

Fiscal and Operational Efficiencies



University of Louisiana System

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University of Louisiana
System

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Highlights Since FY 09

Direct Cost Reductions

- Ceased all non-essential travel, purchases and hiring
- Eliminated or froze 701 funded vacancies
- Terminated 210 employees
- Furloughed 727 employees
- Cancelled over 300 course offerings

Academic Streamlining and Collaboration

- Eliminated 56 academic programs
- Initiated 120-hour degree requirement standard
- Expanded online degree offerings and joint program offerings
- Raised admissions standards and strengthened community college articulation

Operational Efficiencies

- Generated \$4.5 million in annual savings through collaborative purchasing, consolidation of services and conservation efforts

Management Board Actions

- Implemented new Board policies for furlough guidelines, declaration of financial exigency and incentivized retirement and resignation of tenured faculty
- After reducing its staff by 23 percent, the UL System office is implementing furloughs to its remaining 15 employees

Financial Management and Autonomies

- Carrying forward prior year funding, expanding authority on purchasing and lifting restrictions on non-state funded personnel are just some of the ways in which the UL System proposes it can operate more efficiently.

Status Report

The University of Louisiana System is the largest higher education system in the state with over 82,000 students enrolled in the following eight universities: Grambling State University, Louisiana Tech University, McNeese State University, Nicholls State University, Northwestern State University, Southeastern Louisiana University, the University of Louisiana at Lafayette and the University of Louisiana at Monroe.

At the beginning of Fiscal Year 2008-09, the UL System had a combined \$472 million in state appropriations. After four budget reductions over 24 months, a total of \$83 million (17.7%) has been eliminated, leaving a combined \$389 million in state appropriations, including \$95 million in ARRA funds, for the UL System. As a result, several direct cost reductions and prolonged cost-savings measures have occurred.

The quantifiable efforts of the UL System to leverage buying power, consolidate services and pursue rate reductions yielded over \$4.5 million in savings in the last year, independent of the actions taken to meet budget reductions and comply with spending freezes. The UL System is committed to improving upon cost-savings measures already implemented and partnered across systems to further streamline operations for higher education.

Direct Cost Reductions

Direct actions related to the loss of \$83 million in state appropriations include the cancellation of over 300 course offerings, the furlough of 727 individuals, the elimination or freezing of 701 funded vacancies and the termination of 210 employees. In addition, campuses have cut library operating services, reduced support for athletics (eliminating entire sports programs in some instances), reduced student scholarships and curtailed spending on research.

While working with the Governor and his administration, UL System campuses were able to realize approximately \$14 million (48% of the total for higher education) in savings related to the Governor's executive order to freeze spending and hiring. All non-essential travel, purchasing and hiring has ceased on UL System campuses.

Recent budget reduction planning actions (since June 2010) taken by campuses in preparation for FY 2011-12 include program eliminations and academic reorganizations. These actions capture over \$3 million in savings from the elimination of 7 administrative and staff positions, as well as 21 faculty positions.

Academic Streamlining and Collaboration

In an effort to improve student success at its universities, the UL System Board adopted higher admission standards for all eight universities effective Fall 2011. McNeese, Nicholls and Southeastern opted to implement the new standards earlier and, in some cases, strengthened the admissions criteria. Research shows better-prepared students yield a higher success rate at universities. The move to raise standards will funnel under-prepared students to community colleges, which is a cost-savings to the state.

The UL System has eliminated 56 academic degree programs. Although several occurred as a result of the Board of Regents low-completer program review, 32 were campus initiated, some in conjunction with the UL System's move to transfer Associate Degree programs to community colleges. All UL System campuses have been engaged in extensive analysis and planning to prioritize programs for elimination, dependent on future fiscal scenarios.

In addition to elimination of programs, the UL System is implementing a 120-hour degree requirement standard. Currently, there are over 451 four-year degree programs across the eight universities, of which 39 meet this standard. The remaining 412 programs will be pared down with exceptions made for accreditation reasons. These actions will decrease time to graduation for students, reducing costs to campuses and students.

Offering alternatives to traditional classroom offerings is another way in which the UL System is becoming more efficient. Currently, the UL System is offering over 70 degrees completely online (a leader in the state). While investments in technology infrastructure must be made to establish online programs, the cost to maintain online programs and the ability to enroll more students make this a cost-efficient strategy.

Another long-term efficiency strategy is cultivating partnerships between the Louisiana Community and Technical College System campuses and UL System campuses. In addition to working on articulation agreements, many of Louisiana's community colleges have a physical presence on UL System campuses. For example, Delta Community College has been sharing facilities on the ULM campus; Bossier Parish Community College and Northwestern each house programs on their respective campuses; Fletcher Community College students are afforded the same amenities as Nicholls students on the Thibodaux campus; and Southeastern faculty were instrumental in program design at Baton Rouge Community College. All partnerships between UL System campuses and community colleges yield immediate cost-savings as well as long-term investments for the state.

