

# **Winds of Change: The fiscal storm wracking higher education in Louisiana**

Dr. Joshua Stockley  
Associate Professor of Political Science  
L.M. McKneely Endowed Professor  
The University of Louisiana at Monroe



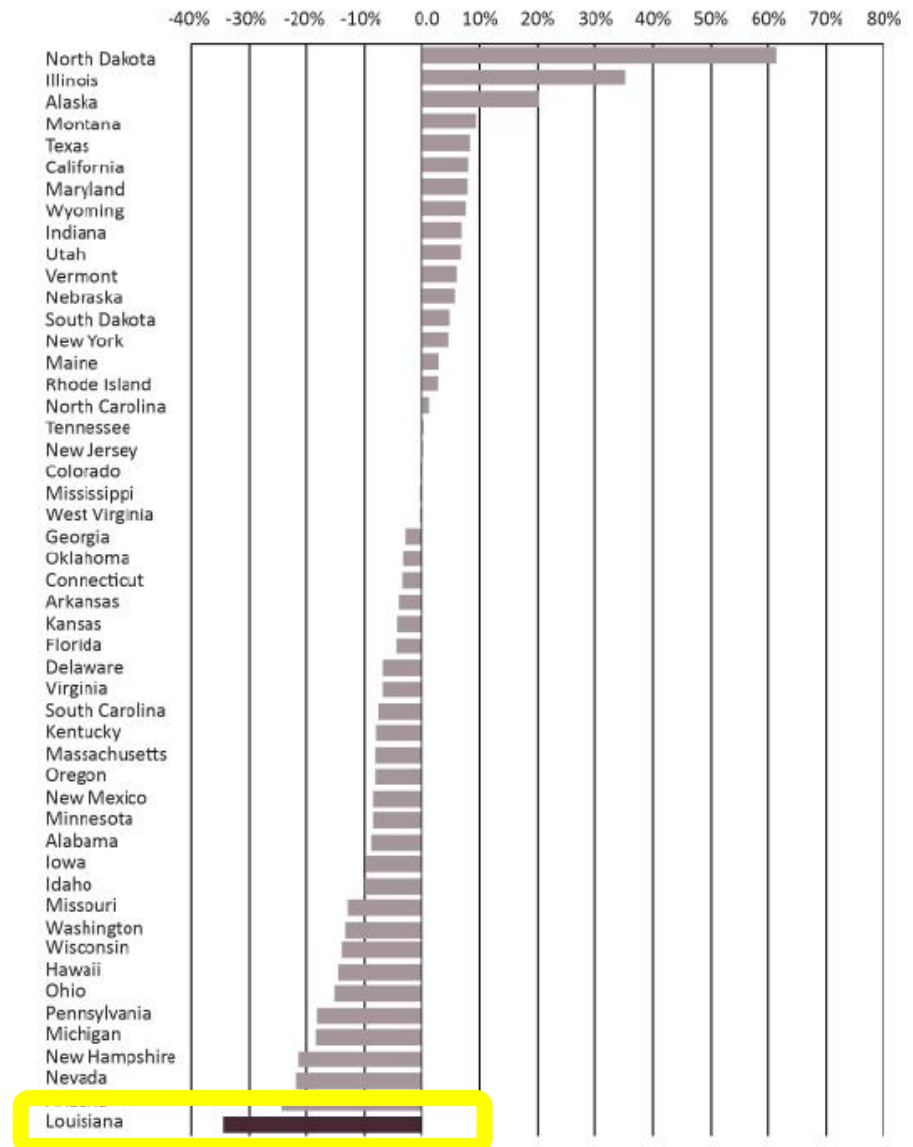
Prepared for the 75<sup>th</sup> Annual Conference of Louisiana's Colleges and Universities, March 6-7, 2014 in Baton Rouge at the Renaissance Hotel. Please do not circulate this presentation without the explicit consent of the author, Dr. Joshua Stockley ([stockley@ulm.edu](mailto:stockley@ulm.edu)).



Do not  
confuse  
motion and  
progress...

## Five-year changes in state fiscal support for higher education

Percent change



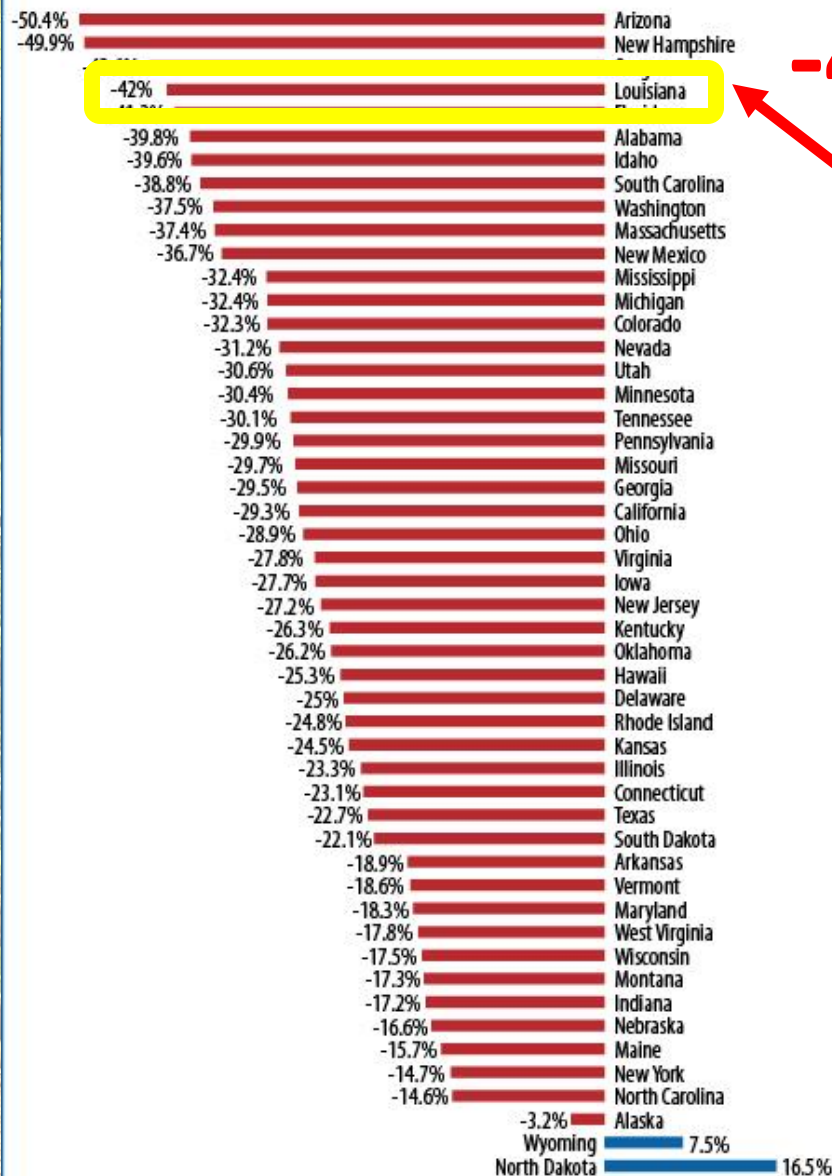
Source: Illinois State University Grapevine Study  
Louisiana Budget Project



