

State of Louisiana

Executive Budget

Fiscal Year 2005-2006

**Joint Legislative Committee
on the Budget**

March 11, 2005

**Kathleen Babineaux Blanco
Governor**



FY 2005-2006 Budget Development

The Challenge

- ◆ Replacing \$584 Million in federal and other one-time funds
- ◆ Continuing push for excellence in education
- ◆ Accelerating juvenile justice reform
- ◆ Continuing investments in economic development
- ◆ Implementing recommendations from Health Care Reform Panel and Solutions to Poverty Summit
- ◆ Realigning department expenditures to realize savings and meet policy priorities



MANAGEMENT OBJECTIVES

National Comparisons

Louisiana has made steady improvement in national ratings of state management components.

<i>Financial World</i> "The State of the States" - 1995		GPP / <i>Governing</i> "Grading the States" - 1999 and 2001			GPP / <i>Governing</i> "Grading the States" - 2005	
Component	Grade	Component	1999 Grade	2001 Grade	Component	Grade
Financial Management	D-	Financial Management	B-	C	Money	B+
Infrastructure Maintenance	C+	Capital Management	B	B	Infrastructure	C+
		Human Resources Management	C+	B	People	B
Managing for Results	B+	Managing for Results	B	B+	Information (Includes Managing for Results)	A-
		Information Technology Management	C-	B-		
AVERAGE GRADE	D	AVERAGE GRADE	B-	B-	AVERAGE GRADE	B

State management has been compared four times between 1995 and 2005, first by *Financial World* and then by the Government Performance Project. (GPP), funded by The Pew Charitable Trusts and reported by *Governing*.

Management Objectives

- ✓ **Change budget analysis model**
- ✓ **Realign budgets to more accurately reflect expenditure patterns and policy priorities**
- ✓ **Search for savings**
- ✓ **“Rightsize” authorized positions**
- ✓ **Maximize all other revenue options, especially federal funds**

Change Budget Analysis Model



Going narrow and deep

- ◆ Prioritize programs and activities
- ◆ Identify spending and staffing patterns
- ◆ Work closely and cooperatively with departments
- ◆ Consider the return on investment

Realign Budgets

- ✓ **Realign budgets to more accurately reflect expenditure patterns and policy priorities**
 - ◆ Remove impediments to effective budget development and control
 - ◆ Make linkage between budget and performance more identifiable



Realign Budgets

Example of FY 03-04 Budgeted vs. Actual Expenditures in a State Budget Unit

Agency Name	Object Category	Object Category	Appropriated	Budgeted	Expended	% of EOB Expended	Unexpended
Agency X	21	SALARIES	29,082,801	28,517,699	29,756,553	104.3%	(1,238,854)
	35	OTHER COMPENSATION	884,898	1,450,000	133,803	9.2%	1,316,197
	40	RELATED BENEFITS	6,346,061	6,346,061	6,562,331	103.4%	(216,270)
	45	TRAVEL	257,209	257,209	171,018	66.5%	86,191
	50	OPERATING SERVICES	3,377,056	3,377,056	2,747,888	81.4%	629,168
	55	SUPPLIES	1,864,794	1,864,794	1,626,294	87.2%	238,500
	60	PROFESSIONAL SERVICES	1,441,015	1,441,015	769,289	53.4%	671,726
	65	OTHER CHARGES	0	0	38,488		(38,488)
	70	ACQUISITIONS	0	0	823,570		(823,570)
	75	MAJOR REPAIRS	0	0	29,494		(29,494)
	85	IAT	1,951,581	1,951,581	1,823,228	93.4%	128,353
Agency X Total			45,205,415	45,205,415	44,481,957	98.4%	723,458

Highlighted rows indicate expenditure categories in which less than 90% of Existing Operating Budget was expended.

Search for Savings

- ✓ **Saving money in FY 04-05 to help address the problem in FY 05-06**
 - ◆ All agencies asked to achieve a savings target for FY 04-05 of 1.75% of discretionary General Fund (or equivalent)
 - ◆ Reduction plans submitted to commissioner for approval
 - ◆ Plans analyzed for performance impact
 - ◆ Agencies not able to sustain the reduction exempted

Search for Savings

✓ **Finding economies in FY 05-06**

- ◆ All agencies asked to annualize FY 04-05 savings to reduce General Fund spending by 3.5%
- ◆ Plans analyzed for performance impact
- ◆ Agencies unable to sustain reduction exempted
- ◆ Rural and Urban Development reduced 50% from FY 04-05 appropriated level

Search for Savings

Agencies Excepted From 3.5% Reductions

- ◆ Special Schools (LSVI, LSD, LSEC, LSMISA, NOCCA)
- ◆ Office of Family Support, Client Services Program
- ◆ Youth Services
- ◆ Military Department
- ◆ Elderly Affairs
- ◆ Family Violence program
- ◆ Indigent Defense Assistance Board
- ◆ Lt. Governor
- ◆ Higher Education

Rightsize Authorized Positions

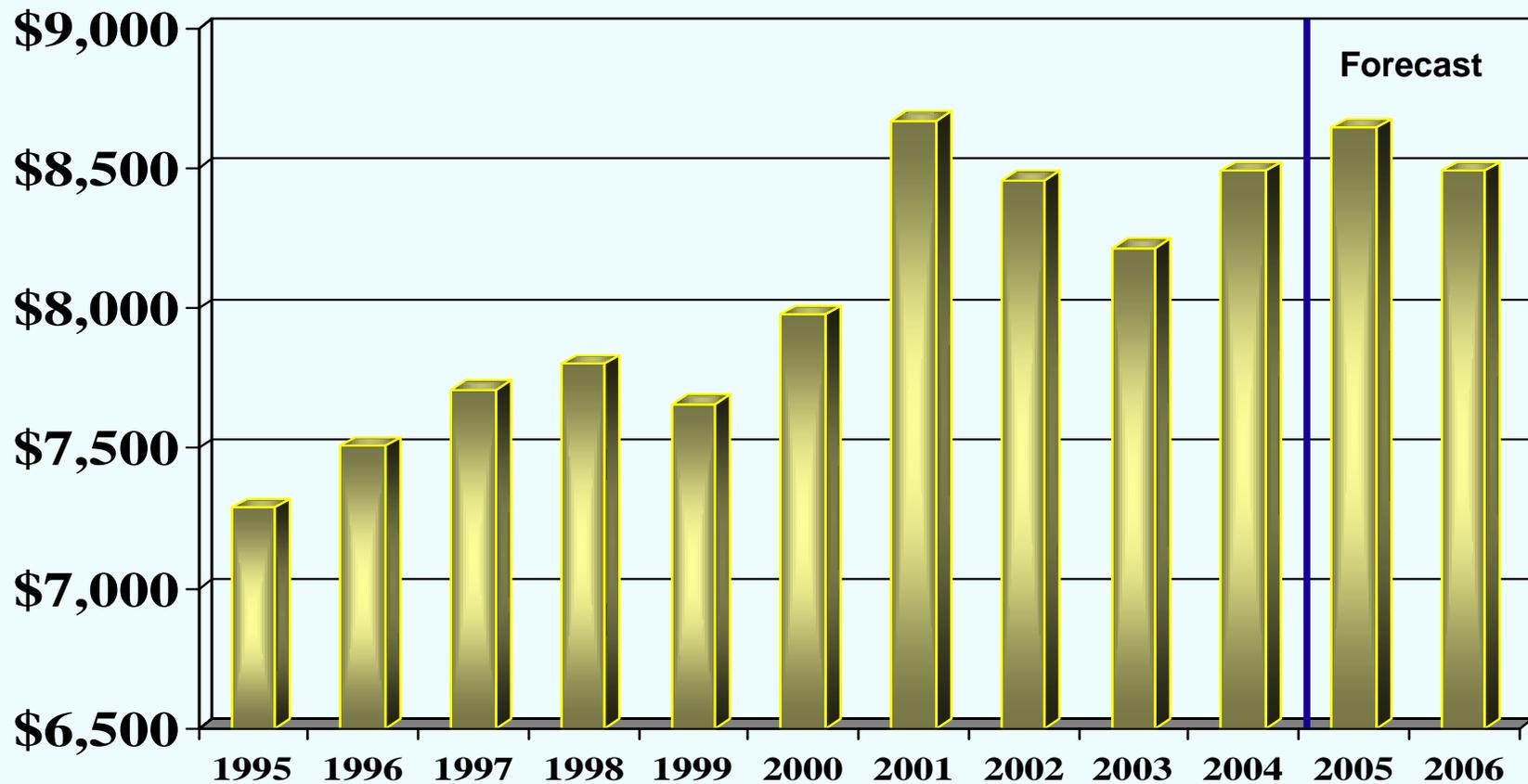
- ✓ **Scrutinized historical vacancy rates and anticipated personnel needs**
- ✓ **Net statewide reduction of 863 positions (mostly vacant) saved:**
 - ◆ **\$8.1 Million General Fund**
 - ◆ **\$33.7 Million total means of financing**
- ✓ **Generally no adverse impact on performance**



