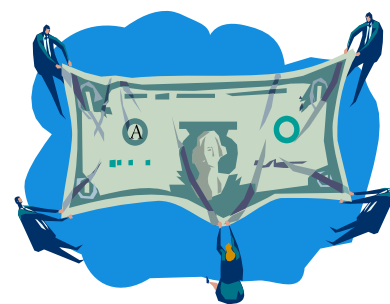
Detailed data are available.

NW Louisiana institutions may be representative of similar actions elsewhere in the State.



A Multi-Institution Calculation

For 6 of 7 NW Louisiana institutions, calculations of actual personnel reductions from the base that existed in June 2008 show *a reduction in force of about 13%.*



An Example: Louisiana Tech

Louisiana Tech University had state funding of about **\$61 MM** in July 2008.

Since then, its state funding has been reduced by about **\$21 MM**—*a reduction of about one-third.*

This is the "base" before the next rounds of cuts—in FY2011 (to account for the FY2010 deficit) and for FY2012.



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To solve the FY2012 challenge, the State should preserve its higher education capacities for the future by a reasonable cut, such as 10% from the FY2011 base. Institutions seek a *bridge funding* solution, to buy some time for carrying out longer-term productivity solutions.

Short-Term Objectives:

- Continue to trim institutional costs where short-term cuts are possible
- Combine a reasonable percentage budget cut with tuition increase and a temporary "bridge fee" to hold the line in the short term
- Minimize damage to core programs and capacities
- Preserve potential for future institution-building, as future demands will be considerable.

Non-Discretionary Budget After Constitutional and Non-Appropriated Requirements Are Removed		
Department	General Fund \$ Amount	Primary Reason for Non-Discretionary Classification
Executive	\$9,912,922	Court Order/Debt Serv.
Sec. of State	\$16,821,573	Constitutional
Corrections	\$358,161,030	Unavoidable Oblig.
DHH	\$347,069,358	Court. Ord./Fed. Mand
DSS	\$61,095,969	Unavoidable Oblig
Higher Ed.	\$91,465,034	Un. Avoid. Ob./Stat Oblig.
Education	\$3,092,747,146	Const. /Avoid. Ct. Order
HCSD	\$38,212,277	Unavoidable Obligations
Other Requirements	\$419,255,144	Const./Debt/Un. Avoid
Non. Appropriated	\$426,991,041	Constitutional
Judicial/Legislative	\$201,745,557	Legislative Discretion
Total Non-Discretionary	\$5,063,477,051	
Total without Constitutionally Protected & Mandatory	\$1,107,662,147	

Source: Adapted from Presentation by Bob Keaton, LSU System

Louisiana State Aid to Local Government in FY2011	
Program Description	Amount
Non-Public Educational Assistance	\$25,544,467
Hotel/Motel Sales Tax Dedications	\$38,585,341
Parish Transportation	\$46,400,000
District Attorneys and Assistant District Attorneys	\$30,441,218
Local Government Aid from Video Draw Poker	\$42,607,500
Two Percent Fire Insurance Distribution	\$16,570,000
State Aid to Local Government Entities	\$7,305,700
Supplemental pay for Municipal Police	\$39,216,365
Supplemental pay for Firemen	\$32,856,384
Supplemental pay for Deputy Sheriffs	\$54,513,960
Severance Tax Dedications To Parishes	\$39,300,000
Royalty Dedications to Parishes	\$47,600,000
Highway Fund No. 2	\$10,000,000
Debt Service on State General Obligation Bonds Issued for Local Projects	\$90,511,437
Total¹	\$521,452,372

¹The State also provides a refundable tax credit for ad valorem taxes paid on inventory by manufacturers, distributor, and retailers. The cost of this exemption to the state for this exemption was estimated by the Department of Revenue to be \$268 million for FY 10. See R.S. 47:6006

V—Proposed Short-Term Alternatives (For FY2012)

V.1 Business leadership urges preservation now of the State's capabilities in higher education and academic health care, primarily to make possible their long-term enhancement for the State's future.

The business leaders and higher education institutions of NW Louisiana therefore urge the Governor and Legislature to affirm this critical principle for the FY2012 budget:

Louisiana's higher education and health care assets should not bear an asymmetrical proportion of the FY2012 fiscal problem because the State's future requires more—not less—educational attainment, advances in health, and innovation capacity.

Despite complexities imposed by many protected and non-discretionary parts of the state budget, alternatives that may involve these budgets or other solutions must be "on the table."

V.2 For the FY2012 budget, find a significant portion of the ≈\$1.6 billion shortfall from a combination of other sources, to reduce higher education's share of the budget reduction to a reasonable share.