Figure 1

## States Have Cut Higher Education Funding Deeply in Recent Years

Percent change in state spending per student, inflation adjusted, FY08 - FY13

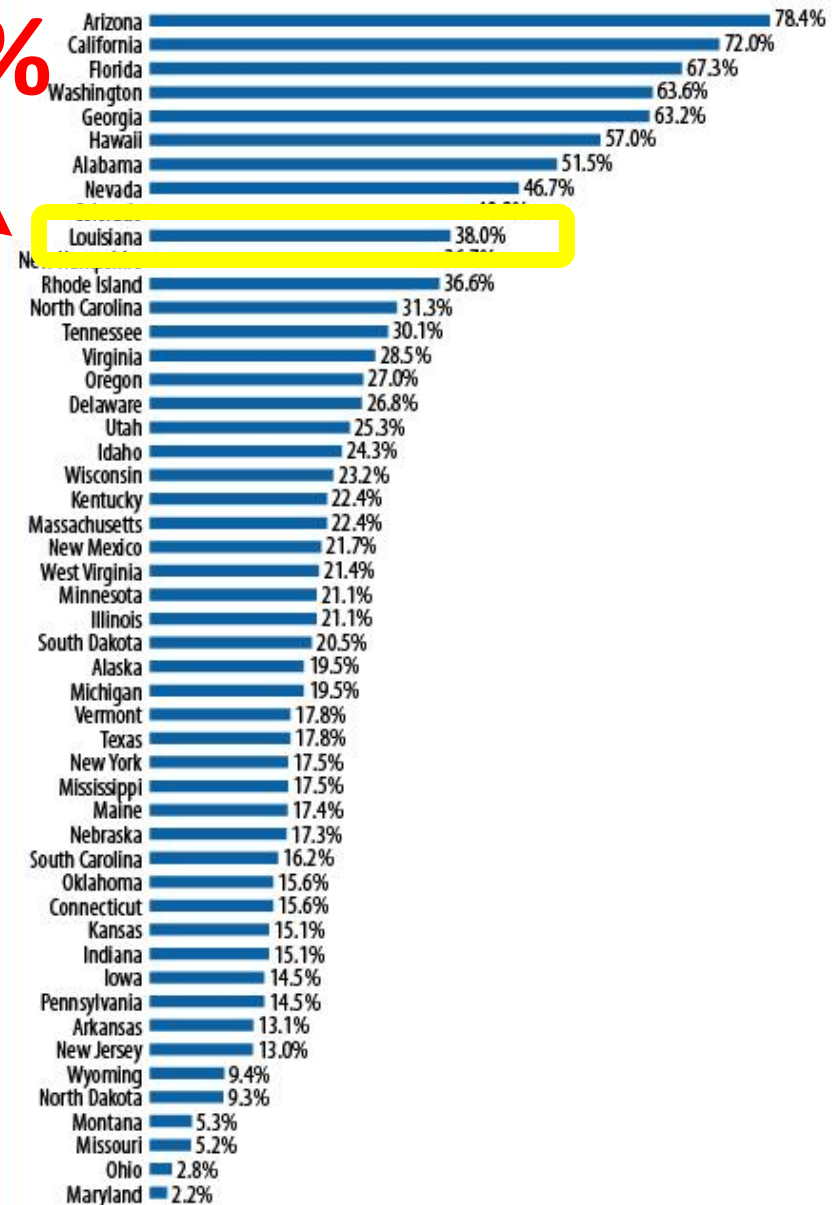


Source: CBPP calculations using data from Illinois State University's annual Grapevine Report. Illinois data is provided by the Fiscal Policy Center at Voices for Illinois Children. Because enrollment data is only available through the 2012 school year, the enrollment data for 2013 used in these calculations is estimated based on enrollment trends from past years.

Figure 3

## Tuition Has Increased Sharply at Public Colleges and Universities

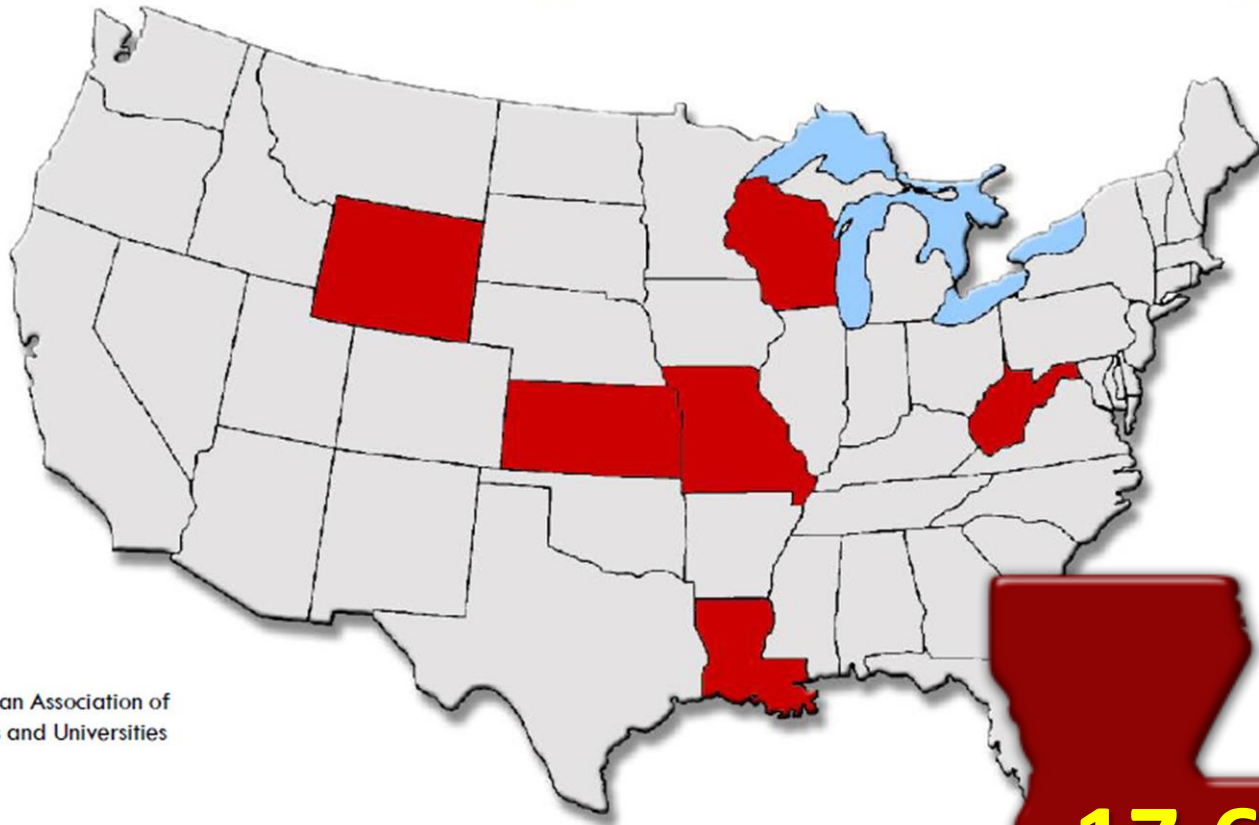
Percent change in average tuition at public, four-year colleges, inflation adjusted, FY08 - FY13