REVENUES

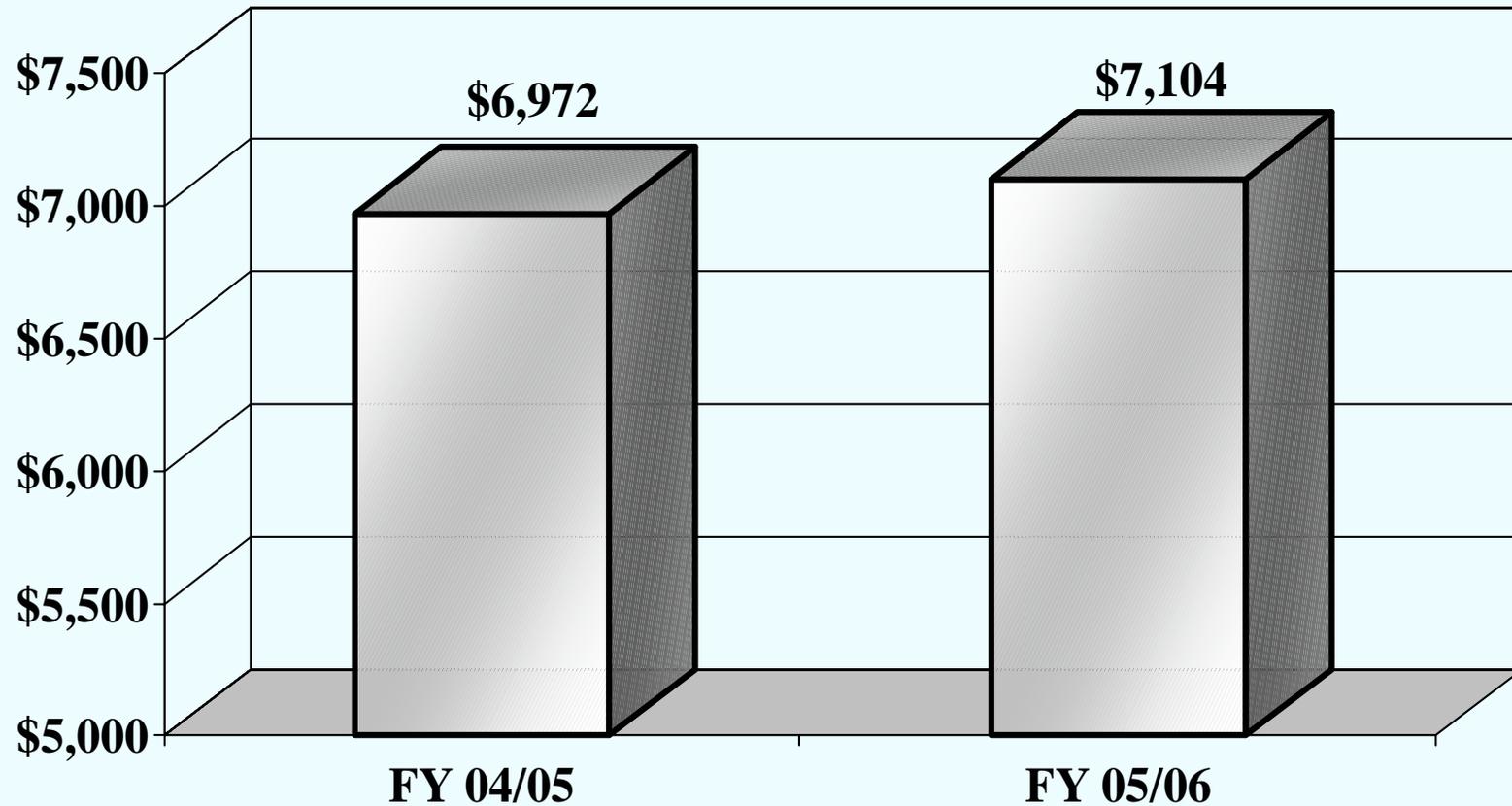
Taxes, Licenses and Fees

Adjusted for Inflation

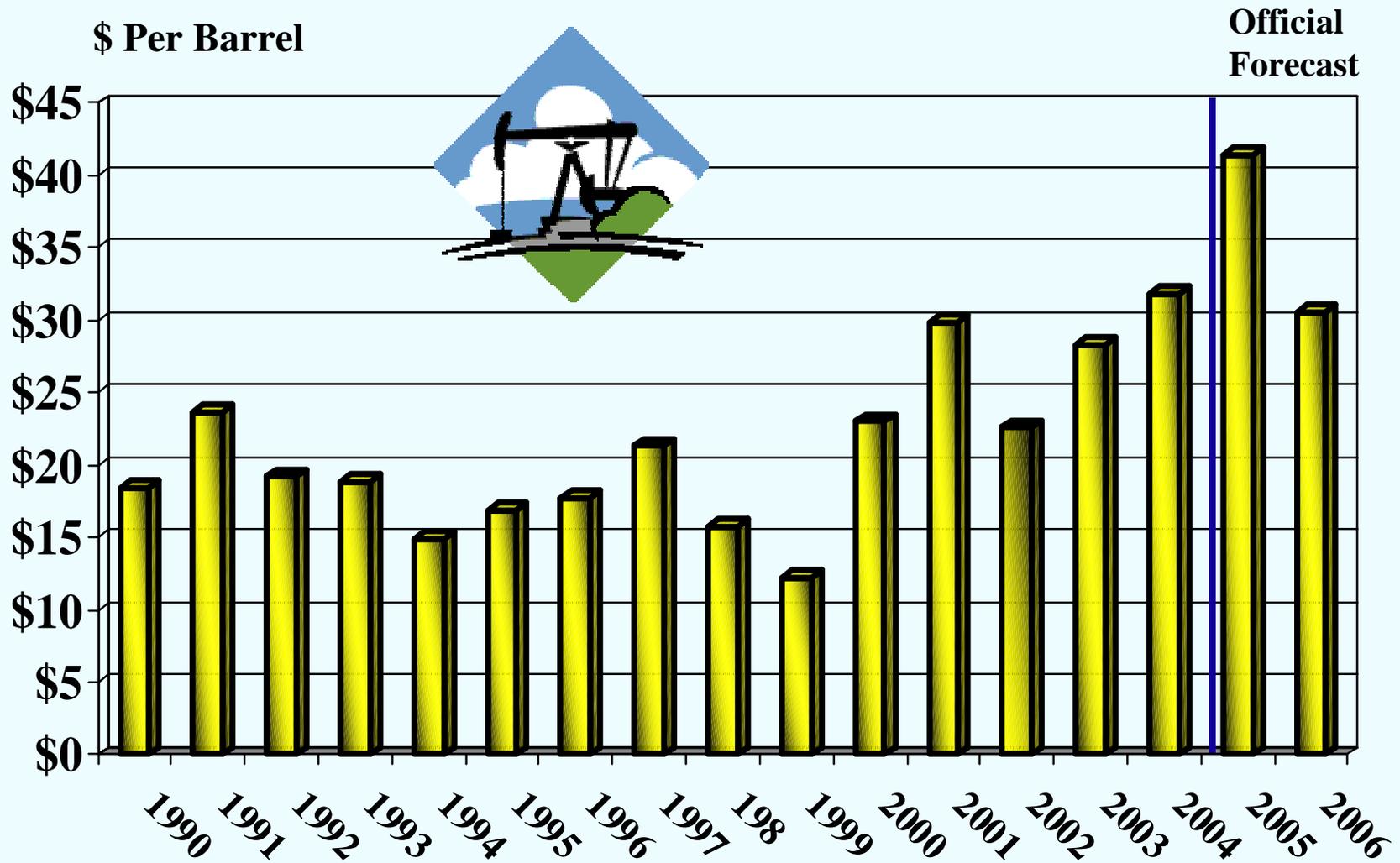


General Fund Revenues

(In \$ Millions)

