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STATE OF LOUISIANA

FY12 Budget After House Actions

Senate Finance Committee

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STATE OF LOUISIANA



Executive Budget: A Balanced, Thoughtful Approach

- No cuts to higher education
- No cuts to Medicaid private providers, reductions in eligibility, or elimination of services
- No tax increases
- Preserving Louisiana's economic progress
- Reduced reliance on one-time money by more than \$1 billion
- Major spending reductions
- Transforming government to protect critical services



Preserving Louisiana's Economic Progress

- *Business Facilities* magazine recognized Louisiana as the 2010 State of the Year over runners up Texas, Tennessee, Utah and South Carolina. Louisiana was named 2010 State of the Year because of our recent business climate reforms, business development success throughout the year, innovative incentive programs, economic growth strategy, and world-class workforce training program.
- In *Site Selection* magazine's annual "Governor's Cup" rankings, Louisiana's national economic development projects ranking improved 12 spots to 3rd best in the U.S. The ranking was Louisiana's highest ever in the 23-year history of the "Governor's Cup" project rankings. Additionally, on a per-capita basis, Louisiana's ranking jumped from ninth in 2009 to first in the U.S. for 2010.
- For the second consecutive year, *Southern Business and Development* named Louisiana "Co-State of the Year," noting that we attracted more significant business investment and job-creating projects per capita than any other state in the South, two years in a row.

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S & P Upgrades Louisiana to "AA"

- The upgrade marks the first AA rating for Louisiana by S&P since 1984.
- S&P's upgrade is the sixth credit-rating upgrade among all three major credit-rating agencies Louisiana has received since 2008.
- On a scale of 1-4, with 1 being the strongest, S&P scored Louisiana's Financial Management a 1.0, and its Budget a 1.5.

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Reducing Reliance on One-Time Revenues for Recurring Expenses by more than \$1 Billion

One-time money utilized in the current fiscal year (FY 11):
\$1.6 billion

For FY 12 (Executive Budget):

One-time revenues for recurring expenses: \$474 million

Recurring revenues to address one-time *expenditures*: \$57 million

Net total of one-time revenues for recurring expenses: \$417 million

One-time revenue for recurring expenditures after House actions: \$357 million



Example: Transforming Government

- Louisiana State Police, the Governor’s Office of Homeland Security and Emergency Preparedness, and the Office of Juvenile Justice will consolidate and share back-office functions such as human resources, information technology, and finance for the three agencies. This consolidation will help coordinate similar agency functions and reduce duplicative resources needed to manage them, while achieving estimated savings of \$1.2 million and the reduction of 16 positions, and maintaining a high level of service in these areas.



2009 Revisited: House Used More than \$125 Million in Contingency Appropriations

In May of 2009, the House amended and passed the FY 10 Budget (HB 1 Re-Engrossed) to include:

- \$50 million “to the Board of Regents for higher education institutions, in the event HB No. 720 of the 2009 Regular Session (Louisiana Tax Delinquency Amnesty Act of 2009) is enacted into law.”
- \$75.6 million (directed to numerous entities and programs) “provided, however, that such monies shall only be expended in the event the Insure Louisiana Incentive Program Fund is abolished.”

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2009 Revisited: How It All Played Out

- Within days of the Senate receiving the budget, the REC met and lowered the official forecast for FY 10, creating a deficit for the ensuing fiscal year, and triggering the ability to use the Rainy Day Fund.
- The Senate amended and passed HB 1 that also included funding “contingent on the abolishment of the Insure Louisiana Incentive Program Fund, an appropriation from the Budget Stabilization Fund, and upon the Delay of the Restoration of Excess Itemized Deductions.”
- In response, the House voted to concur, thereby sending HB 1 to the Governor’s desk prior to any of those contingencies having been authorized by the passage of separate legislation.
- Citing the Constitution, the Governor responded by vetoing 553 items from HB 1 because they were funded by contingencies “including the passage of legislation, which have not occurred.”

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2009 Revisited: How It All Played Out

- To resolve these contingency appropriations, the Legislature subsequently passed a concurrent resolution (HCR 236) authorizing the incorporation of \$86 million from the Rainy Day Fund into the FY 10 official forecast.
- The Legislature acted, through the Funds Bill (Act 226), to abolish the Insure Louisiana Incentive Program Fund and authorize the use of \$75.6 million from it.
- The Legislature then passed the Supplemental Appropriations Bill (Act 122) to incorporate these changes and balance the budget for FY 10.
- The Legislature also passed the Tax Amnesty Bill (Act 519), and while the proceeds were not included in the budget, the legislation directed the first \$90 million to the Coastal Protection and Restoration Fund, the next \$86 million to replenish the Rainy Day Fund, and the remaining dollars to the General Fund.

