

Bobby Jindal
Governor



Kristy H. Nichols
Commissioner of Administration

STATE OF LOUISIANA

Executive Budget

Fiscal Year 2015-2016

Joint Legislative Committee on the Budget
February 27, 2015

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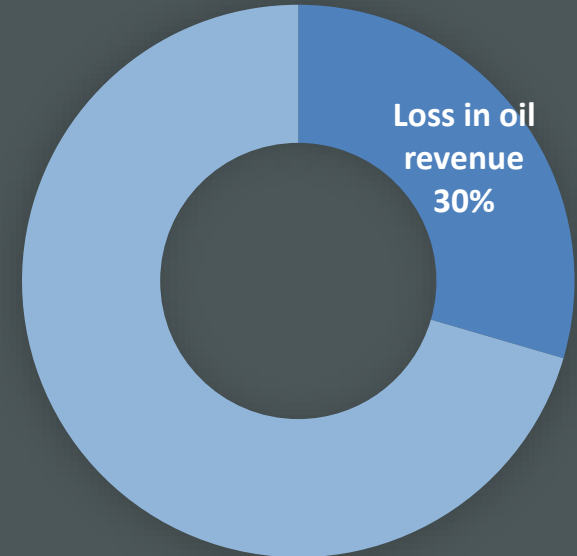
2015-2016 Executive Budget

- Reduces total budget by 4.7%
- Maintains infrastructure funding
- Protects K-12 classroom funding
- Fully funds TOPS
- Invests in new cadet classes at DPS and LWF
- Reduces one-time money by 70%
- Does not raise taxes



Reduction in Revenue

- The loss of oil revenue accounts for nearly one-third of the shortfall once growth, inflation and non-recurring expenses are removed.



	5/19/14 Forecast	11/14/14 Forecast	1/26/15 Forecast	Difference
Severance	\$802.7 million	\$730.9 million	\$508.2 million	\$294.5 million
Royalties	\$467.1 million	\$442.8 million	\$385.4 million	\$81.7 million
Total Loss in Revenue				\$376.2 million