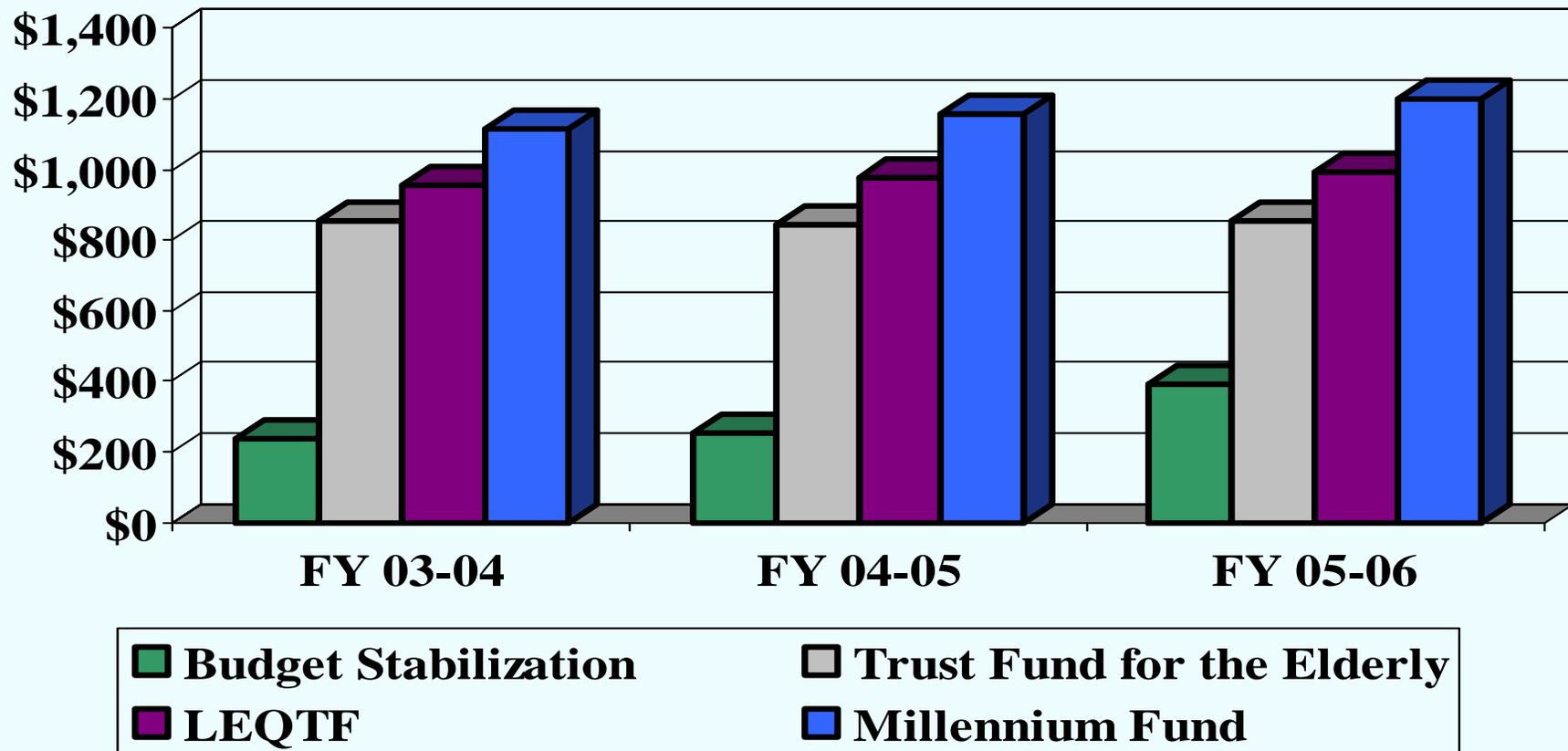


Oil Prices



Trust Fund Balances

By the end of FY 05-06, we will have approximately \$3.5 Billion in Trust Fund balances.



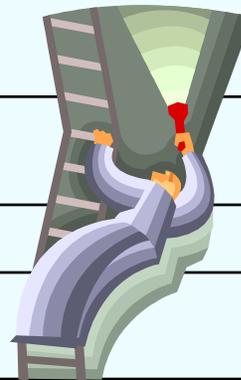


BUDGET DEVELOPMENT



Solving the Problem

Continuation Balance	-\$686,646,427
Eliminate funding for attrition, insurance, merits, inflation	\$81,884,057
Agency specific reductions	\$112,241,551
Agency specific additions	-\$45,471,500
DHH specific reductions	\$260,470,815
Carry over of FY 04-05 excess revenue for DHH	\$216,205,177
Debt Service savings	\$61,316,327
Total Adjustments	\$686,646,427



Bottom Line Increases to Fund Statewide Adjustments

- ❖ **Special Schools (SLVI, LSD, LSEC, LSMSA, NOCCA)**
- ❖ **Office of Community Services, Child Welfare Program**
- ❖ **Corrections**
- ❖ **Youth Services**
- ❖ **Public Safety**
- ❖ **Revenue**
- ❖ **Attorney General**
- ❖ **Department of Veteran's Affairs**

FY 04-05 Budgeted vs. FY 05-06 Recommended (Exclusive of Double Counts)

	Budgeted FY 04/05 As of 12/3/04	Recommended FY 05-06	Over/Under Budgeted	% Change
General Fund Direct	\$6,861.2	\$7,104.0	\$242.8	3.54%
General Fund By:				
Fees & Self Generated	\$1,310.5	\$1,366.1	\$55.6	4.24%
Statutory Dedications	\$3,181.0	\$3,214.6	\$33.6	1.06%
Interim Emergency Board	\$2.7	\$0.0	(\$2.7)	-
TOTAL STATE FUNDS	\$11,355.3	\$11,684.7	\$329.4	2.90%
FEDERAL FUNDS	\$6,442.9	\$6,423.8	(\$19.1)	-.30%
GRAND TOTAL	\$17,798.2	\$18,108.5	\$310.3	1.74%
Positions	46,802	45,939	(863)	-1.84%

General Fund Increases from EOB

	EOB 12/3/04	Executive Budget	Over/Under EOB	% Change
Health and Hospitals	1,079,612,367	1,334,779,404	255,167,037	23.64%
Department of Education	2,605,545,756	2,683,375,238	77,829,482	2.99%
Health Care Services Division	27,765,870	79,032,120	51,266,250	184.64%
Corrections	382,743,424	400,940,246	18,196,822	4.75%
Higher Education	1,061,915,039	1,071,801,960	9,886,921	.93%
Youth Services	115,759,847	122,332,939	6,573,092	5.68%
Public Safety	100,000	6,488,576	6,388,576	6388.5%
Other Education	150,955,033	155,396,816	4,441,783	2.94%
Social Services	205,360,104	209,102,098	3,741,994	1.82%
Agriculture and Forestry	28,171,066	30,430,418	2,259,352	8.02%
Lt. Governor	1,344,453	1,425,210	80,757	6.01%
Justice	14,258,562	14,318,611	60,049	0.42%
Civil Service	2,084,398	2,089,408	5,010	0.24%

General Fund Decreases from EOB

	EOB 12/3/04	Executive Budget	Over/Under EOB	% Change
Non-Appropriated	378,360,532	261,766,782	(116,593,750)	-30.82%
Capital Outlay	17,475,250	0	(17,475,250)	-100.00%
Executive	150,290,533	135,407,101	(14,883,432)	-9.90%
Revenue and Taxation	42,229,217	32,107,262	(10,121,955)	-23.97%
Other Requirements	277,775,390	268,708,279	(9,067,111)	-3.26%
Special Acts	7,663,642	0	(7,663,642)	-100.00%
State	34,957,941	28,952,477	(6,005,464)	-17.18%
Economic Development	42,837,060	37,938,118	(4,898,942)	-11.44%
Veterans Affairs	9,219,451	7,080,930	(2,138,521)	-23.20%
Natural Resources	8,350,063	7,293,707	(1,056,356)	-12.65%
Transportation and Develop.	850,000	0	(850,000)	-100.00%
Labor	600,000	0	(600,000)	-100.00%
Culture, Recreation & Tourism	46,374,109	45,873,560	(500,549)	-1.08%
Retirement Systems	1,752,134	1,281,350	(470,784)	-26.87%
Environmental Quality	7,570,000	7,099,513	(470,487)	-6.22%
Ancillary	153,055	0	(153,055)	-100.00%
Wildlife and Fisheries	80,000	0	(80,000)	-100.00%
Treasury	1,122,946	1,074,009	(48,937)	-4.36%

Governor's Supplementary Recommendations

- ❖ **\$182.9 Million of state funds in Supplementary Budget Recommendations—often called “below the line” funding—from three sources:**
 - ◆ \$48.4 Million dependent on proceeds of 1.75% savings achieved by state departments and agencies in FY 04-05
 - ◆ \$75 Million linked to hospital provider fees for non-state, non-rural hospitals.
 - ◆ \$59.5 Million based on using available one-time monies to defease state debt due next year. Fund balances in the Mineral Audit and Settlement Fund totaling \$26.6 Million and \$32.9 Million from FY 03-04 surplus funds are available for this purpose.