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2010 Revisited: House Cuts the Budget in the Preamble

Last year, the House passed the FY 11 Budget (HB 1 Re-Engrossed) amending the Preamble to say:

- "The commissioner of administration is hereby authorized and directed to make necessary reductions to appropriations contained in this Act for agency, program, or budget units to effect a State General Fund savings not to exceed \$65,000,000."

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FY 12 Budget After House Actions

- \$37 million - Defunding the 27th pay period across departments
- \$60 million - Reductions to "travel, operating services, supplies, acquisitions and other charges" across departments



FY 12 Budget After House Actions

General Fund Reductions per Agency

- Executive Department: \$2.3 million
- Secretary of State: \$635K
- Agriculture and Forestry: \$1.7 million
- LED: \$2.5 million
- Corrections: \$11.2 million
- OJJ: \$5 million
- DHH: \$18.5 million
- DCFS: \$6.9 million
- Education (Combines Dept. of Ed. and Other Education): \$21.1 million



FY 12 Budget After House Actions

Total Means of Finance Reductions per Agency

- Executive Department: \$3.3 million
- Secretary of State: \$1.4 million
- Agriculture and Forestry: \$2.1 million
- CRT: \$1.1 million
- Corrections: \$22.5 million
- Public Safety: \$1.9 million
- OJJ: \$6.8 million
- DHH: \$306 million
- DCFS: \$11.7 million
- Education (Combines Dept of Ed and Other Education): \$18.9 million



FY 12 Budget After House Actions

GOHSEP

- GOHSEP's cut of \$314,277 represents a 5 percent reduction to the agency's state funding budget of \$5,940,944.
- The agency's total budget of \$1.1 billion includes over 98 percent federal funding, used as pass through funding for local governments to recover from the four recent hurricanes.
- Over the last 3.5 years, GOHSEP has responded to 130 emergencies; 44 of which the State Emergency Operations Center has been activated for a total of 519 days. These include Hurricanes Gustav and Ike in 2008, the H1N1 Virus in 2009, the BP Oil Spill in 2010, and the current floods of 2011.



FY 12 Budget After House Actions

Louisiana State Police

- House removal of over \$800,000 from the Traffic Enforcement Program would force the department to lay off State Troopers, which has never been done in its 75-year history.

Department of Corrections

- House cuts of \$27.5 million would leave the department no other option but to close prisons: Avoyelles Correctional Center, C. Paul Phelps Correctional Center, J. Levy Dabadie Correctional Center, Rayburn Correctional Center, and Forcht Wade Correctional Center.
- Shutting down those five prisons means 4,490 offenders will need to be relocated to the local level. However, there are only 2,600 vacant DOC beds open on the local level at the moment. That means potentially 1,890 offenders would have to be considered for some type of early release.

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FY 12 Budget After House Actions

Department of Education

- \$9.3 million reduction to LDOE's Operating Budget: This reduction, which represents a 15 percent decrease, would impact the agency's goal offices and the support the agency provides to districts, schools, and students in order to raise student achievement.
- \$11 million reduction to the Recovery School District's (RSD's) Operating Budget: This would impact more than 28,000 students who would receive less instructional support because RSD Direct-Run and Charter Schools would have to assume responsibility for insurance premium payments on buildings equating to \$350 per student. The RSD has no reserves and is not allowed by law to purchase insurance from the private sector.
- \$1.2 million reduction to the Operating Budget for the Special School District (SSD) and Special Schools: The reduction would impact the nearly 250 students who attend SSD schools and 709 students who attend or are served by the Louisiana School for the Visually Impaired and the Louisiana School for the Deaf.

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FY 12 Budget After House Actions

Department of Children and Family Services

- A reduction of \$11.7 million would negatively impact Support Enforcement Services, services to children in foster care, travel for Child Protection Investigators who investigate child abuse and child neglect claims, and the ability of the department to provide emergency services during disasters.



FY 12 Budget After House Actions

Raiding \$81.8 million from the Mega Fund

- Louisiana now has the best pipeline of mega project prospects in decades, currently under final consideration for 15 major projects that each would create at least 500 direct jobs and/or \$500 million in capital investment.
- NWLA, NELA, CENLA, SWLA, Acadiana, the Capital Region and the New Orleans area each are under final consideration for at least one mega project.
- LED estimates we will win at least 5-7 of these projects that collectively would create approximately 4,000-8,000 direct jobs (roughly 11,000-22,000 total jobs), if the mega fund is restored.
- If the House amendment raiding \$81.8 million from the Mega Fund stands, Louisiana will be immediately dropped from consideration for the vast majority of these projects and will be uncompetitive for others, causing our state to lose out on thousands of job opportunities and billions in capital investment. Additionally, Louisiana would lose significant credibility in the national business community because we would be renegeing on existing incentive package proposals.