Source: College Board

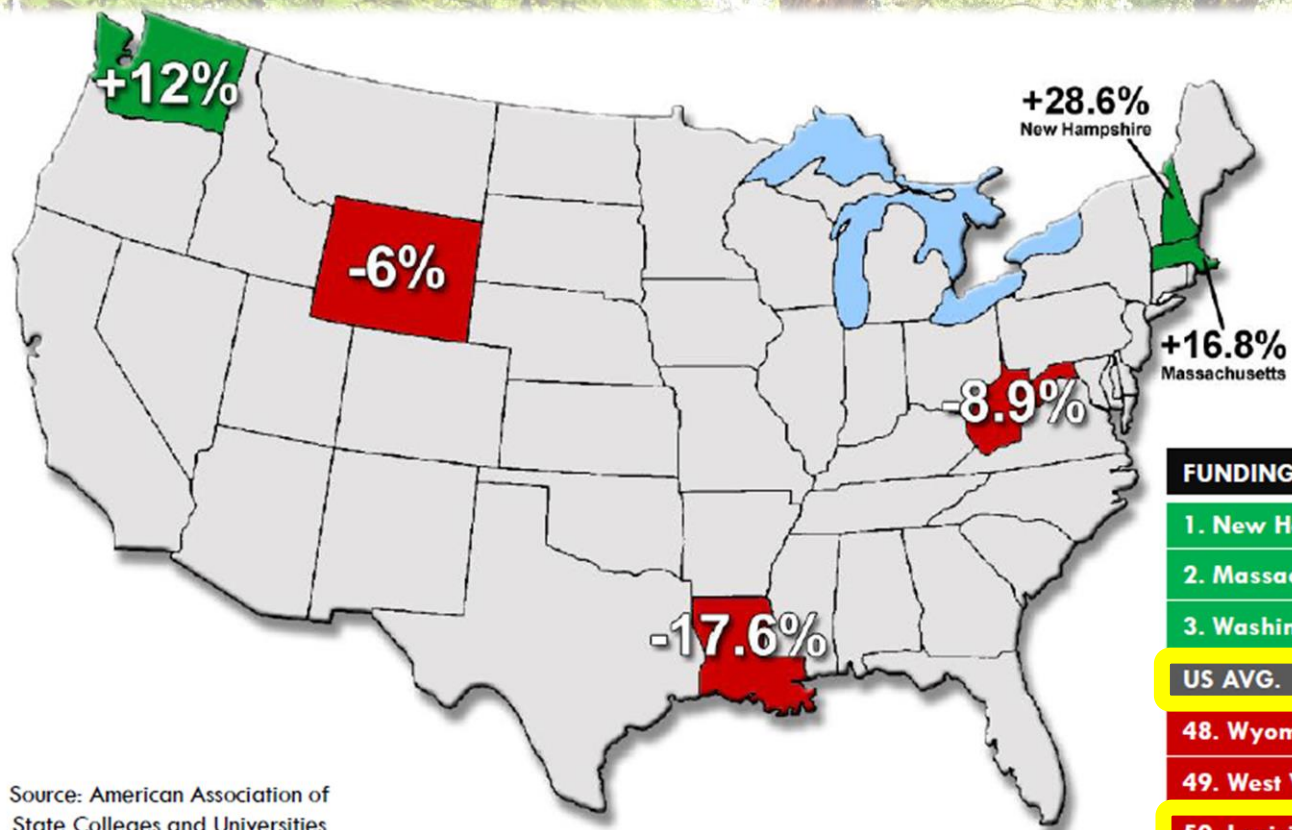


## Six States CUT Higher Education funding



Source: American Association of  
State Colleges and Universities





Source: American Association of  
State Colleges and Universities



\$700 million  
cut in June  
2009

\$166 million  
midyear cut in  
December 2012

\$319 million  
midyear cut in  
April 2010

\$1.6 billion  
shortfall in  
June 2012

With the collapse of the  
American economy in 2008,  
Louisiana imposed a \$340  
million midyear budget cut.

\$1 billion  
shortfall  
in June  
2011

\$285 million  
midyear cut  
in December  
2009

And, little did anyone realize,  
this trickle was merely the  
onset of a five-year flood.

\$105 million  
midyear cut  
in December  
2010

\$1 billion shortfall in June 2013

\$198 million midyear cut in  
December 2011

\$1.6 billion shortfall  
in June 2010



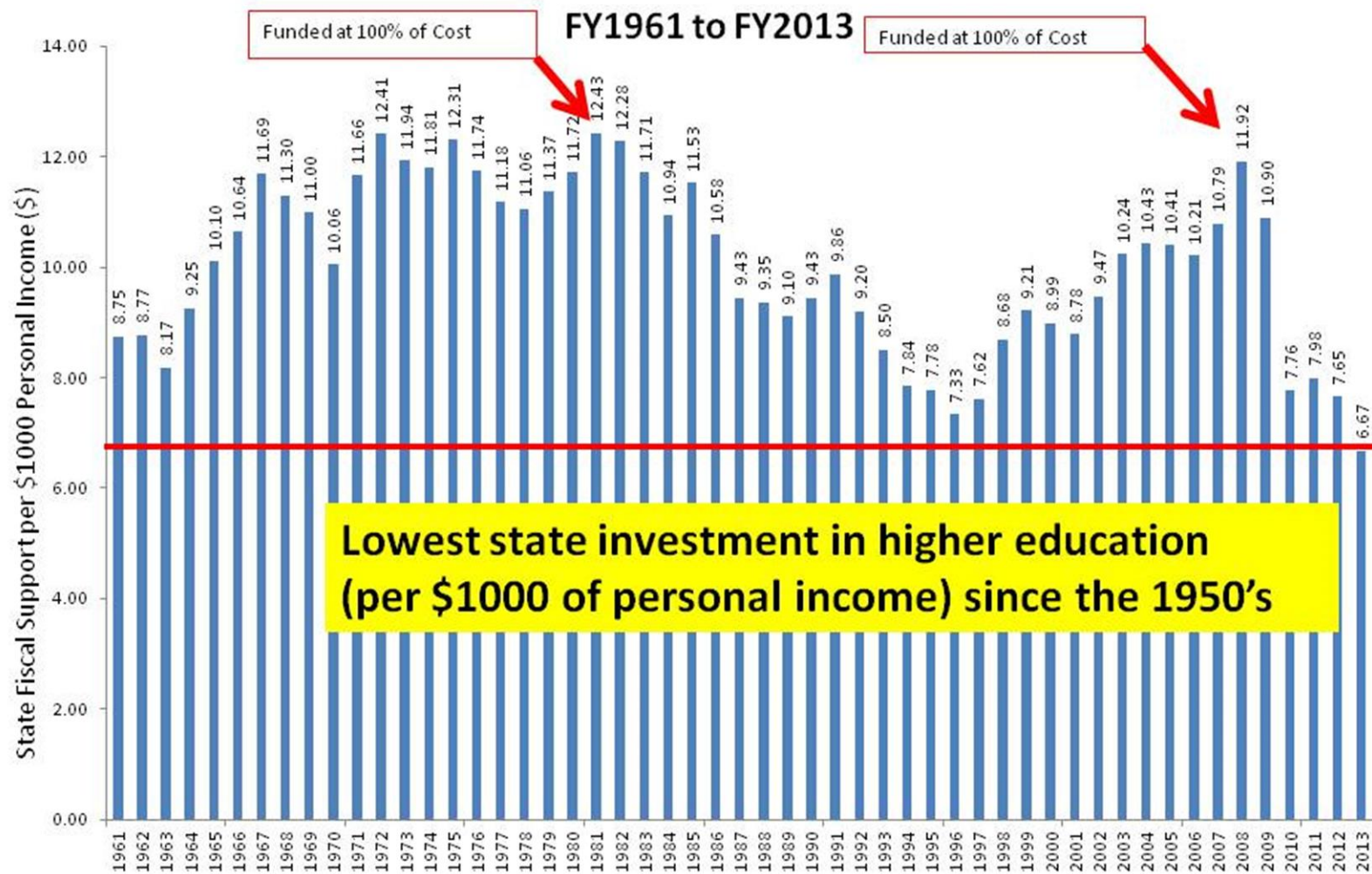
A large, ancient tree with a thick trunk and sprawling branches, set against a background of green foliage. The tree's trunk is massive and gnarled, with several large branches extending outwards. The leaves are a vibrant green, and the ground is covered in brown mulch or fallen leaves.

**\$700 million cut  
from higher  
education**



**2013**

## Louisiana Fiscal Support for Higher Education Per \$1000 of Personal Income



Postsecondary Education OPPORTUNITY

February 2013

[www.postsecondary.org](http://www.postsecondary.org)





**What about those tuition increases?**

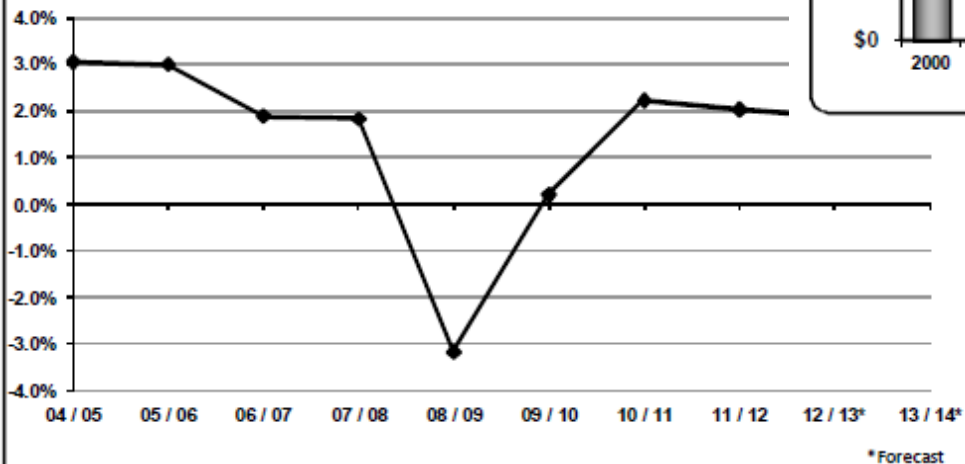
**For every \$1 the state allowed  
universities to raise tuition,  
they cut \$1.40 in state support**