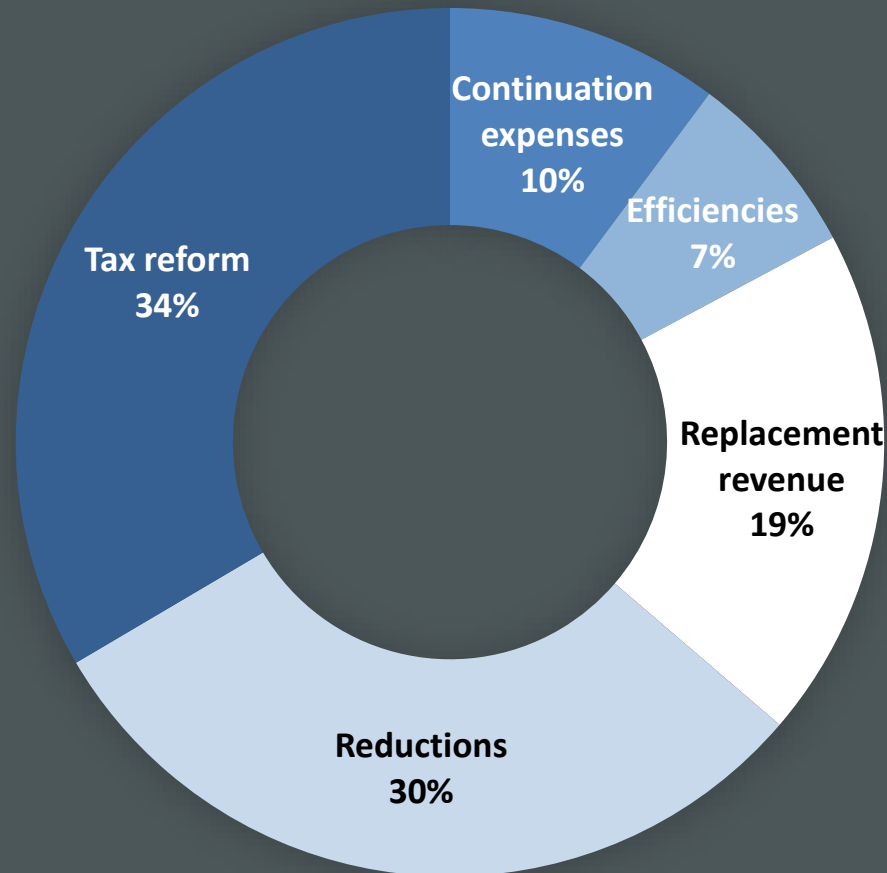


Comparison: FY15 Budgeted to FY16 Executive Budget

	Budgeted for FY15 (as of 12/01/2014)	FY16 Executive Budget
State General Fund	\$8,734,000,000	\$9,042,800,000
Fees and Self-Generated Rev	\$2,528,800,000	\$2,294,500,000
Statutory Dedications	\$4,505,700,000	\$3,534,500,000
Interim Emergency Board	\$200,000	\$0
Federal Funds	\$10,076,100,000	\$9,726,300,000
Total	\$25,844,800,000	\$24,598,200,000
Total Authorized Positions	53,120	52,393



Solving the \$1.6 billion shortfall





GEMS Efficiencies

Recurring from FY15

- GEMS Property insurance restructure
\$24.7 million
- GEMS Procurement initiative
\$18.6 million
- GEMS Human Capital Management
\$5.5 million
- GEMS Agency savings
\$25.9 million

New in FY16

- GEMS Capital Outlay Builder Risk Insurance savings
\$0.5 million
- GEMS Procurement initiative
\$17.3 million
- GEMS Human Capital Management
\$5.3 million
- Additional GEMS agency savings
\$48 million



Tax Credit Reform

- By converting some refundable tax credits to non-refundable, the state will reduce expenses by **\$526 million** without raising taxes.
- The credits will remain available and will continue to offset tax liability.

From Refundable to Non-Refundable

- Inventory Tax Credit
- Wind and Solar
- Research and Development
- Ad Valorem for Offshore Vessels
- Musical and Theatrical
- Telephone Co Property Tax Credit
- Ad Valorem for Certain Natural Gas
- Vehicle Conversion to Alternative Fuel
- Sugarcane Trailer Conversion
- Milk Producers
- Angel Investor
- Historic Residential Rehab



Growth of Refundable Tax Credits

- Over the last four years alone, all refundable credits grew from \$515,869,552 to \$777,346,103 with an annual growth rate of 10.79% per year.
 - Inventory Tax Credit - Growth from \$373 million in FY11 to \$458 million in FY14
 - Wind and Solar grew from \$13 million in FY11 to \$63 million in FY14



Agency Reductions

- Reductions include the elimination of **727 TO positions**, resulting in the smallest number of state government employees in 25 years.



Healthcare

- Now in it's third year, Bayou Health is improving how **920,000** individuals access health care and creating cost savings for the state.
- Program growth has slowed from between 5-7 percent per year to **3 percent per year**.



Healthcare

- No Medicaid provider rate reductions
- No cuts to medical schools
- No cuts to Bayou Health plans
- Protects current funding levels for LSU public-private partnership hospitals and clinics
- Protects individuals receiving home and community-based waiver services, ensuring no cuts to those currently receiving services



Healthcare

- Net reduction of **\$15 million**
 - GEMS savings - **\$33.9 million**
 - Increase in FMAP for **\$43.3 million**, mostly due to increased federal match for LACHIP
 - Human service districts, including mid-year - **\$6.8 million**
 - Program offices, including mid-year - **\$12 million**



Healthcare

- Eliminate the MHERE UCC/DSH Pool - **\$2.4 million**
- Eliminate legacy costs - **\$18 million**
- Eliminate in-patient major teaching hospital program - **\$100,000**
- Non-recurring funding for LSU Shreveport - **\$11 million**
- Non-recurring funding for the High Medicaid DSH Pool - **\$400,000**
- Reductions to the pediatric day health care program - **\$1.5 million**
- Eliminate the LaHipp program - **\$2.3 million**



Healthcare

- Eliminate hospital outlier pool - **\$2.7 million**
- Reduction of **\$7.7 million** through the elimination Greater New Orleans Community Health Connection Program.
- Elimination of Developmental Neuropsychiatric Program - **\$338,107**
- Eliminate the state general fund in the LSU-Physician UPL Program - **\$9.6 million**