Short-term measures from sources outside higher education can be assessed carefully for application to solve the FY2012 problem. *The sponsors and authors of this analysis do NOT pretend to be experts on the state budget and have not analyzed the fiscal options*, but urge that *those who do know more* might find and consider many solutions, which, by way of illustration, could include measures such as the following:

- **State Employment.** Continue hiring freeze; eliminate pay raises; etc.
- **State Operating Expenses.** Eliminate budget for new equipment, freeze travel, defer building and equipment maintenance, and eliminate budget for inflation
- **Protected State Budgets.** For example, make cuts in elements of the Non-Discretionary budget that are not constitutionally-protected and not non-appropriated requirements. These elements are about **\$1.1 BB** at present.
- **Minimum Foundation Program (MFP).** Do not fund MFP increase and consider a **5%** cut on the FY2011 base of **\$3.069 BB** would yield about **\$150 MM**. This is a constitutionally protected budget, but can be cut with a two-thirds vote of the Legislature.
- **State Debt Refinancing.** Evaluate remaining opportunities for immediate refinancing of debt where debt service savings over time would be material, e.g. due to lower interest rates, even though savings may be more long-term than for FY2012 impact.
- **Maintenance of State Capital Assets.** Defer budgeted maintenance for FY2012 (even though this is not a sound practice), and restore maintenance as soon as possible.
- **Subsidies to Local Governments.** Evaluate temporary reductions in some of the various state subsidies to local governments, which are about **\$521 MM**
- **Non-Government Operations.** Suspend for FY2012 line item appropriations to local entities, however useful or desirable. This was about **\$30 MM** in FY2011.
- **Budgeted Tax Expenditures.** The Legislature could consider temporary elimination or reduction in some of the State's growing "tax expenditures." (Corporate Income, Personal Income, Sales Tax, Corporation Franchise, Severance, and Petroleum Products, total estimated exemptions were **\$7.125 BB** in FY2008-09, and sources indicate that this number has been increasing since FY2007.)
- **Improved Tax Collections.** Assuming no possible tax increases, evaluate whether investment in better collections of tax receivables would generate significant revenues. (The State Treasurer indicates that the State is owed **\$1.5 BB**; about **\$200 MM** annually.)
- **Consulting Contracts.** Eliminate some and negotiated reductions in some. (The State Treasurer estimates that almost **\$1B** could be saved.)
- **Other Administration.** Change Medicaid practices and other aspects of administration.

V—Proposed Short-Term Alternatives (For FY2012)

V.3 Establish the FY2012 budget cut for higher education institutions at 10% of the FY2011 funding level (including ARRA) and establish the FY2011 funding level as a “floor.”

To stabilize at the “floor, the State should grant institutions permission to charge a temporary bridge fund fee (or stabilization fee) for three years. The purpose of the temporary fee is to buy time in this crisis, until better measures can be implemented. The fee would be in addition to the GRAD Act 10% tuition increase and calculated to make up any gap to stabilize at FY2011 funding.

Cost reductions in higher education are more possible to achieve responsibly over a period of a few years than for an immediate next year. Grant the institutions permission to charge a “special fee” for FY2012 through FY2014, in an amount calculated so that the GRAD Act 10% tuition increase and the special fee together equal the budget reduction from FY2011 that will be imposed for FY2012. A 10% cut would result in a fee of about \$6 to \$7 per student credit hour.

Provide that the *bridge fund fee* or *stabilization fee* is:

- Temporary, a **3-year bridge fund** mechanism—until more thoughtful, longer-term changes in tuition/fee policy and sound productivity enhancement measures can be developed, evaluated, and implemented
- In addition to the **10% GRAD Act** annual tuition increase
- Excluded from TOPS.

The hypothetical FY2012 calculations below, at various hypothetical levels of budget cut, assume a **10%** increase in tuition in all scenarios and show the levels of revenue loss that should be made up in temporary fees.