# Why?

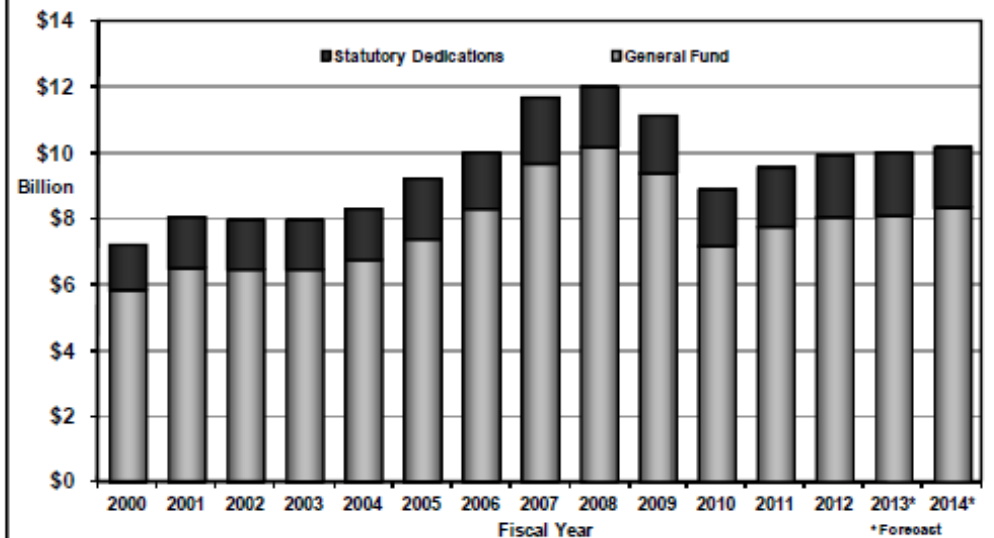
## Is it the economy?

U.S. REAL GROSS DOMESTIC PRODUCT GROWTH  
July - June Fiscal Year



Source: Moody's Economy.com

TAXES, LICENSES AND FEES







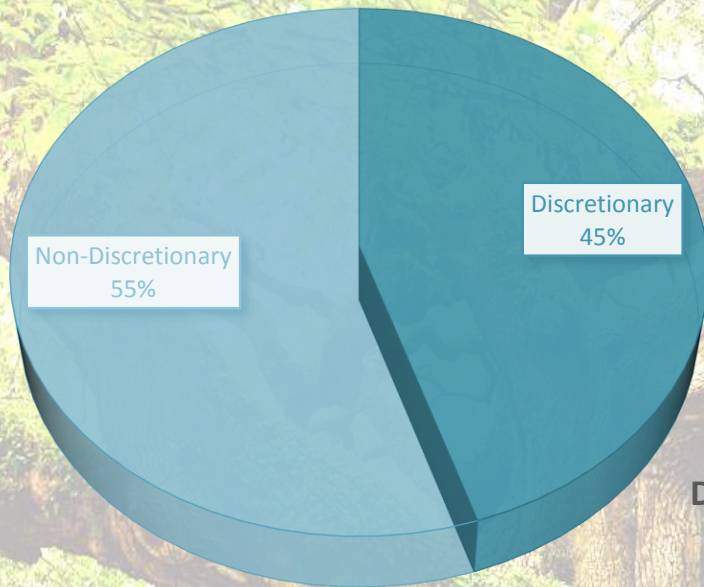
**Additional Reason #1:  
Stelly Plan Reversal**  
It is estimated that Louisiana loses an additional \$350 million per year.

**Additional Reason # 2: Poverty**  
In FY 2008, Medicaid expenditures totaled \$6.6 Billion; in FY 2012, Medicaid expenditures totaled \$7.4 Billion.





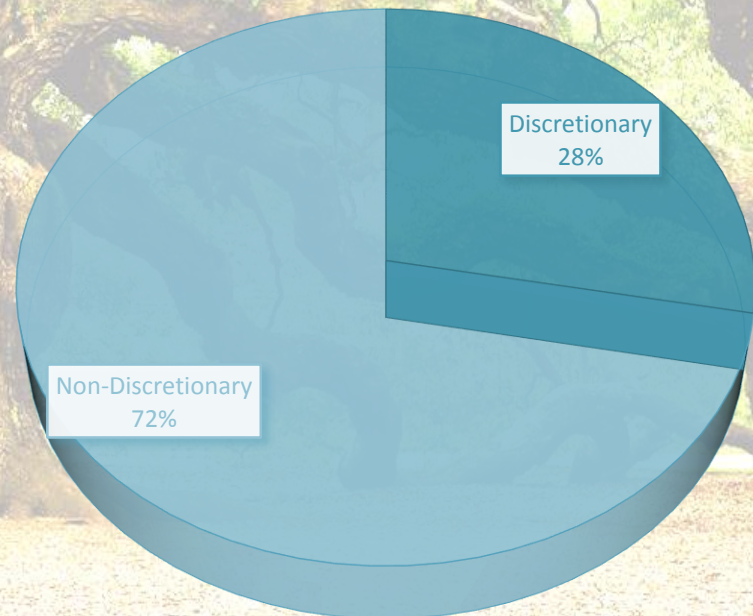
DISCRETIONARY/NON-DISCRETIONARY STATE GENERAL  
FUND EXPENDITURES FY 2008-2009



Additional Reason #3:  
Increased Constitutional  
Restrictions

In 2008, \$5.3 billion in the  
general fund was restricted;  
\$3.2 billion was written into  
the state constitution

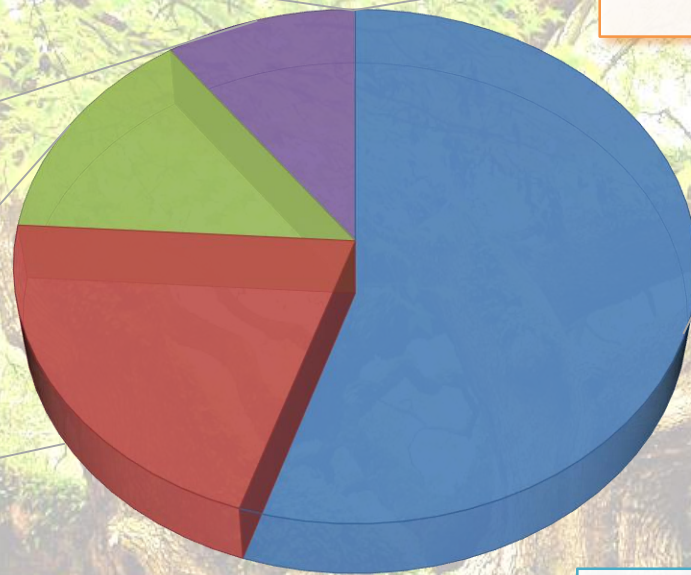
DISCRETIONARY/NON-DISCRETIONARY STATE GENERAL  
FUND EXPENDITURES FY 2013-2014



In 2013, \$6 billion in  
general fund is  
restricted;  
\$3.8 billion is written  
into the state  
constitution