Children and Family Services

- Total reduction in budget - **\$101.3 million**
 - Mostly related to Child Care Grant program transfer to DOE (Act 868) -**\$98.4 million**
 - Modernization - CAFÉ system for **\$10 million**
 - Annualization of mid-year for **\$1.5 million**
 - **\$3.3 million** from reduction of call center contract



Children and Family Services

- Targeted Case Management
 - DCFS transfer of **\$23 million** to the Department of Education of TANF for LA4
 - DOE reduction of **\$23 million** in state general fund
 - **\$6.5 million** SGF increase for federal match (\$30.8 million)
 - Overall state savings of **\$16.4 million**



K-12 Education

- In 2014, our Recovery School District (RSD) became the nation's first school district with **100%** charter school enrollment
- In RSD the percentage of students scoring at grade level grew from 23% in 2007 to **57%** in 2014
- In New Orleans we have seen the graduation rate increase from 54.4% before Hurricane Katrina to **72.8%** today
- The percentage of failing schools in New Orleans has dropped from 67% to 17%.



K-12 Education

- MFP funding increased to **\$3.63 billion**, up from \$3.59 billion
- Louisiana Scholarship Program funding scholarships for **679** additional students
 - Total funding increase of 9 percent, from \$42.4 million to \$46.2 million



Department of Education

\$30.8 million net increase

- **\$34.5 million increase in the MFP**
- **\$80.1 million increase from Child Care Grant program transfer from DCFS(Act 868)**
- **Mid-year annualization - \$5.6 million**
- **Non-recurring funding - \$61.8 million**
- **Professional services reduction of \$6.8 million**
- **\$3.3 million related to the elimination of 46 filled field TO positions and 45 filled administrative positions**
- **Special projects reduction of \$1.9 million**



Office of Juvenile Justice

Net reduction of \$1.7 million

- Increase of \$3.5 million for the new Acadiana Facility to open **May 2016** and will house youth from Lake Charles, Lafayette, Baton Rouge and Alexandria
- GEMS savings **\$7.55 million**
- Statewide adjustment - **\$3.4 million**



DOTD

\$2.6 million net reduction

- **\$2.2 million** reduction related to GEMS
 - **\$2 million** from consolidating business office functions
 - **\$575,000** reduction related to reducing in construction equipment fleet
 - **\$369,808** increase for annualizing in-house engineering positions
- **\$1.4 million** in non-recurring funding



Department of Public Safety

Net reduction of \$157.5 million

- \$5 million investment for the continued funding of new cadet classes through FY16
- \$146.3 million - Non-recurring funding from oil spill
- Fuel reductions - \$3 million
- GEMS savings - \$3.7 million
- Trooper pay increase - increase of \$24 million



Department of Corrections

\$25.8 million net reduction

- **\$12 million** reduction related to the restructure of offender healthcare
- **\$1.3 million** annualization of mid-year plan
- **\$16.2 million** in GEMS efficiencies
- **\$4 million** - Parole hold



Economic Development

- Over the last seven years, advances in economic development have driven more than **91,000** new jobs, spurring more than **\$62 billion** in capital investments statewide.
- Today, Louisiana ranks higher in **every national study** of state business climates than it ever did prior to 2008.
- To sustain this momentum, the FY 16 Executive Budget includes funding for important economic development initiatives that stimulate job creation and further diversify and grow Louisiana's economy.



Economic Development

\$17.6 million net reduction

- **\$15 million** reduction related to statewide adjustments
- Non-recurred one-time expenditure of **\$525,000**
- The New Orleans Bio-Innovation Center is now self-sufficient and able to run on its own without state support - **\$719,000**
- Accent Corporate Center revenue reduction of **\$500,000**
- **\$201,000** in GEMS savings
- **\$2 million** in savings for debt service in schedule 20



Culture, Recreation and Tourism

\$12.3 million net reduction

- Louisiana recently set a tourism record with **27.3 million** visitors and more than **\$800 million** in state tax revenue
- The FY16 budget will provide **\$78.5 million** in funding to CRT, a decrease of 14% from previous year
 - Annualization of mid-year reductions - **\$6 million**
 - Non-recurring funding - **\$4.9 million**
 - Reductions to Political Hall of Fame budget and potential closure of 7 historic sites



