



2016 Proposed Mid-year Cuts to Higher Education

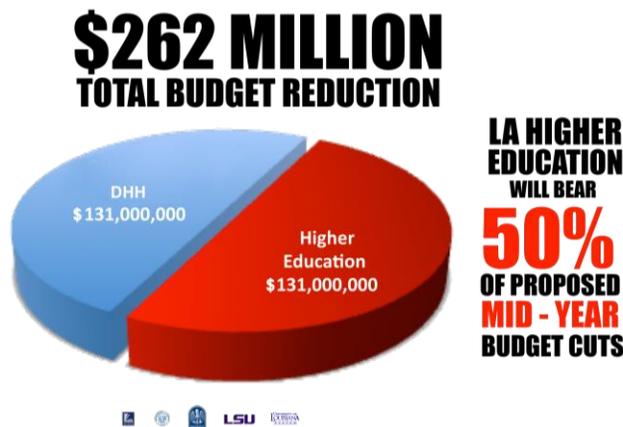
Louisiana Colleges and Universities Facing Cuts of \$131M

The Largest Mid-year Cut in the History of Louisiana Higher Education

Why?

- Louisiana Legislature is facing a \$750M deficit in the current state budget and a \$1.9B deficit is anticipated for the FY 16-17 budget that begins July 1, 2016.

What's Higher Education's Share?



- Louisiana higher education is one of two areas that are not constitutionally protected; thus, higher education and healthcare face the largest budget reductions.
- Louisiana higher education is preparing for budget cuts amounting to \$131M. Of that amount individual systems will incur the following reductions:
(Percentages are based on the proportion each system receives in the current fiscal year budget per the Division of Administration):
 - o LSU System- 49.62%
 - o Southern System- 5.94%
 - o University of Louisiana System- 29.03%
 - o LCTC System- 15.42%

Note: If the legislature does not approve of Rainy Day Fund use or BP settlement fund use, FY 16 mid-year reductions to higher education may increase by an additional \$164 M.

What's the risk of cutting higher education?

Reductions of this magnitude will have major implications:

- **To Students**
 - Reduced number of courses and longer time to graduation;
 - Possible cancellation of summer school;
 - Reduced academic support services (tutoring, counseling, advising); and
 - Increased tuition and fees, which may lead to a decline in enrollment, additional time to degree, and larger student debt.
- **To the State and its Economy**
 - Insufficient production of qualified graduates to meet workforce demands;
 - Hinder business and industry recruitment and retention efforts;
 - Lower bond ratings, higher cost of debt service; and
 - Decreased spending in local communities across the state.
- **To Colleges and Universities**
 - Risk of losing institutional accreditation and federal funding;
 - Immediate departure of faculty and grants, especially highly mobile research faculty with large grants;
 - Declines in student interest and enrollment, driving down self-generated funding;
 - Lower bond ratings of institutions, higher debt service; and
 - LAST CHOICE: Financial exigency or campus closures.

What are the Governor's Proposed Solutions?

- Governor Edwards and the administration are considering several options to address the current year budget deficit, along with minimizing the FY16-17 budget deficit. A special session is set for Feb 14-March 4.
 - Short-term/non-revenue generating options for the current year include:
 - Utilizing the Rainy Day Fund
 - Redirect the first year payment of BP Settlement Non-Coastal Dollars (under review)
 - Cuts to statutory dedications which are not constitutionally protected
 - Long-term options for FY16-17 and beyond include:
 - "Clean Penny" State Sales Tax
 - Renew and increase cell phone and landline state telecommunications tax
 - Repeal business utilities sales tax exemption
 - Suspend refundable ad valorem tax credits business
 - Raise tobacco tax

"The Board of Regents is appreciative of Governor Edwards, and his administration for their strong efforts to reduce the implications of the state deficit on higher education. Our goal as the coordinating body is to achieve significant and sustainable funding for a high quality public higher education system, which promotes access, affordability and accountability. We will continue working with our systems to seek viable solutions that address the harsh fiscal realities."

~ Dr. Joseph C. Rallo

Commissioner of Higher Education