## EXPENDITURES FY 2008



Environment &  
Natural Resources  
0%

Education  
55%

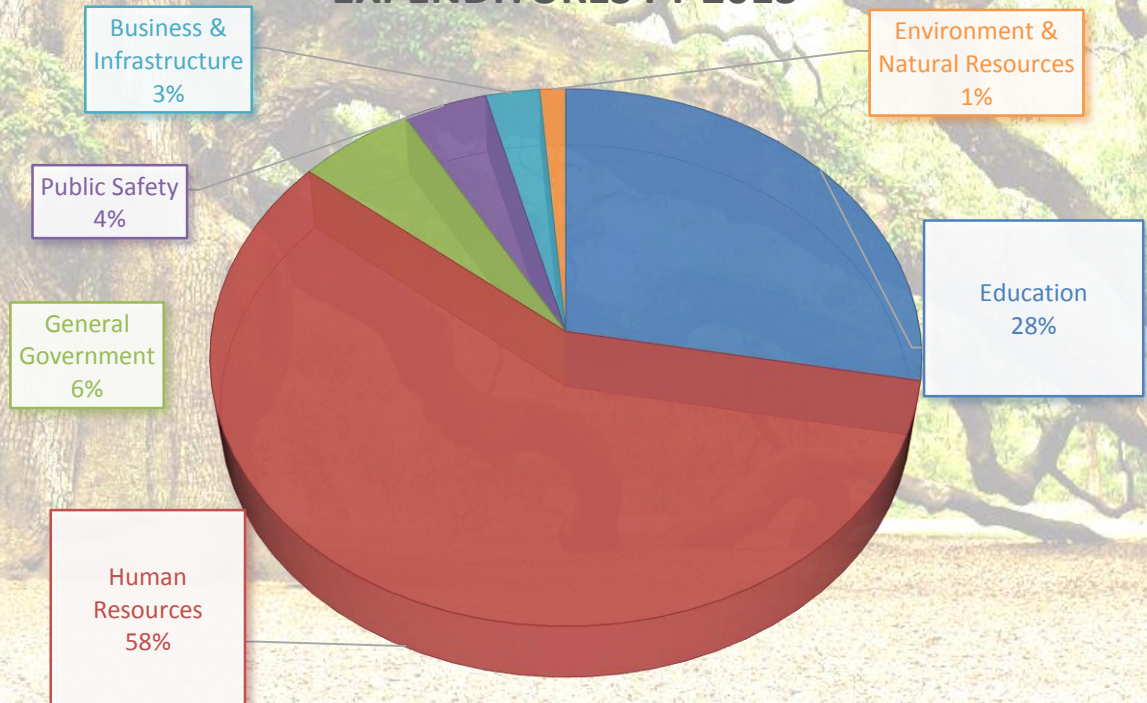
Public Safety  
10%

General  
Government  
14%

Human Resources  
21%

Business &  
Infrastructure  
0%

## EXPENDITURES FY 2013



Environment &  
Natural Resources  
1%

Education  
28%

Business &  
Infrastructure  
3%

Public Safety  
4%

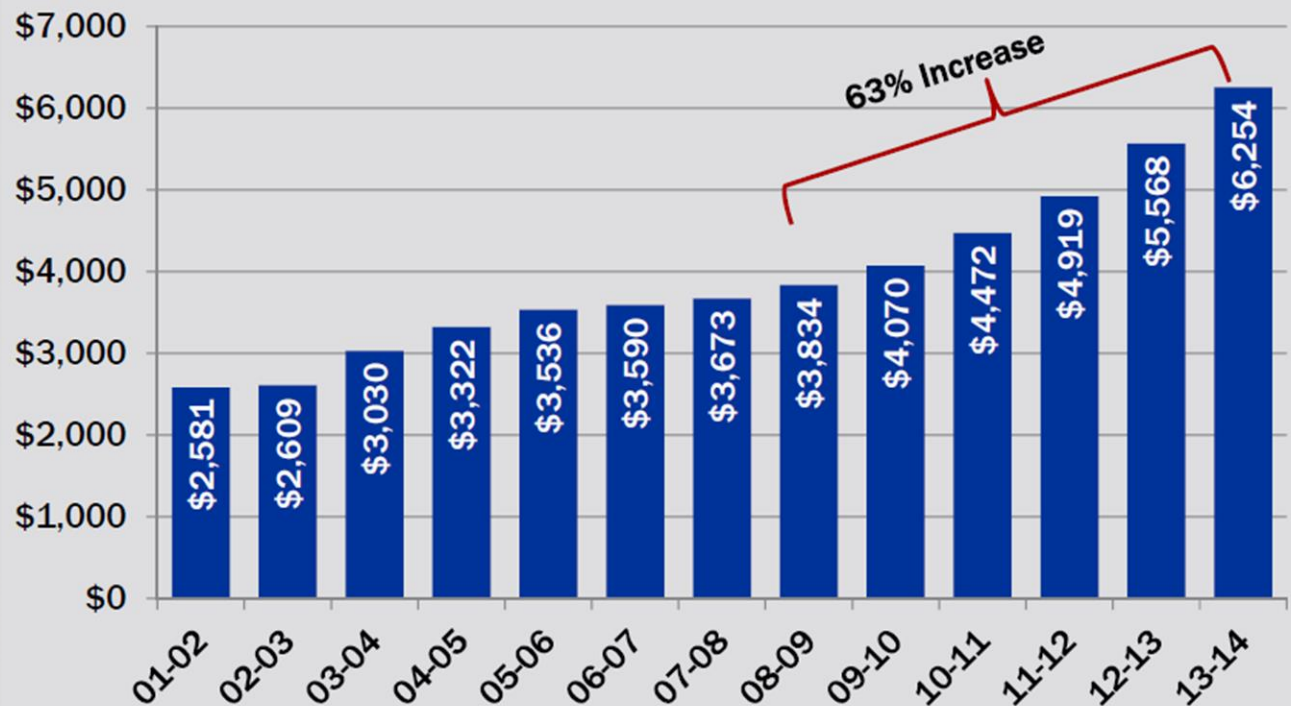
General  
Government  
6%

Human  
Resources  
58%



Additional Reason #4: Negative Externalities  
TOPS has skyrocketed 253 percent since 1999  
and is projected to cost \$235 million in FY  
2013.