Environmental Quality

Net reduction of \$18.3 million

- **\$4.2 million** is non-recurring expenses related to the oil spill
- Another **\$8.3 million** is a budget adjustment based on a three-year average of actual expenses
- **\$2.5 million** from annualizing the mid-year plan
- **\$1.9 million** associated with the GEMS procurement initiative
- **\$1.07 million** is from the elimination of 14 vacant full-time positions that have been vacant for over 12 months



Natural Resources

\$14.6 million net reduction

- **\$6.7 million** reduction in budget authority
- Consolidating Dallas field office with Houston - **\$350,000**
- Legal services decrease - **\$236,000**
- Office space consolidation - **\$300,000**
- **\$2 million** MOF swap to replace general fund with Mineral and Energy Operation fund
- GEMS - **\$712,410** for procurement initiative
- **\$3 million** reduction associated with the consolidation of back office functions at DEQ, LWF and DNR
- **\$2.4 million** in non-recurring funding



Workforce Commission

Net increase of \$2.1 million

- \$10 million increase for worker's compensation claims
- \$6.6 million reduction in excess federal authority
- \$2.5 million increase in IAT for STEP
- \$492,442 reduction for GEMS - human capital
- \$167,848 increase for procurement



Executive Department & Veterans Affairs

- Within the Executive Department, there is **\$390 million** in net reductions, including:
 - DOA - **\$346 million** decrease
 - GOHSEP - **\$3.7 million** increase
 - DOMA - **\$11.9 million** decrease
 - LCLE - **\$4.1 million** decrease
 - Public Defender Board - **\$727,708** decrease
- Veterans Affairs - net increase of **\$1.3 million**



Elected Officials

Secretary of State - \$4.1 million net reduction

- \$3.3 million is the annualization of the mid-year plan
- \$109,917 reduction for microfilm
- Remainder is state-wide adjustments

Department of Justice - \$14.4 million net reduction

- \$17.7 million non-recurring oil spill and excess budget authority
- \$5.5 million increase to fund new complex litigation unit
- \$2.3 million MOF substitution decreasing general fund support and increasing Justice Legal Support Fund



Elected Officials

- Lt. Governor - **\$234,857** net reduction
- Public Service Commission - **\$1.1 million**
 - Decline in REC forecast - **\$689,000**
 - Non-recurring federal grant - **\$275,000**
- Department of Insurance - **\$4.6 million**
 - **\$3.1 million** through a department restructure that will include the elimination of 22 filled positions and 1 vacant position
 - **\$1.6 million** from the annualization of the mid-year plan



Elected Officials

Agriculture and Forestry

\$5.8 million net reduction

- \$1.7 million in Management and Finance
- \$45,169 in soil and water conservation
- \$1.7 million in forestry
- \$687,688 in animal health and food safety
- \$164,032 in agricultural and environmental sciences
- \$21,380 in agro-consumer services
- \$945,725 in auxiliary
- \$777,000 means of financing substitution reducing general fund from various statutory dedications



Elected Officials

Treasury - \$2.1 million net reduction

- **\$1.27 million reduction in** operating services, administrative expenses, advertising, supplies and contract expenses.
- **\$819,000 reduction in Medicaid Trust Fund for the Elderly**



Department of Revenue

\$18.9 million net reduction

- Annualizing the mid-year plan - **\$2.5 million**
- Reducing dues and subscriptions - **\$200,000**
- GEMS procurement initiative - **\$657,000**
- **\$7.5 million** in reduction of excess budget authority
- **\$12.8 million** in non-recurring funding - judgment and federal grants, and carryforwards



Wildlife and Fisheries

\$44.3 million net reduction

- This budget provides **\$1.4 million** for the new cadet class that will begin in January 2016

The remainder is related to:

- **\$20 million** - excess budget authority
- **\$18.3 million** - non-recurring oil spill funding and one-time grants
- **\$5 million** - savings in acquisitions and major repairs



Office of Group Benefits

Net 10.8 percent premium increase on 7/1/15 creates:

- FYE 2016 projected fund balance **\$98 million**
- Projected cash balance **\$207 million**
- Agency cost increase = **\$40.5 million**

7/1/16 premium increase of 4 percent above claims trend creates:

- FYE 2017 projected fund balance = **\$143 million**
- Cash balance **\$252 million**



Higher Education

Workforce Investment Fund (WISE)

- **\$30 million** investment to support research and training for students entering high demand, high growth occupations

Taylor Opportunity Program for Students (TOPS)

- Increasing funding by **\$34 million** to **\$284.3 million** to provide scholarships for an additional 3,204 students, bring the total up to 55,278
- Maintained our **\$26.4 million** investment for Go Grants scholarship program.