Operational Efficiencies

The UL System has actively pursued cost-savings opportunities since 2002. In 2008, that focus sharpened with a Board-established Cost Savings and Efficiencies Committee that continues to explore and pursue collaborative purchasing within the system's eight universities, and, in some instances, across systems.

Bulk purchasing of computer hardware and software among the eight institutions has yielded an annual savings of \$1 million. Performance audits of telecommunications services show Grambling, Southeastern and UL Lafayette are estimated to save a combined \$124,000 annually. McNeese, UL Lafayette, and ULM renegotiated contracts with credit card companies that will save a combined \$645,000 annually.

The UL System is in the process of drafting a Request for Proposals (RFP) for a system-wide contract for credit card processing. In addition to cost-savings, the RFP is designed to create efficiencies on each campus, reduce the cost to students, reduce fees paid by the university and create revenue-generating transactions.

UL System campuses have reduced energy consumption through various conservation steps for natural gas and electricity since last year for a total savings of \$2.8 million. In comparing the second quarter activity for the last two years, we have determined the following:

- Natural gas consumption is down approximately 6,000 MCF units and electricity consumption is down approximately 998,000 KWh; and
- Natural gas costs are down \$919,000 and electricity costs are down approximately \$1.9 million since the second quarter last year.

Conservation efforts include setting the thermostat higher in the summer and lower in the winter, turning out the lights when rooms are not in use, shutting down buildings and classrooms and implementing consolidated work and class schedules (ex: four 10-hour days versus five 8-hour days).

Management Board Actions

The Board of Supervisors for the UL System adopted three procedural changes over the past year in order to better position the eight universities to meet budget reductions.

A new policy sets guidelines for institutions to develop furlough plans, which must be approved by the Board. The guidelines stipulate that furloughs be mandatory for all employees, except tenured faculty, contract employees and restricted grant positions; faculty and staff input be included in the development of a plan; the number of furlough days may be graduated based on employee compensation levels; plans ensure continuation of essential services with minimal interruption to the institution; and options for employees to choose to continue paying retirement contributions. To date, Southeastern and ULM have implemented furloughs to a combined 710 employees, which yielded \$930,000. After reducing its staff by 23 percent, the UL System office is currently implementing furloughs to its remaining 17 employees for a savings of \$125,000.

The Board Rule on Financial Exigency was amended to allow an institution the option to declare financial exigency at the program or budget unit level. With Board approval, this would afford an institution the ability to furlough, layoff, and/or terminate tenured faculty, non-tenured faculty, or other contract employees before the end of their contract term in a specific program or budget unit without affecting the entire institution's financial status.

A new policy for strategic reduction of tenured faculty sets guidelines for universities to develop plans which incentivize voluntary retirement or resignation of tenured faculty. The plans, which must be approved by the Board, are to result in savings over a target period while spreading the loss of tenured faculty over several years without disrupting the academic environment and reducing the need for adjunct faculty and instructors by increasing the number of classes taught by plan participants.

In addition to these three changes, a modification to the Board's policies with respect to program discontinuance has been proposed and is pending Board action. Language has been crafted that establishes budgetary trigger points in the event a university would have to move quickly to meet large budget reductions; allowing our campuses the ability to react to large budget reductions without declaring financial exigency.

Financial Management and Autonomies

The UL System proposes several opportunities for financial management and autonomy for its universities in order to operate more efficiently.

- **Carry Forward of Prior Year Funding:** Allow campuses to “roll-over” any unspent funds from one fiscal year to the other without any restriction on the use of those funds. Currently, there is limited and restricted rollover authority. Universities can “roll-over” only a limited amount of State General Funds (Direct) but not tuition and fees.
- **Expanded Authority to Purchase IT Products and Services:** Expand current authority from \$100,000 to \$500,000.
- **Autonomy on Telecommunications:** Allow campuses the opportunity to seek alternative, less expensive providers for these services.
- **Expanded Authority on Travel:** Provide an exemption from State travel guidelines, particularly those related to airline contracts when cheaper rates can be found.
- **Inventory Control:** Increase the dollar value of inventory which must be placed into the property inventory files from \$1,000 to \$5,000.
- **Disposal of Obsolete Equipment:** Provide campus authority to dismantle or scrap and allow trade-ins with notification but without prior approval from LPAA.
- **Contracts:** Allow on-campus authority to approve contracts from \$19,999 to \$49,000.
- **Small Purchases:** Increase the level of campus authority in procurement.
- **Bulk Purchasing:** Allow colleges and universities to enter into bulk/group purchasing arrangements to save on acquisition costs of goods and services.
- **Personnel:** Remove positions funded with non-state dollars from TO restrictions.