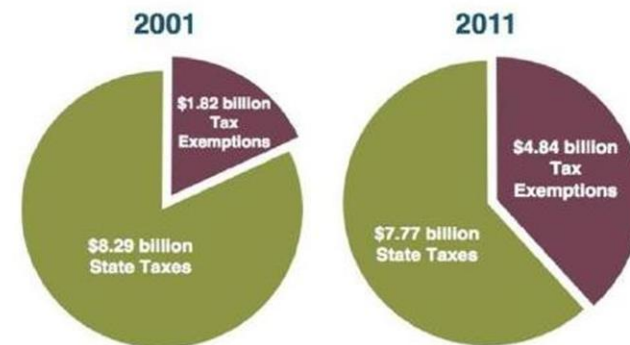
### AVERAGE SYSTEM TUITION





# Additional Reason #5: Tax Exemptions

## The Cost of Louisiana's Tax Exemptions Grew 167% Since 2001\*



\*Figures adjusted for inflation

## Summary of All Taxes

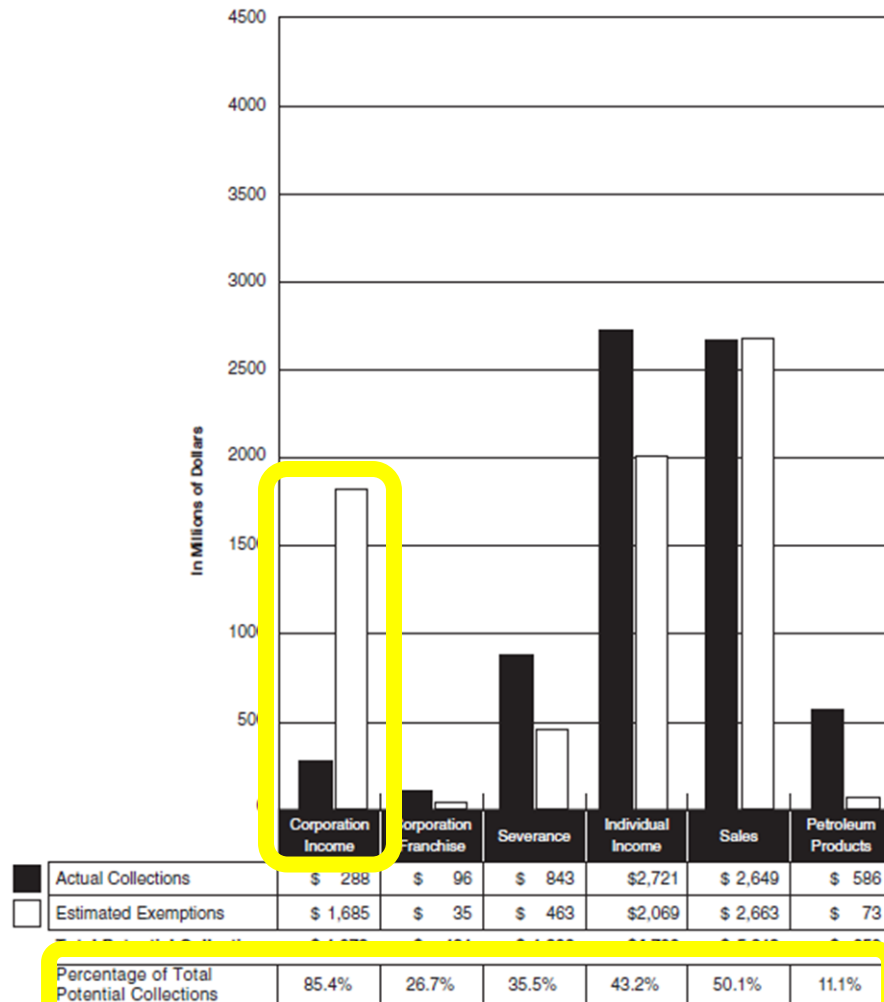
## Five-Year Revenue Loss

Tax Type (Listed in order of magnitude by FYE 6-12)	FYE 6-11	FYE 6-12	FYE 6-13	FYE 6-14 (projected)	FYE 6-15 (projected)
1. Income Tax - Corporation	\$ 1,394,651,120	\$ 1,507,243,105	\$ 1,502,155,325	\$ 1,532,064,382	\$ 1,559,318,002
2. Income Tax - Individual	1,822,494,862	1,934,546,190	1,961,388,192	1,975,223,996	2,014,728,476
3. Sales Tax	2,516,791,839	2,481,945,738	2,663,450,562	2,708,644,784	2,762,795,080
4. Natural Resources - Severance	431,575,500	527,153,045	462,887,099	472,144,841	481,587,738
5. Tax Incentives and Exemption Contracts	345,194,562	380,614,581	319,403,814	325,791,890	332,307,728
6. Petroleum Products Tax	91,260,450	177,268,900	73,337,375	112,740,000	112,740,000
7. Corporation Franchise Tax	7,077,824	5,116,549	19,812,262	20,208,507	20,612,677
8. Tobacco Tax	66,764,695	70,815,180	75,997,300	76,950,000	76,950,000
9. Public Utilities and Carriers Taxes <sup>1</sup>	2,693,400	3,012,800	3,196,000	3,200,000	3,200,000
10. Liquors - Alcoholic Beverage Taxes	2,305,900	2,522,625	2,776,055	2,835,000	2,835,000
11. Telecommunications Tax <sup>1</sup>	19,800	18,600	16,800	18,000	18,000
12. Hazardous Waste Disposal Tax <sup>1</sup>	17,000	15,980	13,700	16,000	16,000
13. Inheritance Tax	80,000	Negligible	Negligible	0	0
14. Gift Tax	26,000	Negligible	Negligible	Negligible	Negligible
<b>Total Tax Revenue Loss</b>	<b>\$ 6,680,952,952</b>	<b>\$ 7,090,273,293</b>	<b>\$ 7,084,434,484</b>	<b>\$ 7,229,837,400</b>	<b>\$ 7,367,108,701</b>



## Overview

**Analysis of Tax Collections vs. Exemptions**  
(FY 2012-13)



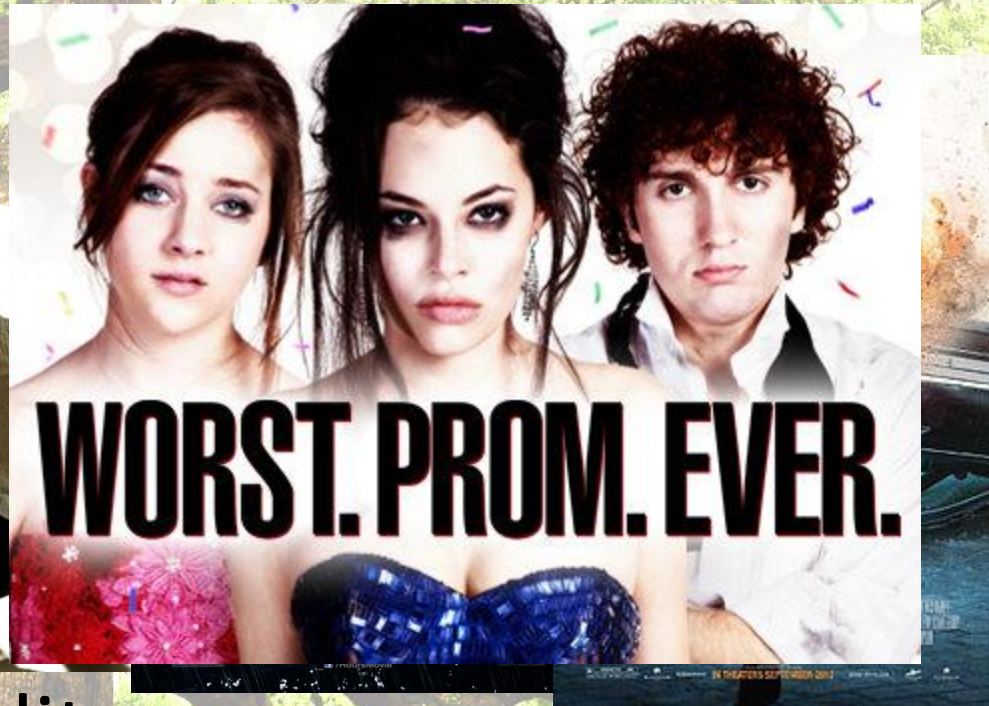
\* The revenue losses reported under tax incentive and exemption contracts has been included with their respective taxes of corporation income, sales, corporation franchise and individual income. The revenue losses for rebates under Tax Incentive are paid out of collections of income taxes and are thus included there.



# Motion Picture Movie Credit

State Pays \$7.29 = Produces \$1.00 Return

Pay \$25,000 per job



# Higher Education Credit

State Pays \$1.00 = Produces \$8.00 in UL

System and \$5.08 in LSU System

Pay \$5,243 per student



# There is unrest in the forest, but there is trouble in the trees...

	State Support 1987	State Support 2012	Difference
Nicholls	63.1%	38.1%	-25.0
Southern	50.0%	33.0%	-17.0
UL Lafayette	52.8%	36.2%	-16.5
LSU Health	65.4%	49.6%	-15.8
LSU Alexandria	63.9%	48.1%	-15.8
Northwestern	61.5%	45.7%	-15.8
LSU	57.6%	42.4%	-15.2
McNeese	60.0%	45.1%	-15.0
LaTech	51.8%	37.6%	-14.2
Southeastern	55.7%	43.0%	-12.7
UL Monroe	58.2%	47.5%	-10.7
Southern	46.6%	36.3%	-10.3
LSU Shreveport	52.6%	45.4%	-7.2
Grambling	42.3%	35.2%	-7.1
UNO	43.4%	41.3%	-2.1



These positions average out to over  
\$45,000 per year...

Total Positions	FY 08-09	FY 11-12	FY 12-13	FY 13-14	Difference	%
LSU System	17,290	17,109	16,482	-	-1,210	-7%
UL System	10,477	8,934	8,626	8,393	-2,084	-20%
Grambling	700	541	562	507	-193	-28%
LaTech	1,190	1,077	1,042	987	-203	-17%
McNeese	870	766	715	689	-181	-21%
Nicholls	803	734	661	663	-140	-17%
Northwestern	943	763	746	751	-192	-20%
Southeastern	1,480	1,154	1,072	1,020	-460	-31%
UL Lafayette	1,951	1,939	1,967	2,021	70	4%
UL Monroe	1,160	982	924	898	-262	-23%
UNO	1,355	963	920	840	-515	-38%
Southern System	-	-	-	-	-	-
Louisiana Total	27,767	26,043	25,108	24,875*	-3,294*	-10.4%*