FY 12 Budget After House Actions

Raiding \$81.8 million from the Mega Fund

- While creating thousands of new jobs during a difficult national recession, our Mega Fund prospects also will generate hundreds of millions in new revenues each year for small businesses located throughout Louisiana.
- Generating new sales for small businesses will be especially helpful because many of our small businesses have been negatively impacted by the national recession.
- Because we are already overextended, it is critical that no funds be taken out of the Mega Fund.



FY 12 Budget After House Actions

Department of Health and Hospitals

Total cuts of \$306 million, includes:

- \$10 million reduction for transforming behavioral health services for Louisiana's most at-risk children, as well as for other children and adults
- \$29 million reduction to direct health care services
- \$81 million cut in state funds from the Medicaid program is, which draws down another \$183 million in federal dollars to pay for health care services, for a total of reduction of \$264 million from the Medicaid budget
- A \$264 million cut in Medicaid will mean a rate cut to providers of 7.4 percent



FY 12 Budget After House Actions

Department of Health and Hospitals

Cuts by provider type in recent years:

- Hospitals: 17.6%
- Physicians: 15.1%
- Waivers: 7.4% to 16.3%
- Pharmacy: 14.5%
- Home health services: 6.7%
- Long-term personal care services: 23.4%
- Ambulances: 8.5%
- Mental Health Rehab: 24.9%
- ICF/DD Community Homes: 9.1%
- Hospice Services: 5.3%
- Lab and X-Ray Services: 19.8%
- Durable Medical Equipment: 8.9%

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COMPARISON: FY 10-11 Budgeted to FY 11-12 ReEngrossed (After House Floor)

(Totals Including Additional Funding Related to Hurricane Disaster Recovery)
(Inclusive of Contingencies) (Exclusive of Double Counts)

	As of 12/01/2010 Budgeted 2010-2011	ReEngrossed (After House Floor) 2011-2012	(After House Floor) Over/(Under) Budgeted	Percent of Change
GENERAL FUND, DIRECT	\$7,735.5	\$8,264.2	\$528.7	6.83%
GENERAL FUND BY:				
FEES & SELF-GENERATED REVENUES	\$1,722.1	\$2,039.2	\$317.1	18.41%
STATUTORY DEDICATIONS	\$4,675.0	\$3,730.1	(\$944.9)	-20.21%
INTERIM EMERGENCY BOARD	\$1.1	\$0	(\$1.1)	-100.00%
TOTAL STATE FUNDS	\$14,133.7	\$14,033.5	(\$100.2)	-0.71%
FEDERAL FUNDS	\$11,921.4	\$10,781.9	(\$1,139.4)	-9.56%
GRAND TOTAL	\$26,055.0	\$24,815.4	(\$1,239.6)	-4.76%
TOTAL POSITIONS	82,208	72,630	(9,578)	-11.65%

NOTE: Positions are authorized, not filled positions. For Higher Education, 6,004 T.O. that are funded from 100% Restricted Funds are now reflected as off-budget for FY12. Dollar amounts are represented in millions.

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COMPARISON: FY 11-12 Executive Budget to FY 11-12 ReEngrossed (After House Floor)
(Totals Including Additional Funding Related to Hurricane Disaster Recovery)
(Inclusive of Contingencies) (Exclusive of Double Counts)

	Executive Budget 2011-2012	ReEngrossed (After House Floor) 2011-2012	(After House Floor) Over/(Under) Executive Budget	Percent of Change
GENERAL FUND, DIRECT	\$8,264.2	\$8,264.2	(\$.0)	0.00%
GENERAL FUND BY:				
FEES & SELF-GENERATED REVENUES	\$1,959.2	\$2,039.2	\$80.0	4.08%
STATUTORY DEDICATIONS	\$3,731.9	\$3,730.1	(\$1.8)	-0.05%
INTERIM EMERGENCY BOARD	\$.0	\$.0	\$.0	0.00%
TOTAL STATE FUNDS	\$13,955.3	\$14,033.5	\$78.1	0.56%
FEDERAL FUNDS	\$10,975.0	\$10,781.9	(\$193.1)	-1.76%
GRAND TOTAL	\$24,930.4	\$24,815.4	(\$115.0)	-0.46%
TOTAL POSITIONS	72,109	72,630	521	-0.72%

NOTE: Positions are authorized, not filled positions. Dollar amounts are represented in millions.



Budget Information Online

Budget and Supporting Document
www.doa.louisiana.gov/opb/pub/ebsd.htm

Online State Spending Database
www.latrak.la.gov