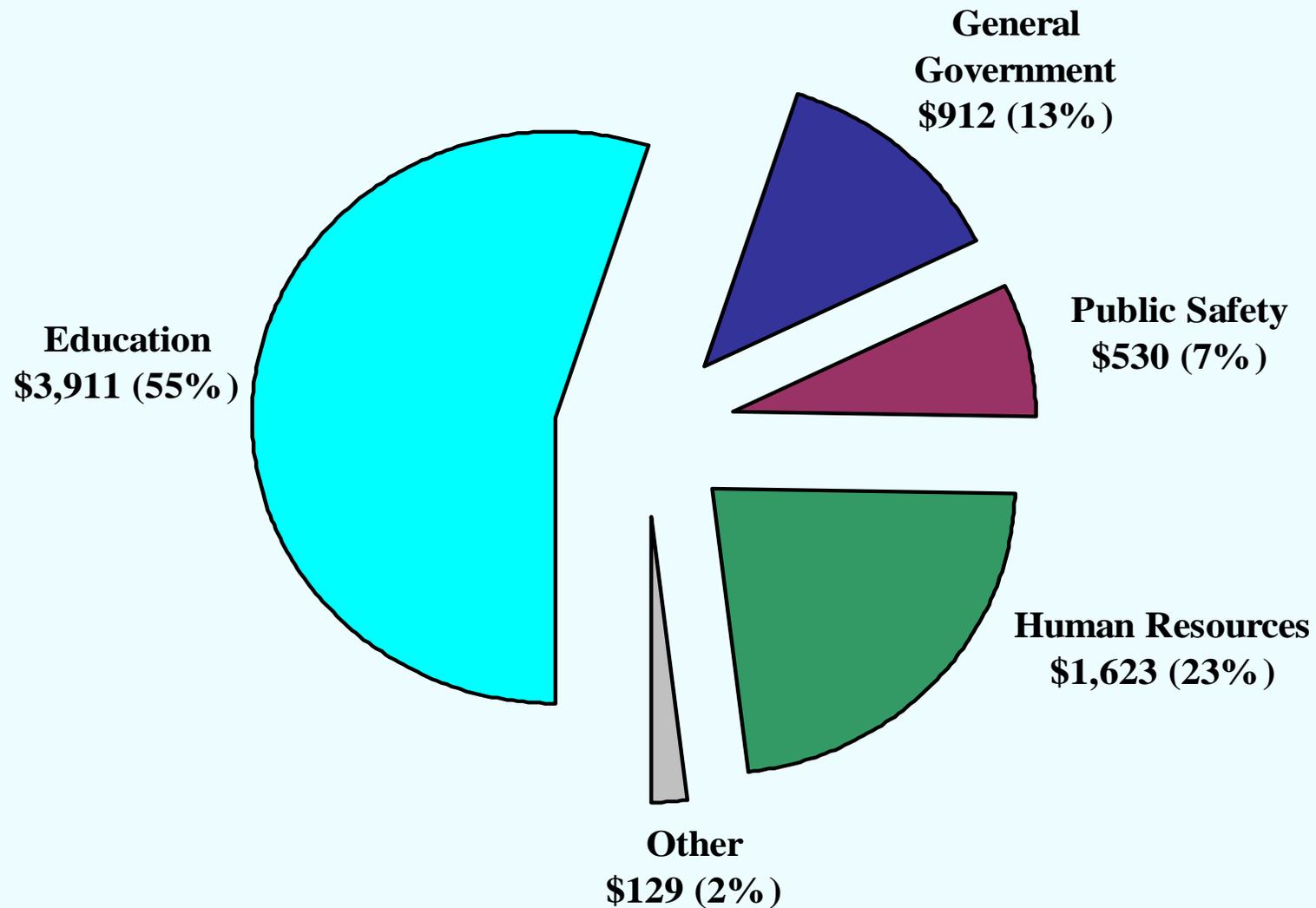


EXPENDITURES



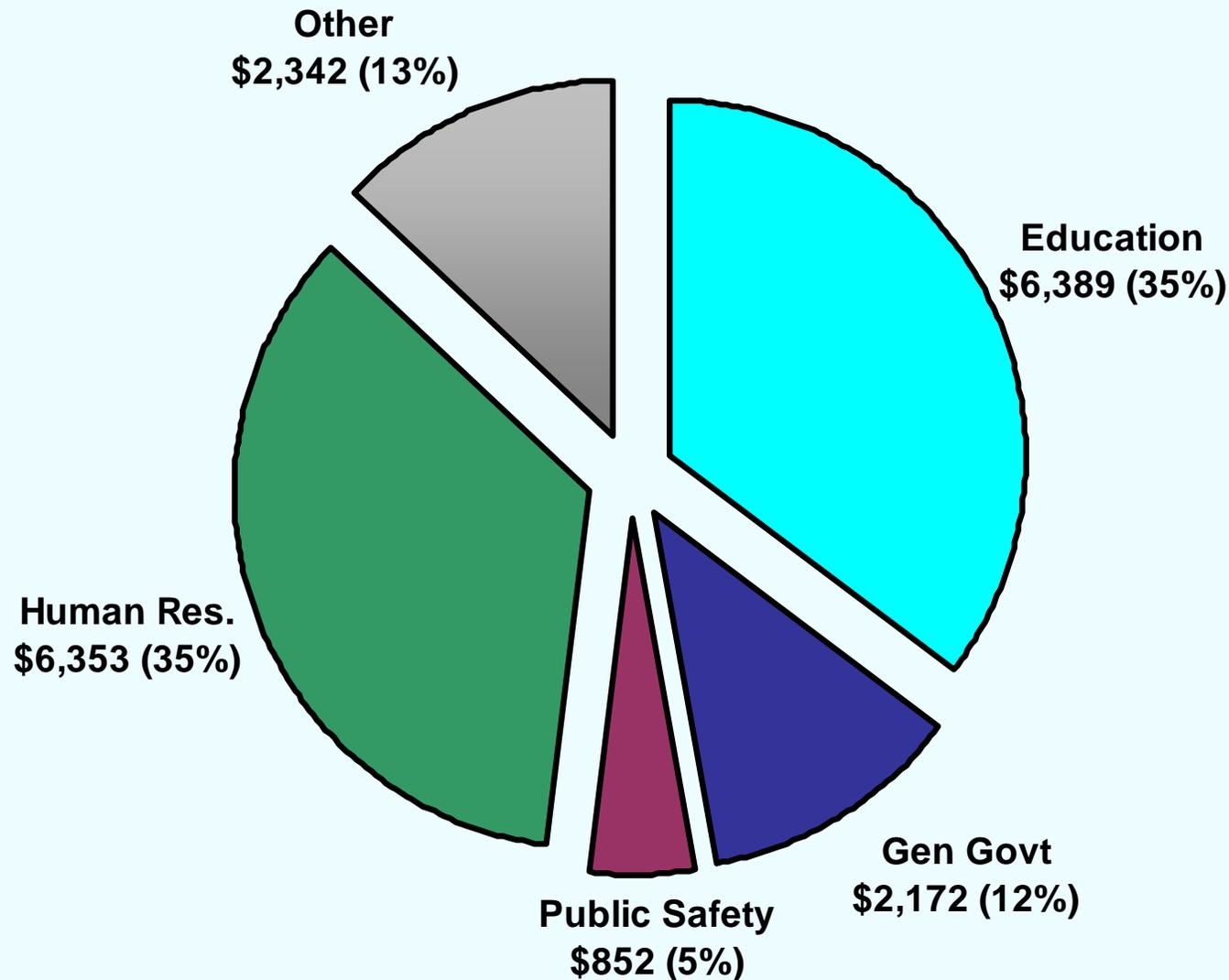
FY 05-06 General Fund Expenditures, by Functional Area

(In \$ Millions)

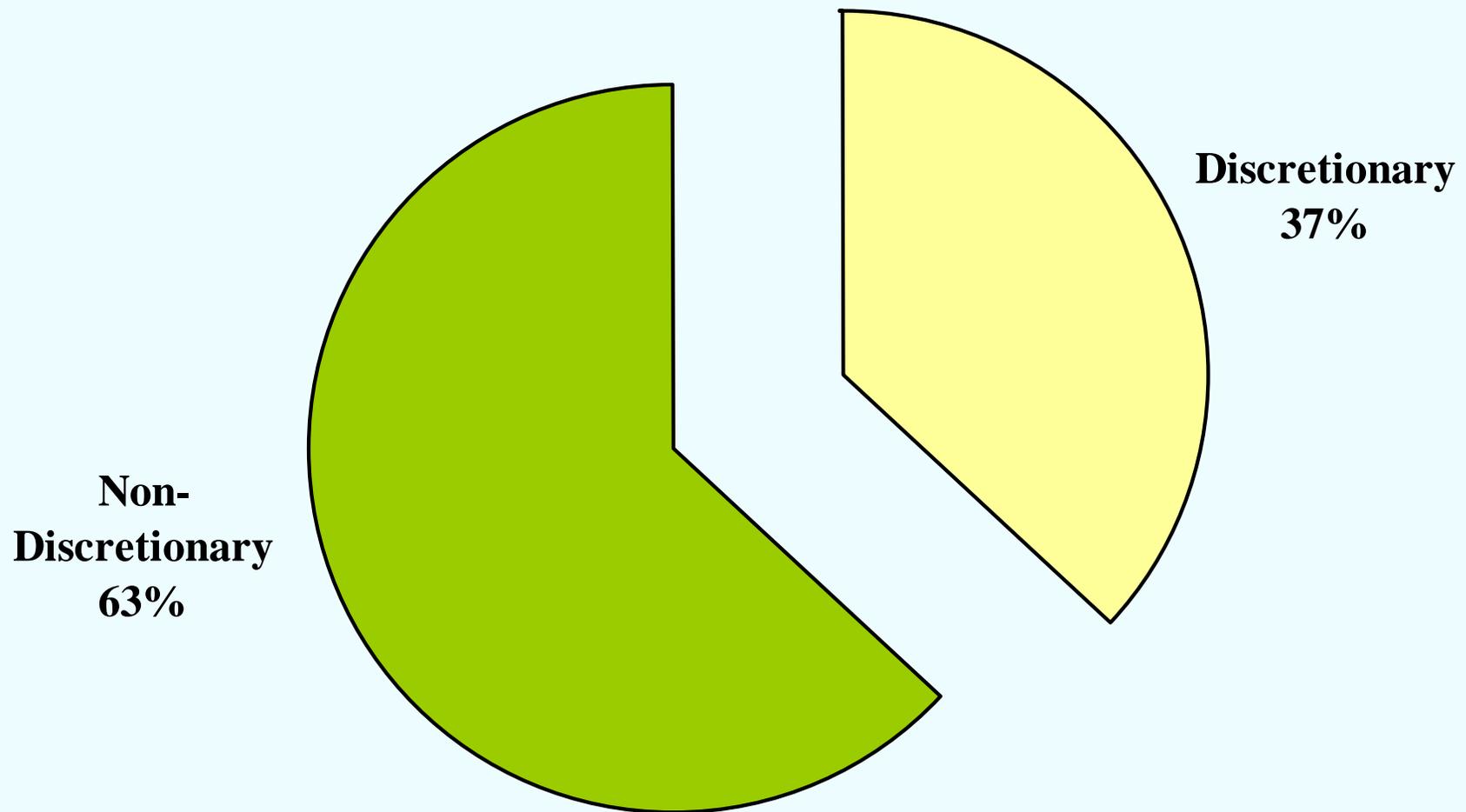


FY 05-06 Total Expenditures, by Functional Area

(In \$ Millions)