# It's more than university positions...

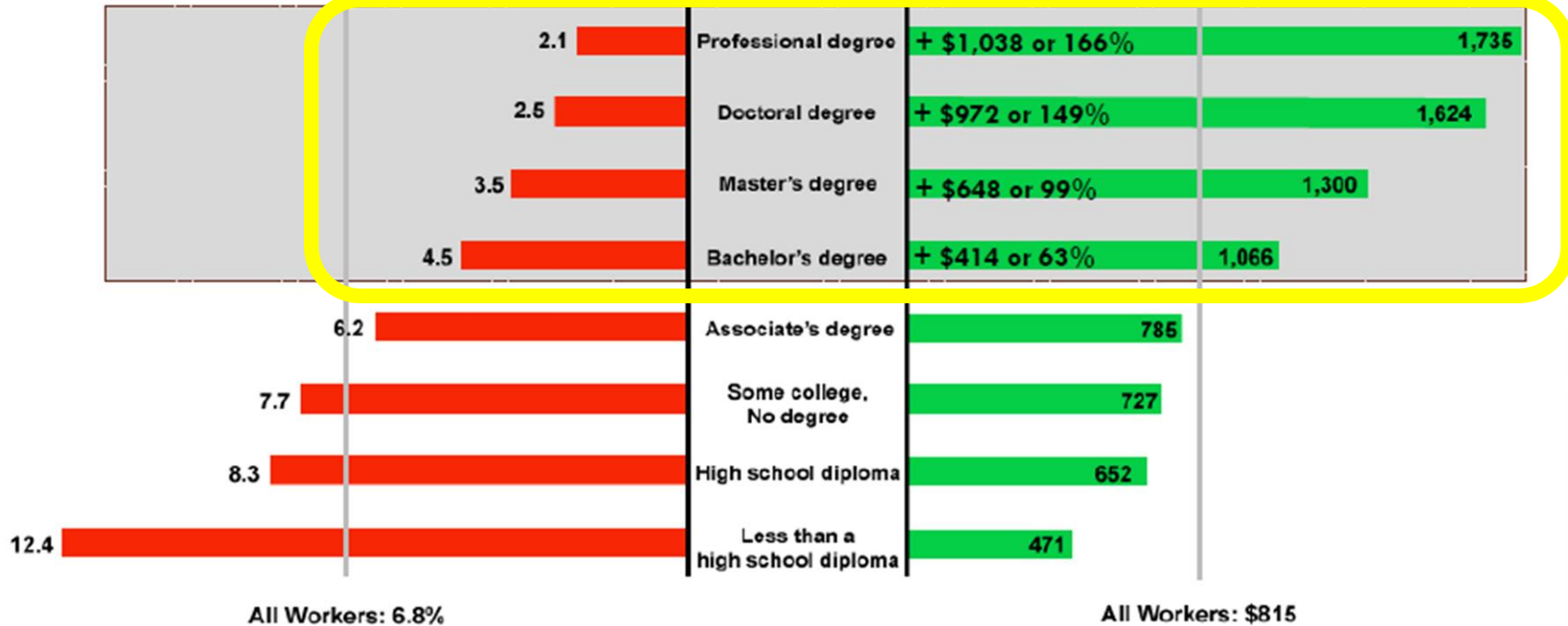




# It's the economy, stupid...

Unemployment rate in 2012 (%)

Media weekly earnings in 2012 (\$)



Source: Bureau of Labor Statistics, Current Population Survey



# Education pays...

- Bachelors Degree = \$2.4 million
- Master's Degree = \$2.8 million
- Doctoral Degree = \$3.5 million
- Professional Degree = \$4.2 million



# 2008 UL System Impact Study

- Annual economic impact of \$3.4 billion and an \$8 return for every dollar of state investment
- UL System graduates contributed taxable earnings worth \$6.5 billion over the past 10 years.
- 188 research centers and service created or sustained 26,300 jobs, generated or saved \$3 billion in business revenue, stimulated \$132 million in investment dollars, and saved \$108 million for business.
- Events attracted 3.9 million attendees, with a \$487 million impact; \$270 million directly from visitor spending
- UL System employees and students volunteered 2.4 million hours in their communities
- Approximately 85% of retirees stayed in Louisiana, adding \$131 million to economy
- Between 2001 and 2008, 60 construction projects occurred on UL System campuses. These projects yielded \$1.78 billion and created 16,500 jobs
- 83% of employees used Louisiana health care providers, giving the health care industry a \$148 million impact and creating 1,500 jobs.



# 2013 LSU System Impact Study

## ➤ Statewide Economy

- \$1 = \$5.08 in total economic activity
- Total impact of \$3.9 billion and 36,757 jobs
- Non-resident students created more than \$353 million in sales, \$137 million in earnings, and nearly 3,500 new jobs for Louisiana

## ➤ Regional Economies

- \$2.1 billion in sales, \$764 million in earnings, and more than 21,400 jobs in Baton Rouge MSA
- \$887.8 million in sales, \$391.2 million in earnings and approximately 6,900 jobs in the New Orleans MSA
- \$535.7 million in sales, \$214.8 million in earnings and 2,082 jobs in Shreveport-Bossier City MSA
- \$52.7 million in sales, \$17.6 million in earnings and about 640 jobs within the Alexandria MSA
- \$47.2 million in sales, \$17.1 million in earnings, and 515 jobs in Lafayette MSA



# Proposed for FY 2013-14

## \$141.5 million in “new funds”

- \$93.5 million from tuition increases; of that, \$87.7 million is contingent upon meeting the LaGRAD Act
- \$40 million from the WISE Plan (Workforce and Innovation for a Stronger Economy)
- \$6 million for "rapidly growing" schools
- \$2 million for tech upgrades at Southern and Grambling



# Proposed for FY 2014-15

- \$2.6 billion (\$11 million less than 2013-2014 fiscal year)
  - \$900 million to come from the general fund
  - Up significantly from the \$525 million appropriated from the general fund in the 2013-2014 fiscal year
  - Down from the \$1.4 billion spent from the general fund in the 2007-2008 fiscal year
- Self generated revenue and fees
  - \$1.4 billion appropriated; up from the \$740 million generated in 2008.



# Here is what won't happen...

- The overall total is, in fact, \$11 million less from the previous fiscal year
- It continues to rely on one-time funds like the sale of state property, fund sweeps, and tax amnesty
- It does not guarantee that Louisiana's colleges and universities will receive funding to cover increases in unfunded mandates
- It does not address the backlog in deferred maintenance and construction requests (\$2 billion)
- It does not provide enough permanence for universities to give raises, making it six straight years without raises



# Proposed solutions

- Revenue reform
  - Is it reasonable to explore new revenue streams?
- Tax exemption reform
  - Is it reasonable to review and to eliminate exemptions that are not producing their desired purposes?
  - Is it reasonable to place sunshine provisions on exemptions?
- Budget reform
  - Is it reasonable to alter the rule requiring two-thirds vote on revenue reversals?
  - Is it reasonable for the legislature to give universities more fiscal autonomy?
- Constitutional reform
  - Is it reasonable to review statutory dedications and to eliminate some restrictions thereby giving the legislature more control over spending?
- Narrative reform