Hypothetical Calculation of Various Levels of Higher Education Cuts for FY2012 with 10% Tuition Increase and Hypothetical Temporary Student Fee							
	Total State Funds in FY2011 as "BASE"	Potential Dollars Lost Due to Cut	"Self Gen" (Tuition) Est in 2011 (+ 10% for FY2012)	Potential Addl. Tuition Dollars	Amount of Cut Not Covered by Addl. Tuition Dollars	Temp Student Fee per FTE & per SCH Needed to Make Up Difference	
STATEWIDE						Annual per FTE	Per SCH
Total--FY2011 Direct Institution Funding	\$1,108,145,079		\$768,016,310			179,000	FTE=30
Hypothetical % Cuts:			Plus 10% Tuition				
FY2012 Cut at 2.5%	\$1,080,441,452	\$27,703,627	\$844,817,941	\$76,801,631	\$49,098,004	\$274.29	\$9.14
FY2012 Cut at 5%	\$1,052,737,825	\$55,407,254	\$844,817,941	\$76,801,631	\$21,394,377	\$119.52	\$3.98
FY2012 Cut at 7.5%	\$1,025,034,198	\$83,110,881	\$844,817,941	\$76,801,631	(\$6,309,250)	(\$35.25)	(\$1.17)
FY2012 Cut at 10%	\$997,330,571	\$110,814,508	\$844,817,941	\$76,801,631	(\$34,012,877)	(\$190.02)	(\$6.33)
FY2012 Cut at 15%	\$941,923,317	\$166,221,762	\$844,817,941	\$76,801,631	(\$89,420,131)	(\$499.55)	(\$16.65)
FY2012 Cut at 20%	\$886,516,063	\$221,629,016	\$844,817,941	\$76,801,631	(\$144,827,385)	(\$809.09)	(\$26.97)
FY2012 Cut at 32%	\$753,538,654	\$354,606,425	\$844,817,941	\$76,801,631	(\$277,804,794)	(\$1,551.98)	(\$51.73)

VI—Proposed Longer-Term Solutions (Beyond FY2012)

To be more competitive in the *Global Knowledge Economy* and to reverse its brain drain, the State must grow enrollments by significant numbers and increase higher education investments in the future. This also means improving K-12 outcomes which directly affect higher education outcomes (and tuition revenues). At the same time, institutions must press forward with a long-term productivity and effectiveness agenda for the people of the State.

Long-Term Objectives:

- Plan the State's capacity for deliberate enrollment growth and higher completions/attainment—which will mean growing resources
- Achieve stronger results for the State from current and future levels of resources invested—which will mean improving the metrics used.



VI.1 The Governor and Legislature should agree to work with the Board of Regents and others in higher education to thoughtfully revisit state goals, policies, and metrics that are critical to achievement of long-term expansion and improvement in serving the State's growing *Human Capital* / Higher Education needs.

The higher education institutions of NW Louisiana assert their willingness to work cooperatively and for the long term—within the region, through their management boards, and with the Board of Regents and Executive and Legislative branches—to fairly consider all reasonable ways to achieve and account for improved educational attainment and quality of outcomes—with significantly higher levels of efficiency and productivity. *However:*

- The objective should be to strengthen existing performance, in order to grow educational attainment in the future.
- Thus, the focus must be to make any level of investment in higher education bear more fruit—not merely to make it easier to reduce higher education's resource base.
- The traditional metrics in higher education do not correctly reflect actual patterns of learner attendance and progression. This is a national problem, not unique to Louisiana.

The GRAD Act represents an advance in the right direction. NW Louisiana institutions strongly support its intentions, while believing that its metrics and flexibilities can be improved. Among elements that require additional thoughtful ideas which can bear fruit beyond FY2012 are:

- **Future State Goals, Capacity, and Institution Restructuring.** In considerations of institutional restructuring or closing, do not only consider the present and past. Take into account a much higher *future* target for enrollments and educational attainment—because the State needs more educational attainment in the long run, not less.
- **Regional Perspectives.** Initiate definitions of higher education regions and create mechanisms by which to plan programs on a regional level, to take account of regional economies, population attainment needs, commuting distances, and online/alternative delivery. (CERT collaborations in North Louisiana provide one model for regionalism. A different structure for BOR and/or management boards is another way.)
- **“New Age” Metrics of Productivity and Quality.** Undertake a completely new look at outcome metrics, to establish in the modern context the best ways to hold institutions accountable and measure the effectiveness of what they do. For example, while six-year graduation rates are interesting, not all students *intend* to progress directly to degrees—in any number of years. A new, thoughtful set of outcome metrics, tied to clear state goals then could be tied to some performance incentive funding elements.
- **Tuition Policy and Student Costs.** A thorough study and reassessment of Tuition/Fee policies should be undertaken that examines options and factors such as:
 - Much greater “market” component to cost-setting
 - Charging tuition/fees more closely related to costs, e.g.
 - Tuition per credit hour (not capped at 12 hours)
 - Variable tuition by programs, e.g. differ for medicine, engineering, humanities
 - SREB and US averages for student/family share
 - Impact on federal student aid revenues and on TOPS expenditures.
 - Possible updated approaches to mix of merit-based and need-based financial aid.



VI—Proposed Longer-Term Solutions (Beyond FY2012)

VI.2 The State should continue to evaluate longer-term ways to provide greater budget flexibility to the Governor and Legislature, as well as improved productivity in areas of state services, other than higher education and health care.