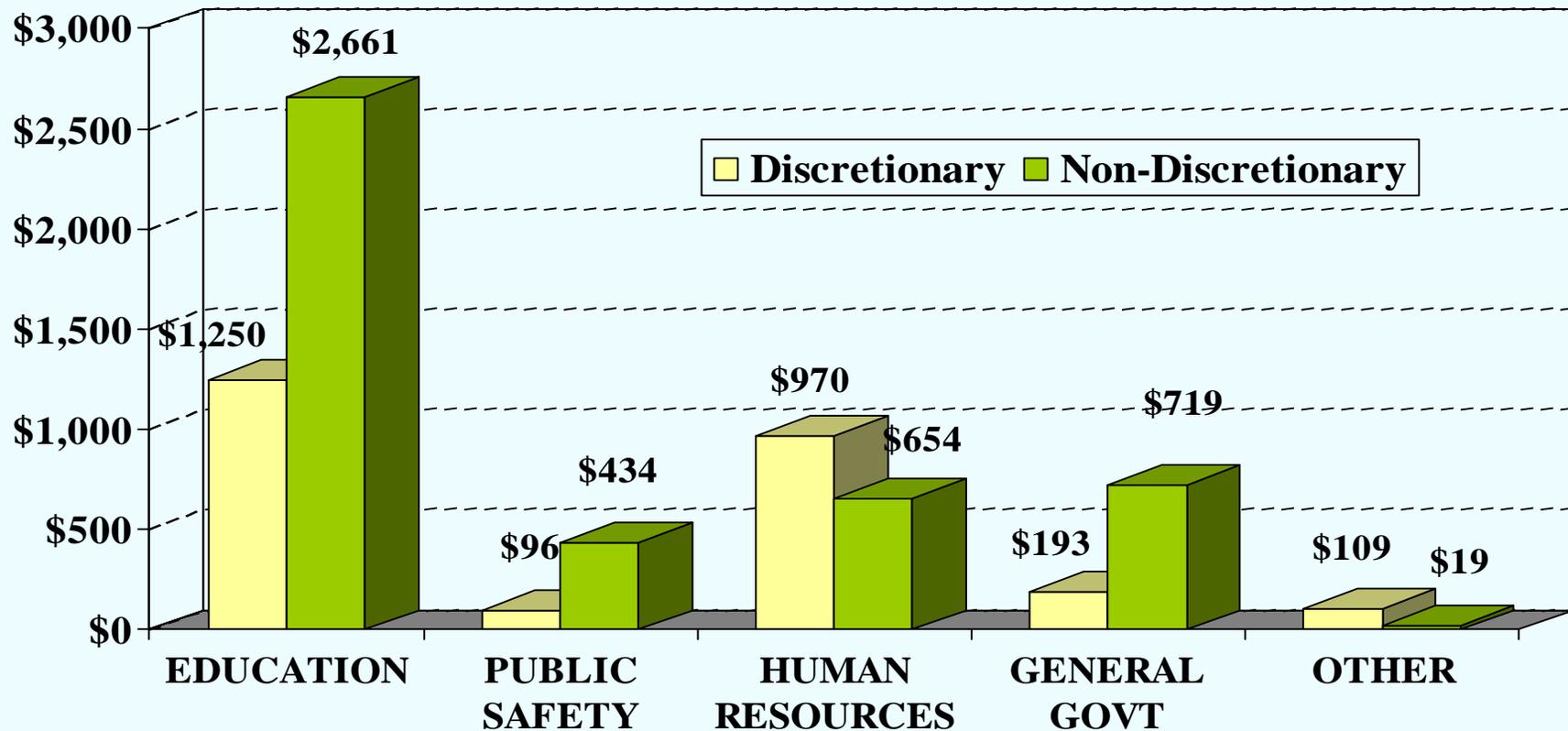


FY 05-06 Discretionary/ Non-Discretionary



FY 05-06 Discretionary/ Non-Discretionary General Fund, By Functional Area

(In \$ Millions)



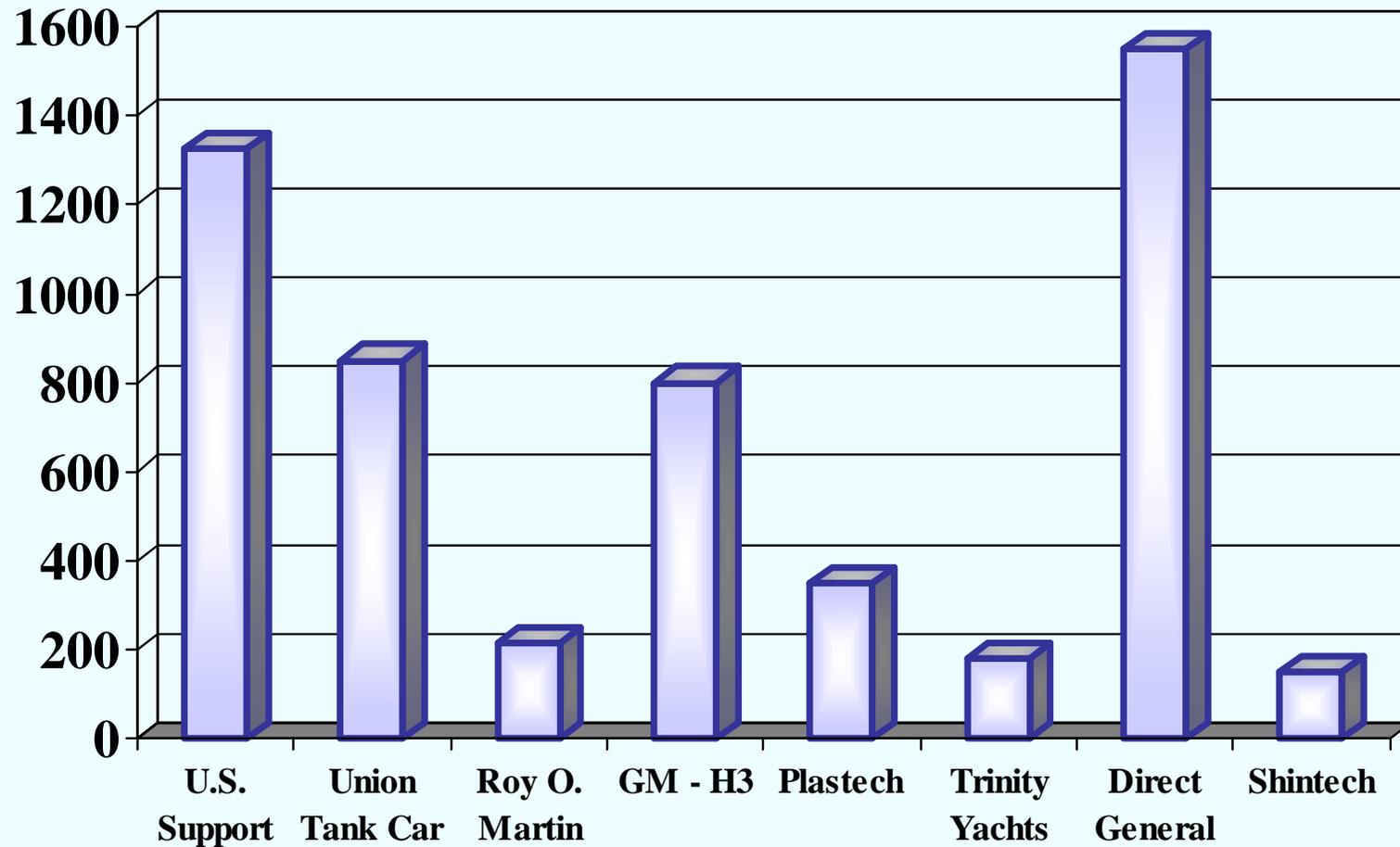


MAJOR BUDGET CHANGES

Economic Development



Major Employment Announcements



Economic Development

- ❖ **Continued funding of \$10 Million for the Rapid Response Program**
- ❖ **Union Tank Car Facility: \$1.5 Million for the first year of a 15-year commitment**
- ❖ **Business Friendly State: \$4.2 Million of one-time funding to enhance marketing**



MAJOR BUDGET CHANGES

PreK-12 Education



PreK-12 Education



Louisiana is recognized nationally as an educational leader in venues such as Education Week.

- ◆ Louisiana ranks 1st in Education Accountability and Standards,
- ◆ 5th in Improving Teacher Quality and
- ◆ 16th in Equity of funding

(Education Week, January 2004)

PreK-12 Education



91% of Louisiana teachers met state standards and were certified last year, up from 10-year low of 84% during FY 01-02.



Louisiana's ACT average composite score for all students increased to 19.8 in 2004 after remaining at 19.6 the last 4 years.