# Citations

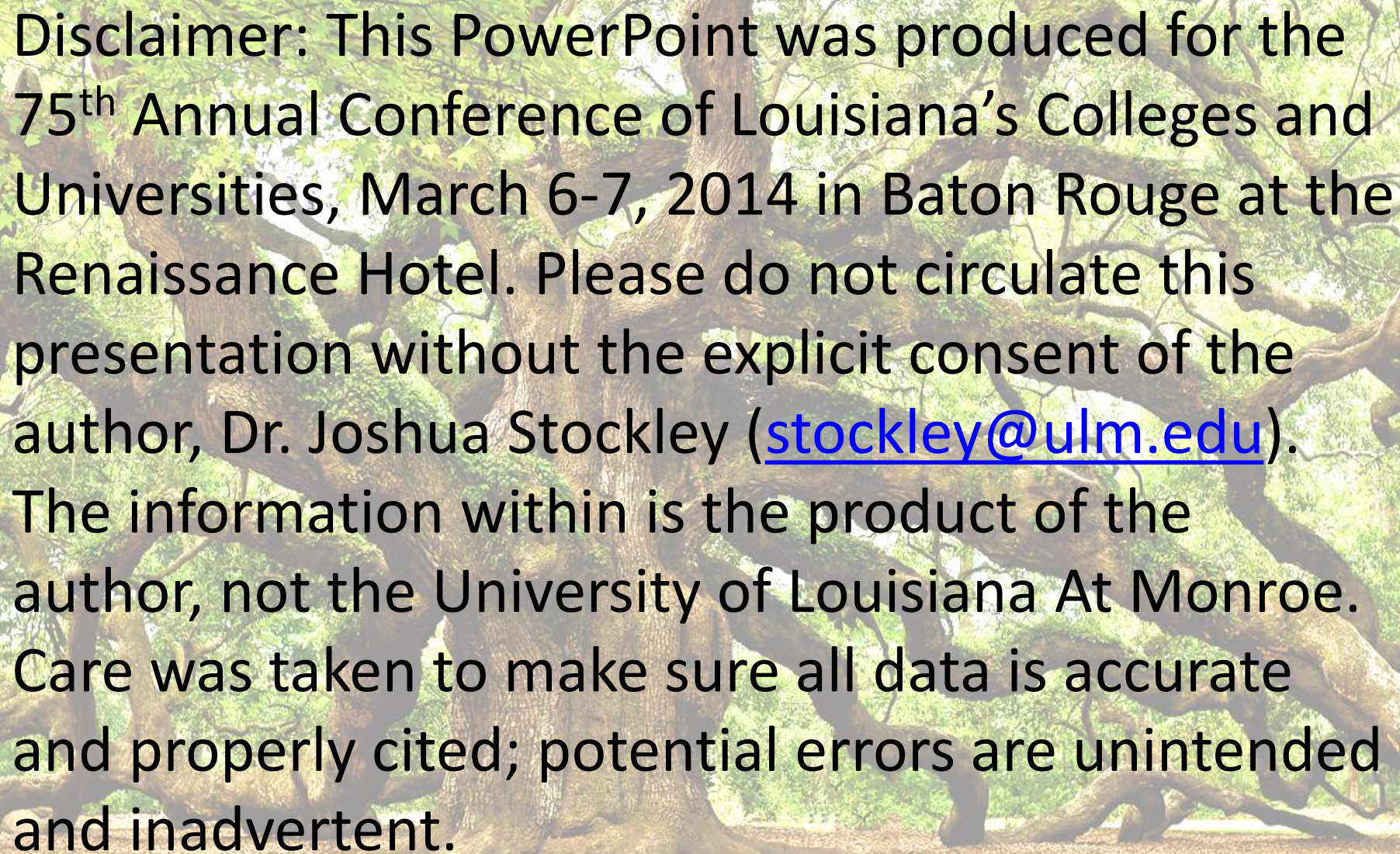
1. Slide 1: Introduction: None
2. Slide 2: Louisiana Budget Project: <http://www.labudget.org/lbp/2014/01/inside-the-higher-education-numbers/>
3. Slide 3: Center on Budget and Policy Priorities: <http://www.cbpp.org/cms/?fa=view&id=3927>
4. Slide 4: American Association of State Colleges and Universities: <http://www.aascu.org/policy/publications/aascu-special-reports/StateOutlookJuly2013.pdf>
5. Slide 5: American Association of State Colleges and Universities: <http://www.aascu.org/policy/publications/aascu-special-reports/StateOutlookJuly2013.pdf>
6. Slide 6: Center on Budget and Policy Priorities: <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>; lecture notes
7. Slide 7: <http://www.wvltv.com/news/241316431.html>
8. Slide 8: Louisiana Budget Project: <http://www.labudget.org/lbp/2013/05/louisiana-colleges-at-lowest-funding-level-since-1950s/>
9. Slide 9: Notes, University of Louisiana at Monroe, State of the University Address, August 16, 2013.
10. Slide 10: Fiscal Year 2013-2014 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget\\_FY14.pdf](http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget_FY14.pdf)
11. Slide 11: Times-Picayune: [http://www.nola.com/politics/index.ssf/2012/07/louisiana\\_lawmakers\\_must\\_find.html](http://www.nola.com/politics/index.ssf/2012/07/louisiana_lawmakers_must_find.html); Kaiser Family Foundation: <http://kff.org/medicaid/state-indicator/total-medicaid-spending/>; National Association of State Budget Officers: [www.nasbo.org](http://www.nasbo.org)
12. Slide 12: : Fiscal Year 2013-2014 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget\\_FY14.pdf](http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget_FY14.pdf); Fiscal 2008-2009 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09\\_StateBudget.pdf](http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09_StateBudget.pdf)
13. Slide 13: : Fiscal Year 2013-2014 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget\\_FY14.pdf](http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget_FY14.pdf); Fiscal 2008-2009 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09\\_StateBudget.pdf](http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09_StateBudget.pdf)
14. Slide 14: Times-Picayune: [http://www.nola.com/politics/index.ssf/2014/02/louisiana\\_highered\\_scholarships\\_gogrant\\_baton\\_rouge.html](http://www.nola.com/politics/index.ssf/2014/02/louisiana_highered_scholarships_gogrant_baton_rouge.html); University of Louisiana System, Office of the President: <http://www.ulsystem.net/assets/docs/searchable/news/2013/ULS%20BOR%20Budget%20Presentation%2013-14%20Final%209-25-13.pdf>



# Citations

15. Slide 15: Department of Revenue, State of Louisiana, Tax Exemption Budget: [http://www.rev.state.la.us/forms/publications/TEB\(2013\).pdf](http://www.rev.state.la.us/forms/publications/TEB(2013).pdf); Louisiana Budget Project: <http://www.labudget.org/lbp/wp-content/uploads/2012/08/LBP-Presents.Tax-Exemptions101.pdf>
16. Slide 16: Department of Revenue, State of Louisiana, Tax Exemption Budget: [http://www.rev.state.la.us/forms/publications/TEB\(2013\).pdf](http://www.rev.state.la.us/forms/publications/TEB(2013).pdf)
17. Slide 17: Baton Rouge Advocate: <http://theadvocate.com/home/8496525-125/auditor-tax-credits-cost-state>; Louisiana Budget Project: <http://www.labudget.org/lbp/wp-content/uploads/2012/08/LBP-Report.Louisiana-Film-Tax-Credits.pdf>; University of Louisiana System, Economic and Community Economic Study: [http://www.ulsystem.net/assets/images/impact/uls\\_report\\_415.pdf](http://www.ulsystem.net/assets/images/impact/uls_report_415.pdf); Louisiana State University, LSU System Impact Study: <http://sites01.lsu.edu/wp/l suresearch/files/2014/01/2013-LSU-System-Impact-Study-Report.pdf>
18. Slide 18: The Chronicle of Higher Education: <http://chronicle.com/article/25-Years-of-Declining-State/144973/>
19. Slide 19: University of Louisiana System, Office of the President: <http://www.ulsystem.net/assets/docs/searchable/news/2013/ULS%20BOR%20Budget%20Presentation%2013-14%20Final%209-25-13.pdf>; Louisiana State University System: [http://www.lsusystem.edu/docs/budget/JLCB%20Presentation%2011092012/LSU%20System%20Presentation%20to%20JLCB\\_11-9-12.pdf](http://www.lsusystem.edu/docs/budget/JLCB%20Presentation%2011092012/LSU%20System%20Presentation%20to%20JLCB_11-9-12.pdf)
20. Slide 20: Economic Policy Institute: <http://www.epi.org/publication/states-education-productivity-growth-foundations/>
21. University of Louisiana at Monroe, State of the University Address, August 16, 2013: <http://www.ulm.edu/president/state-of-the-university/state-of-the-university-08-16-2013.pdf>
22. U.S. Census Bureau: <http://www.census.gov/prod/2012pubs/acsbr11-04.pdf>
23. University of Louisiana System, Economic and Community Economic Study: [http://www.ulsystem.net/assets/images/impact/uls\\_report\\_415.pdf](http://www.ulsystem.net/assets/images/impact/uls_report_415.pdf)
24. Louisiana State University, LSU System Impact Study: <http://sites01.lsu.edu/wp/l suresearch/files/2014/01/2013-LSU-System-Impact-Study-Report.pdf>
25. Times-Picayune: [http://www.nola.com/politics/index.ssf/2014/02/louisiana\\_budget\\_hospitals\\_hig.html](http://www.nola.com/politics/index.ssf/2014/02/louisiana_budget_hospitals_hig.html)
26. Slide 12: : Fiscal Year 2013-2014 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget\\_FY14.pdf](http://www.doa.louisiana.gov/opb/pub/FY14/StateBudget_FY14.pdf); Fiscal 2008-2009 State Budget Document, Division of Administration, State of Louisiana: [http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09\\_StateBudget.pdf](http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09_StateBudget.pdf)





Disclaimer: This PowerPoint was produced for the 75<sup>th</sup> Annual Conference of Louisiana's Colleges and Universities, March 6-7, 2014 in Baton Rouge at the Renaissance Hotel. Please do not circulate this presentation without the explicit consent of the author, Dr. Joshua Stockley ([stockley@ulm.edu](mailto:stockley@ulm.edu)). The information within is the product of the author, not the University of Louisiana At Monroe. Care was taken to make sure all data is accurate and properly cited; potential errors are unintended and inadvertent.