This is a highly complex subject, well-beyond this scope and capabilities of this analysis. There are others with true expertise about Louisiana's constitution, statutes, and budget structures.

However, since *doing more with less* may become a more or less permanent fact of life in the U.S.—especially given public sentiment about taxes—a reassessment for the long term might include looking at the “creep” in protected state budgets and in the State's *tax expenditures*.

Following is one view of recent trends in tax cuts and tax dedications that contributed to the current crisis. It shows that the loss to the General Fund going forward, from recent legislative tax-related actions is nearly **\$1 B**—a very significant portion of the current **\$1.6 BB** shortfall.



*FY 12 Loss to the General Fund as a result of tax cuts and dedication legislation enacted since 2007**

2007 Regular Session	-\$508.8 Million
2008 Extra. Session	-\$283.0 Million
2008 Regular Session	-\$101.5 Million**
2009 Regular Session	-\$ 88.5 Million
2010 Regular Session	-\$.1 Million
TOTAL FY 12 Impact	-\$981.9 Million

The General Fund loss is at least this much annually going forward

* **Additional dedication of \$166.3 million was delayed and not included in the revenue loss for this FY

* Source: Fiscal Notes Legislative Fiscal Office

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Source: Bob Keaton, LSU System, presentation to Louisiana Committee of 100, Lafayette, October 5, 2010.

VI—Proposed Longer-Term Solutions (Beyond FY2012)

VI.3 Recognizing their longer-term, indeed permanent, responsibilities, NW Louisiana's institutions undertake to develop a new *NW Louisiana Regional Higher Education Plan*, that builds on their extensive past regional collaborations—and which is designed to strengthen and balance the region's higher education capacities and outcomes for the long-term.

In the course of assessing responses to the current budget crisis and thinking about projected longer-term requirements, the NW Louisiana institutions committed to undertaking significant new shared planning activities, by which they will seek to improve access, increase completions, share resources, and focus on community/regional responsibilities.

Such a *Regional Higher Education Plan* will:

- Take some time (perhaps a year or more) to develop—requiring both regional dialogue and ideas and complex coordination with four system management boards and the Board of Regents
- NOT provide instant benefits for resolving the FY 2012 crisis.

Among subjects to be studied in such a *Plan* for NW Louisiana are the following:

- Working toward stronger *identities* and "*niches of excellence*" that can help differentiate institutions in the student marketplace—and thus perhaps reduce program duplication
- Shared efforts to retain more of the State's college graduates in Louisiana—working closely with the business community
- Shared efforts to market to non-Louisiana residents—to help bring talent into the State who might stay upon receiving degrees and become part of the State's *knowledge workforce*.
- Potential for reorganizing, down-sizing, and/or jointly offering what now may be considered duplicative or low-completion programs (in addition to the changes already made in this vein)
- Possible consolidation of technical IT resources to support the institutions' faculties in creation of online learning methods/materials
- Possible consolidation of certain administrative or support services or service contracts
- **Blended delivery** (face-to-face and online) collaborations, with multiple institution participants
- Faculty/instructional productivity (e.g. course loads, credit-hour production, sabbaticals, faculty-sharing, faculty mix, tracking and reporting properly on community service/*engaged scholarship*, etc.)
- Sharing of facilities, e.g. instructional space
- Continued and enhanced coordination with economic development agencies at state and regional levels, on delivering and marketing the region's *Human Capital / Workforce* for business/industry
- **Engaged Institution** metrics by which to jointly assess quality of life factors in the communities/region, and the effects of institutional efforts and services on those outcomes.

As an example of community/regional metrics, The Community Foundation and LSU in Shreveport are partners in producing a quality of life report card annually that provides longitudinal data on our region in 12 different quality of life areas. (Also, see notes about K-12 Education at left.



Engaged Institutions Supporting Quality of Life and Solving Community/Regional Problems.

Several universities in NW Louisiana work diligently with K-12 schools to support teachers, principals, and other staff.

As an example, Northwestern State University, with its roots as the State's Normal School (teacher preparation), has long been committed to teacher professional development through its highly regarded College of Education and Human Development. The College was praised for its fine work in teacher preparation in the State's Value-Added Assessment program. Additionally, Northwestern is home to Project Lead the Way, a STEM initiative, and the NSU Writing Project, an affiliate of the National Writing Project. Both these entities provide K-12 teacher professional development and learning activities for students.

However, the 21st Century Engaged Institution model requires even more. The institutions must take more direct ownership of the K-12 problem—on a systemic, policy, structural, and enterprise level. As stewards, and working with others, they must design, advocate for, and help implement major reforms.



Strategies for the Global Knowledge Economy

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