PreK-12 Education



\$1 Million additional General Fund provided for testing:

- ◆ English Online Diagnosis Test
- ◆ Grade Level Expectations Test



\$1.1 Million additional General Fund provided for teachers who gain national certification within their professions.

- ◆ This brings the total for FY 05-06 to \$2.8M for annual stipends for these teachers

PreK-12 Education



A National Institute for Early Education Research study reports:

- ◆ Louisiana ranks 10th in the amount it spends in Pre-K education
- ◆ 12th in the nation for accessibility, after being judged on its enrollment, hours, income rules and participation by special education students.

PreK-12 Education



Governor committed to providing all “at risk” children the opportunity to participate in early childhood education

- ◆ \$20 Million additional General Fund for LA4 Early Childhood Education in public schools
- ◆ \$69 Million total funding for LA4, including General Fund, TANF and 8(g) block grants for public schools
- ◆ \$8.5 Million in TANF funding maintained for Private PreK

PreK-12 Education

	Public Schools		Private Schools
	State/TANF	8(g)	TANF
FY02-03	\$34,468,625	\$9,358,905	\$6,000,000
FY 03-04	\$40,489,637	\$9,076,090	\$8,500,000
FY 04-05	\$35,000,000	\$14,075,828	\$8,500,000
FY 05-06	\$55,000,000	\$14,075,828	\$8,500,000

PreK-12 Education

4 Year Olds				
	# At Risk	% At Risk	# Served	% Served
FY 02-03	41,660	62.4%	25,915	62.2%
FY 03-04	42,519	63.4%	29,635	69.7%
FY 04-05	42,660	62.9%	32,358	75.9%

FY 05-06 increase of \$20 Million will serve a total of 36,358 (91.4%) at risk 4 year olds

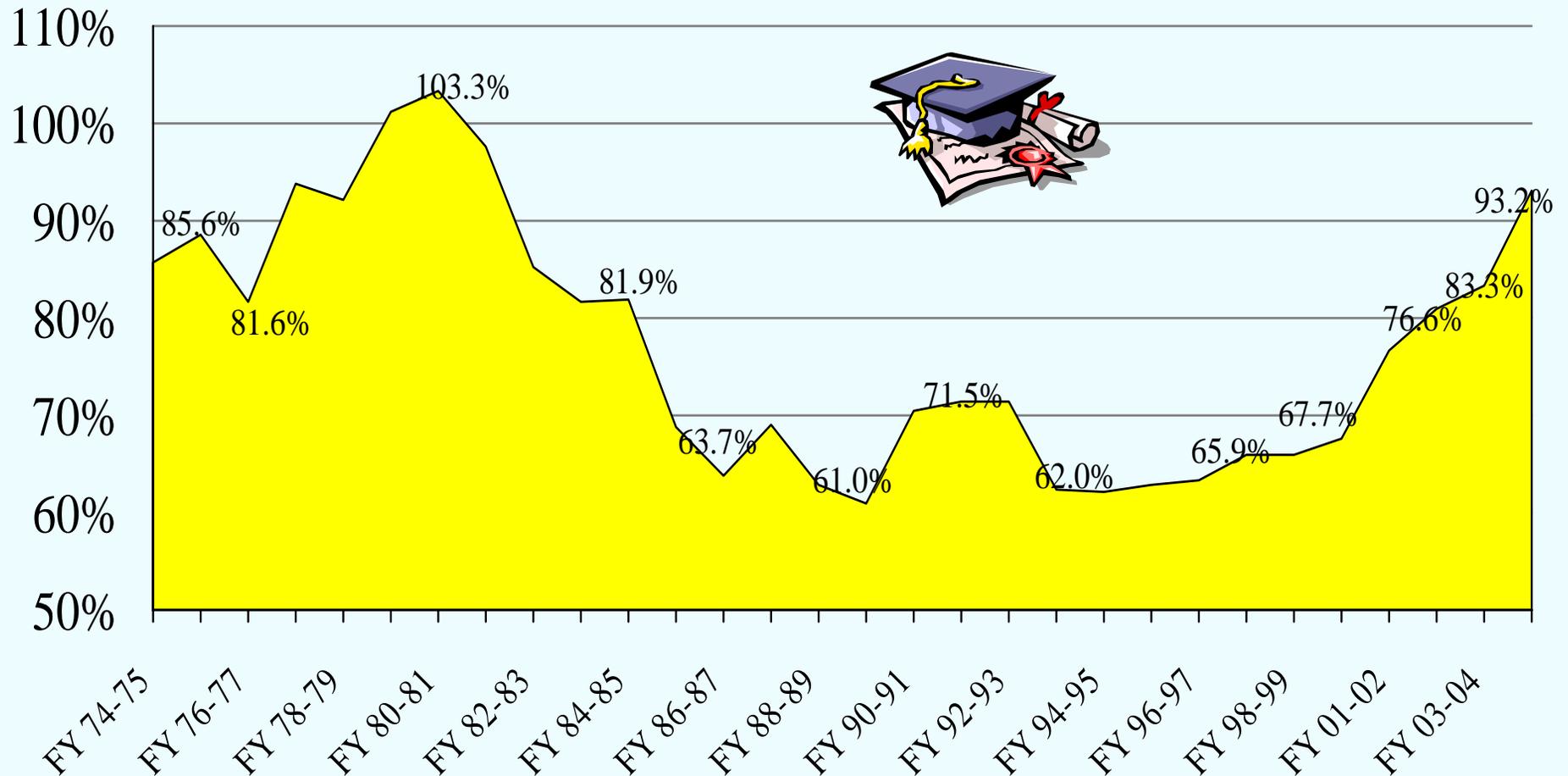


MAJOR BUDGET CHANGES

Higher Education



Higher Education Formula Implementation Rates



Note: Beginning in FY 00-01 a revised, more comprehensive formula, which includes professional schools, agriculture programs, and the technical college, is used.

Higher Education Funding

Investing \$6 Million in funding for

- performance incentives
- community and technical colleges and learning centers



Higher Education Initiatives



Continues Governor's commitment for the Louisiana Optical Network Initiative (LONI)



Provides funding for the LSU Center for Computation and Technology



Continues funding for Health Care Workforce Development



MAJOR BUDGET CHANGES

Health Care



Implementing the Governor's Health Care Reform Panel Recommendations



Transferring eligibility and monitoring functions to OCDD to consolidate all developmental disability services at a single point within DHH



Restructuring OCDD and developmental centers to provide efficiencies as the state moves towards community-based programs:

- ◆ **OCDD is one budget unit**
- ◆ **Each developmental center is a separate, budgeted program within the budget unit**

Implementing the Governor's Health Care Reform Panel Recommendations



Reducing the reliance on nursing facilities and expanding options for long-term care:

- ◆ Closing the New Orleans Home and Rehabilitation Center and finding placement in the private sector for its residents
- ◆ Changing the reimbursement methodology for nursing homes while offering incentives to the nursing homes to provide community-based long-term care alternatives

DHH Faces Replacement of Funding Not Available in FY 05-06

- ❖ \$278 Million in one-time funding from FY 03-04 excess revenues**
- ❖ \$227 Million from the 175% UCC overpayments**
- ❖ \$58 Million from a change in the federal Medicaid rate increasing the state's match rate**
- ❖ \$36 Million from use of Medicare Upper Payment Limits**
- ❖ \$26 Million from corpus of the Medicaid Trust Fund for the Elderly for nursing home re-basing**

Solutions to Resolve the Funding Issue in DHH for FY 05-06

- ❖ \$257 Million in State General Fund**
- ❖ \$216 Million in FY 04-05 excess revenues**
- ❖ \$75 Million in provider fees**
- ❖ \$45 Million in cost reports**
- ❖ \$26 Million in certification of expenditures**

Medical Vendor Payments – Private Providers

(Total Funding in \$ Millions)

DHH FY06 Spending Projections (Revised)	\$3,856.1
FY06 Recommended Budget	<u>\$3,561.0</u>
Projections Over Recommended	\$ 295.1

- ❖ **To reduce the gap, DHH will implement reductions for:**
 - ◆ **Governor’s Health Care Reform Panel recommendations (\$59.5 Million)**
 - ◆ **Managing high cost programs (\$69.5 Million)**
 - ◆ **CMS-mandated changes (\$8.6 Million)**

- ❖ **Therefore, the total unmet needs for Private Providers for FY06 is \$157.5 Million (\$47.3 Million state funds).**

Medical Vendor Payments

(changes from existing operating budget)

❖ Private Provider Services

▶ \$28.1 Million decrease (.8% change)

❖ Public Provider Medicaid & UCC payments

▶ \$11.8 Million increase (1.9% change)