Higher Education

- Investment of **\$185,000** for the Louisiana Procurement Technical Assistance Center at the University of Louisiana at Lafayette.
 - Helped Louisiana small businesses obtain \$4.5 billion in contracts
 - Created 9,000 new direct jobs and generating more than \$100 million in tax revenue within the state.



Higher Education

- Not including the hospitals, LOSFA, or non-recurring adjustments, higher education funding will decrease by **\$141.3 million**.



Revenue-Raising Options

Autonomies

- Advanced Degree Tuition - \$10 million
- Risk Management Autonomy - \$5 to \$10 million

Helping families reduce the cost of higher education

- Tax credits
 - Parents/students
 - Foundations/corporations
 - Offset with revenues generated from raising cigarette tax to Southern average - \$100 million



Revenue-Raising Options

Securitizing Remaining Tobacco Settlement

- In 2001, the state took 60 percent of the revenue from the tobacco settlement and securitized it as part of a strategy to hedge against risks that could cause loss of the TSRs due to the state.
- Under current tobacco consumption projections, the bonds associated with 60 percent of TSRs will be paid off in 2023. At that time, the state would start receiving approximately **\$84 million** annually that it is not currently receiving but will also be 100 percent exposed to tobacco market and consumption risk.
- Currently, the 40 percent share of the TSRs generates **\$55 million** a year for the state.



Revenue-Raising Options

Securitizing Remaining Tobacco Settlement

Under the favorable bond and tobacco market conditions that exist today, securitizing the remaining 40 percent of the TSRs could generate up to **\$750 million** to be spent on TOPS over a number of years - subject to structure and tax law considerations.

- If this proposal is approved - it could generate an additional \$40 to 50 million annually for TOPS.
- When considering a 30 year hedging strategy, starting the process of securitizing the 40 percent of currently unpledged TSRs today would put in place a continuation of the risk hedging strategy put in place in 2001.
- Current high TSR risks - bans, menthol, taxes, e-cigs, and consolidation



Revenue-Raising Options

Cost of Doing Business Adjustments

Over the past two decades, inflation and growth have increased the cost of doing business all over the country.

Adjusting some of the fees collected by state agencies to cover the increase in costs could generate **\$25-75 million** for the state.



Revenue-Raising Options

Operating Cost Efficiencies

- Efficiencies in agencies funded by FSGR have created savings that can't be used in the Executive Budget
- **\$8.5 million** estimated, including:
 - Treasury - **\$935,217**
 - Insurance - **\$3.1 million**
 - Tourism - **\$2.1 million**
 - Public Safety - **\$2.3 million**



Revenue-Raising Options

Unclaimed Lottery Proceeds

Could generate between **\$6 million and \$9 million** in additional recurring dollars for the MFP from unclaimed lottery proceeds

- Currently, 180 days after a lottery game is ended, claims to prizes are nullified and become “unclaimed prizes.”
- R.S. 47:9025 directs these monies to be added to “the pool from which future prizes are to be awarded or used for special prize promotions.”
- The Legislature could amend the statute to provide that this money would instead go to fund the MFP.



Revenue-Raising Options

- Sale of surplus property - partnerships: **\$17 million**
- Public-Private Partnerships Opportunities
 - Properties for which the state does not want to dispose will be considered for any Public-Private Partnership opportunities
- Comprehensive energy performance and enhancement projects are also under consideration
- Non-essential or under-utilized properties are identified for surplus property sales with many others currently under consideration for FY 16



Budget Information Online

Budget and Supporting Document

www.doa.louisiana.gov/opb/pub/ebsd.htm

Online State Spending Database

www.latrak.la.gov