

# Louisiana Higher Education: Fact vs. Myth

**Myth: "It's not that bad"**- Colleges and universities have received state general fund cuts over the years, but tuition and fee revenue has more than made up for those amounts.

**Fact:**

1. There have been cuts:

Consideration	FY 09	FY 16	Change
ALL Means of Financing (MOF)	\$2,436,028,226	\$2,282,227,721	\$ (153,800,505)
ALL MOF + Mandated Costs	\$1,992,034,399	\$1,721,302,048	\$ (270,732,351)
ALL MOF + Mandated Costs + Scholarships & Fellowships	\$1,881,965,381	\$1,529,014,507	\$ (352,950,874)

2. **Mandated costs** paid back to the state have risen \$116.9M in eight years to a **FY 16 total of \$561M**.
3. A tuition dollar is not a hard dollar. A tuition dollar is contingent on enrollment and is subject to scholarships, fellowships and mandated discounts mandated by the legislature. Therefore, institutions only utilize about 70 cents of each budgeted tuition dollar for operations.
  - a. **The majority of discounts/exemptions given are voluntary.**
  - b. **However, there are mandated legislative discounts/exemptions- (examples)** LA National Guard (RS 29.36.1), Hardship Waivers (RS 17:3351), Senior Citizens (RS 17.1807), etc.
4. There are **8,403 more students** enrolled in our institutions today than there were eight years ago. Therefore, we are educating more students with less money and less employees **(-4,971 FTE employees or -16%)**.
5. Many higher education institutions are not able to charge tuition and fees, because they have no students. The LSU and SU Agricultural Centers, Pennington Biomedical Research Center, and the Louisiana Universities Marine Consortium (LUMCON) do not have students and cannot offset reductions in state support with tuition or fees.

**Myth: "Scare Tactics"**- Colleges and universities have always said they were in trouble, but each year the problem is solved with no impact to the institutions. Scare tactics are being used to coerce citizens into calling their legislators to vote for revenue increases for higher education. In reality, the cuts will not be that bad for higher education institutions, and no classes will be canceled at any institution. Collegiate sports in Louisiana are in no way threatened by the budget situation.

**Fact:** Our colleges and universities draw down one twelfth of their state funds each month from the State's general fund. If the worst case cut scenario comes to fruition, institutions will likely be forced to suspend operations and cancel courses. The systems strongly encourage that the budget situation is stabilized as quickly as possible, because prolonged uncertainty affects student and faculty recruiting and retention, among other things. **Sports:** Division I rules require grades to be issued

to students who seek to be eligible for fall sports. If only incomplete grades would be issued during the spring semester, no student would be eligible for fall sports. This means that all athletic events would be cancelled for fall 2016.

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**Myth: “Hiding Money”-** Although colleges and universities contend they have been cut over the last eight years, they still hold large reserves that they can use to stay afloat. They are keeping these reserves in bank accounts, and are trying to hide them from the public and the Legislature.

**Fact:** Our institutions do not hold substantial unrestricted cash reserves that can be used to sustain current operations. Many people commonly misunderstand the difference between a cash reserve and the net position of an institution. The institutions’ unrestricted cash balances dip to very low levels throughout the fiscal year in anticipation of tuition revenue and state appropriations.

An institution’s asset minus liabilities equals their net position- or an institution’s net assets. The net assets of our universities often include: machinery, buildings, inventory, receivables, endowment investments, research investments, restricted student assessed fees, and intangible assets (intellectual property). The only thing that serves as a ‘reserve’ for the institutions is an unrestricted cash balance that is comparable to a checking account. In addition, to the extent unrestricted resources are available for use in the current year, these resources would be one-time funds used for recurring expenditures.

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**Myth: “So many high salaries”-** There are so many high salaries in higher education. Those salaries should be cut.

**Fact:** Only **183** individuals out of 26,779 higher education FTE employees (0.7% of employees) earn above \$200,000 dollars, most paid by non-state funding sources. The majority of which are athletic coaches, physicians, or high performing researchers.

*Employment:*

- Athletic personnel (coaches). Mostly paid by non-state sources.
- Biomedical researchers or health professionals who train students and see patients. Mostly paid by non-state sources.
- A mix of academic leaders.

*More information, according to the House Fiscal Division in **FY 15:***

- Higher education had the **second lowest classified** annual average pay per FTE (**\$32.5K**) of all state departments.
  - Higher education’s **unclassified** annual average pay per FTE (**\$62.5k**) was aligned with the state average of all state department salaries.
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