❖ Medicare Buy-Ins and Supplements

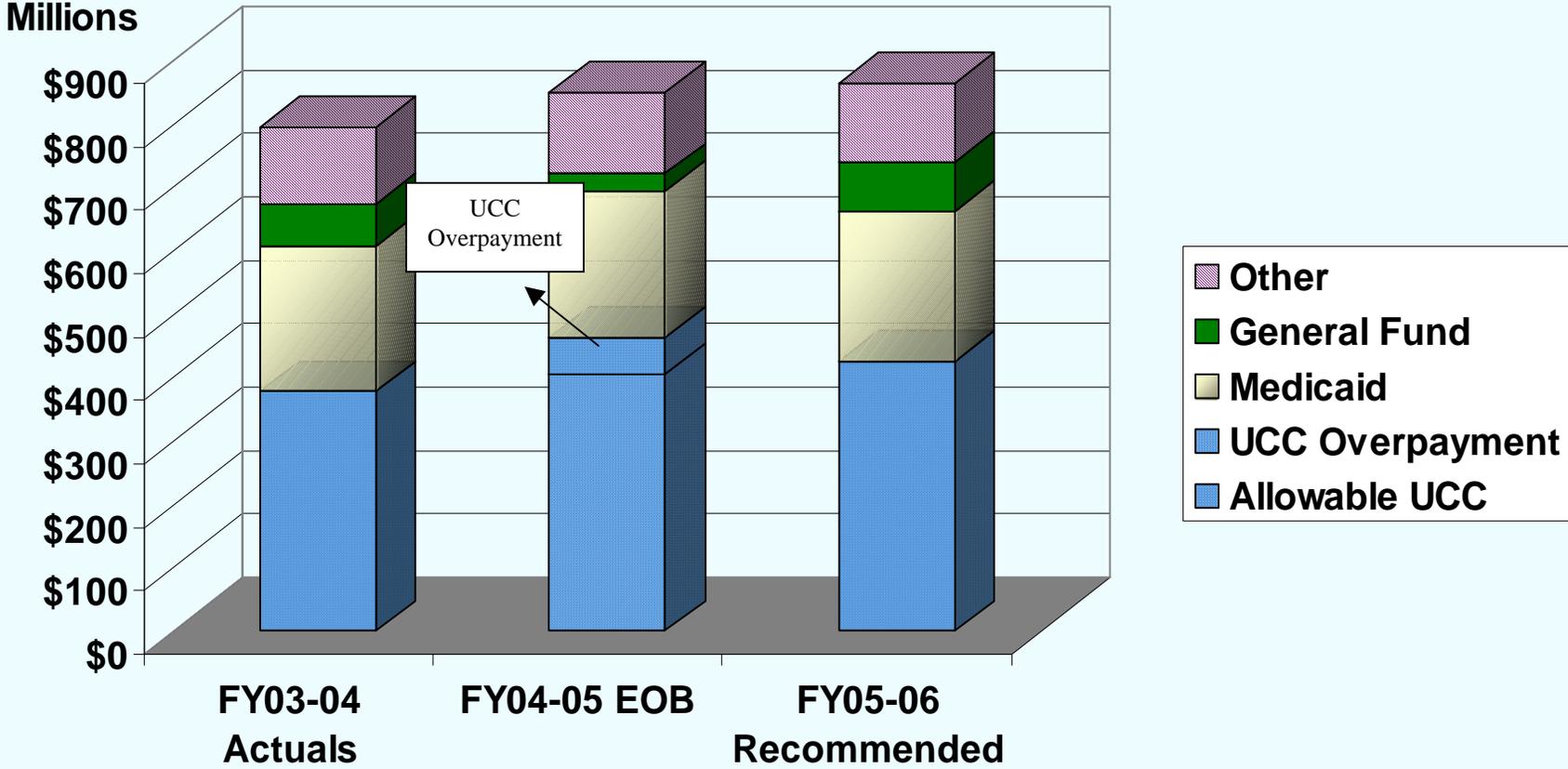
▶ \$46.9 Million increase (32.7% change)

Medical Vendor Payments

Uncompensated Care Costs Program

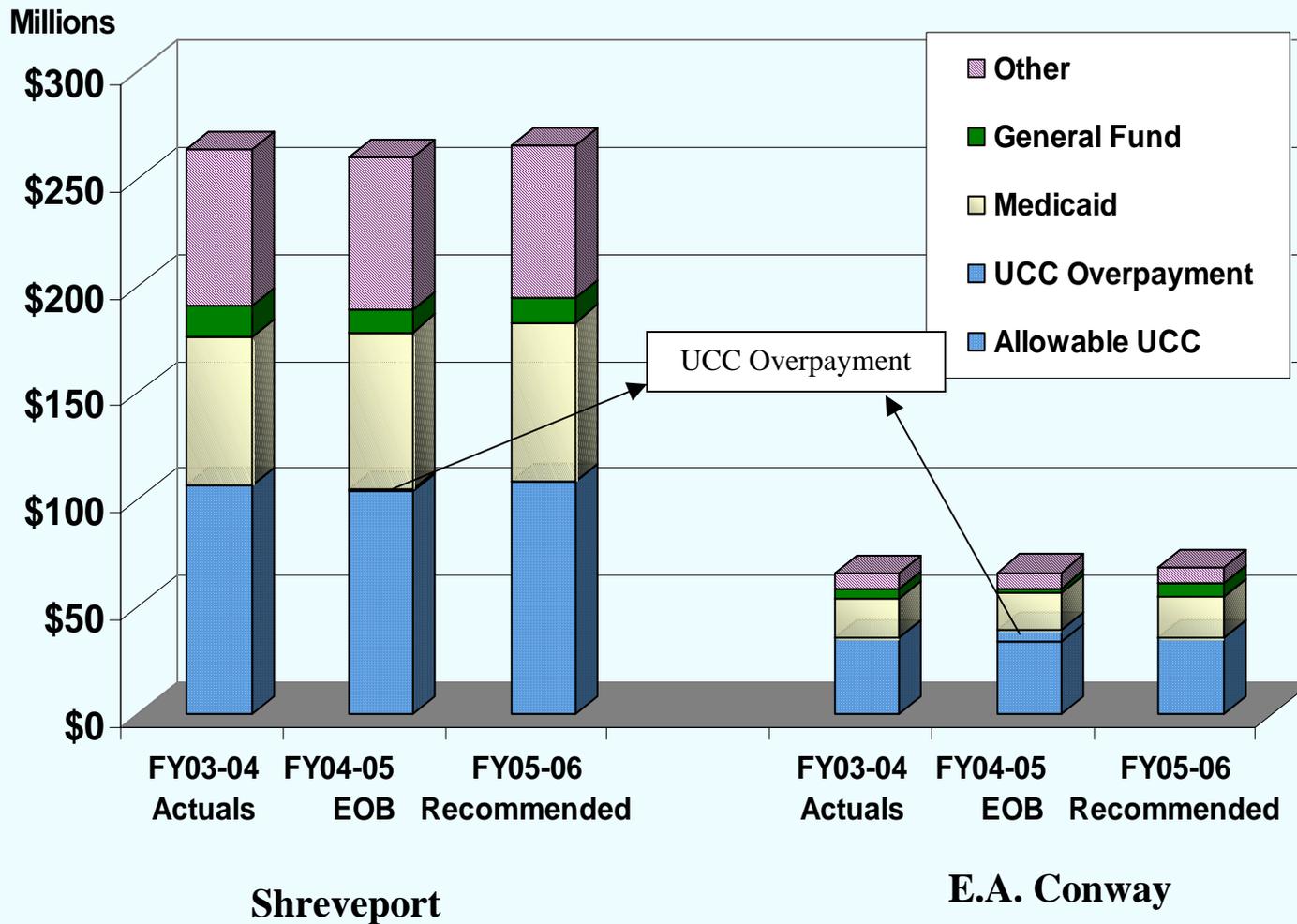
- ❖ **FY 05-06 Changes – Remove 175% used as financing mechanism - \$227 Million**
- ❖ **Hospital Funding for Services**
 - ◆ **HCSO \$426.1 Million (5% Increase)**
 - ◆ **Shreveport \$108.8 Million (5% Increase)**
 - ◆ **Conway \$ 35.8 Million (5% Increase)**
 - ◆ **No change in funding for Public/Private Rural Hospitals**
 - ▶ **Public Rural Hospitals \$13.3 Million**
 - ▶ **Private Rural Hospitals \$41.1 Million**
 - ▶ **Other UCC Providers \$ 5.0 Million**

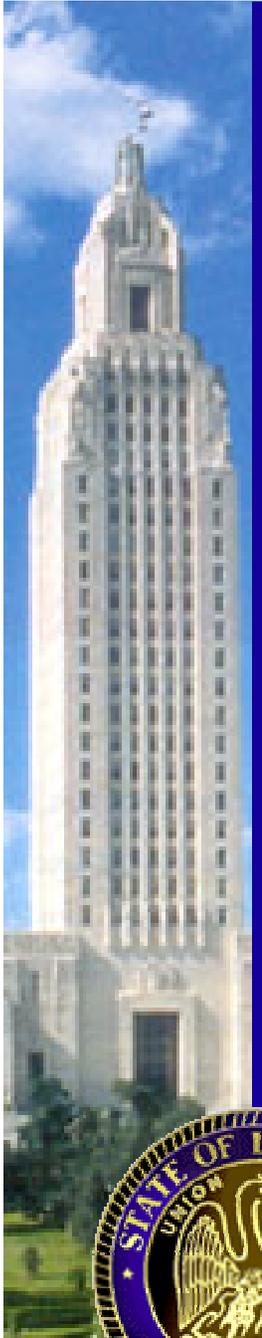
Public Hospital Funding HCSD



Public Hospital Funding

LSUHSC Shreveport and E.A. Conway





MAJOR BUDGET CHANGES

Families and Children



New TANF Initiatives in Response to the Solutions to Poverty Summit

❖ Individual Development Accounts (IDAs) \$1,000,000

- ◆ Asset development and savings opportunities for low-income individuals

❖ Microenterprise Development \$750,000

- ◆ Help underserved populations in both urban and rural areas to increase income, assets and net worth, enabling many to move out of poverty.

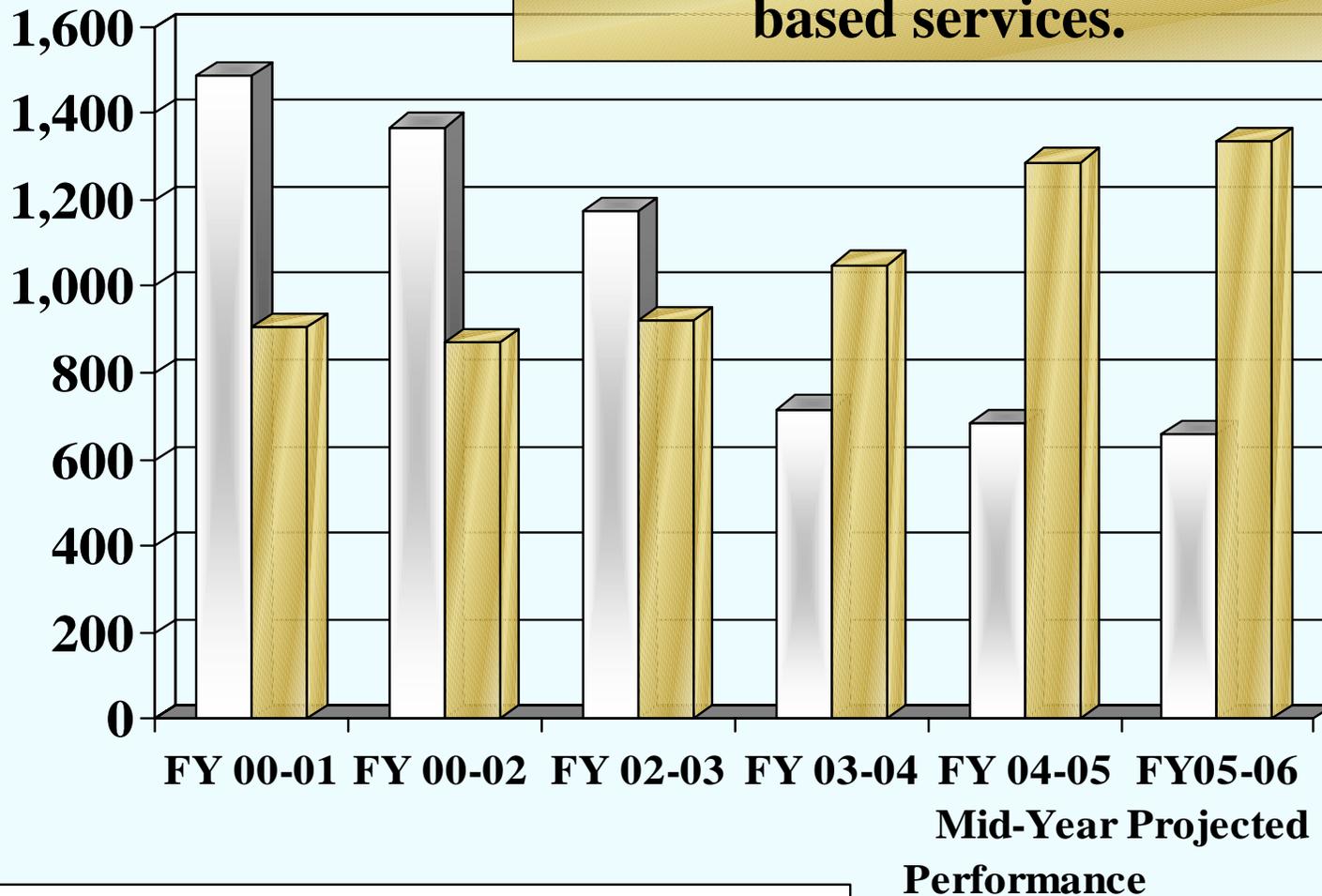
Juvenile Justice



- ❖ **Reinforces firewall by physical relocation of Youth Services**
- ❖ **Replaces \$1.3 Million in one-time revenues to maintain community-based beds**
- ❖ **Provides an additional \$1.4 Million for housing female youth in the community**
- ❖ **Provides an additional \$700,000 to transition staff from Correctional Security Officers to Youthcare Workers in secure facilities**
- ❖ **Replaces \$614,644 of lost federal funding for substance abuse counseling**

Juvenile Justice

Transitioning to community-based services.



Secure Care Average Daily Population
Community-based Average Daily Census



MAJOR BUDGET CHANGES

Infrastructure





Transportation Trust Fund

FY06 Recommended

❖	FY06 estimated revenue	\$521.8 million
❖	Recommended expenditures	
◆	DOTD operating budget	\$283.3 million
◆	Highway Priority Program	\$108.6 million
◆	Parish Transportation Program	\$ 39.2 million
◆	State Police – Traffic Enforcement	\$ 34.8 million
◆	Port Priority Program	\$ 20.0 million
◆	Non-federal State Highway projects	\$ 15.0 million
◆	Flood Control Program	\$ 10.0 million
◆	Airports Priority Programs	\$ 5.4 million
◆	Miscellaneous	\$ 5.5 million



MAJOR BUDGET CHANGES

Public Safety



Public Safety Services



- ❖ **Funding for DNA analysis maintained**
- ❖ **Crime lab retains accreditation**
- ❖ **Fleet replacement for traffic enforcement resumed**
- ❖ **Motor Vehicle registration/driver's license field office locations remain stable at 86 and field reinstatement locations increase from 22 to 33**

Homeland Security



- ❖ **\$35.4 Million federal funds in State Police for the Terrorism Prevention Program and Urban Area Security Initiatives.**
 - ◆ **Particularly important along the Mississippi River industrial corridor from Baton Rouge to New Orleans**

- ❖ **Department of Environmental Quality enhanced preparedness of river ready response units**

Corrections Services



❖ Bed Expansions

- ◆ \$1.6 Million for 160-bed death row cellblock at Louisiana State Penitentiary
 - ◆ \$1.5 Million for 50-bed skilled nursing/geriatric unit at Forcht-Wade Correctional Center
 - ◆ \$870,000 for 70-bed trustee dormitory at Dixon Correctional Institute
-
- ## ❖ \$156.2 Million for housing of state inmates in local prison facilities, an increase of \$4.3 Million over EOB.

Corrections Services



- ❖ **Maintains funding for rehabilitation initiatives, including:**
 - ◆ Faith-based programming
 - ◆ Sex offender treatment
 - ◆ Corrections Organized for Re-entry (CORE)
 - ◆ 2 residential Probation and Parole Revocation Centers

- ❖ **Performance objective to reduce recidivism of program participants by 5% by 2010.**



MAJOR BUDGET CHANGES

Resources and Environment



State Parks Expansion

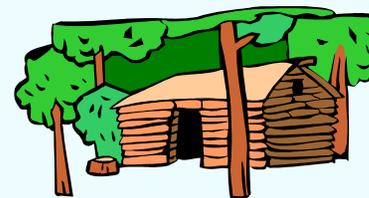
❖ Fontainebleau State Park near Mandeville

- ▶ 12 new cabins
- ▶ Visitor's center
- ▶ Bath houses
- ▶ Fishing pier



❖ Poverty Point Reservoir State Park near Delhi

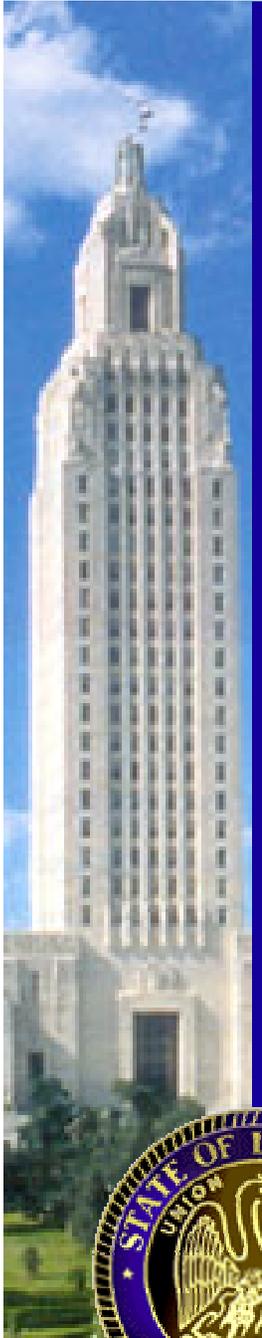
- ▶ New campground with 30 RV camp sites
- ▶ Bath house



Environmental Issues

❖ **23 new positions in the Department of Environmental Quality:**

1. Emergency Response and Homeland Security
2. Small Business Assistance for environmental compliance and permitting
3. Address backlog with solid and hazardous waste permitted facilities
4. Site Prioritization Regulations
5. Develop and manage Brownfields Revolving Loan Program



MAJOR BUDGET CHANGES

General Government



Enforcement and Collections

- ❖ **To reduce fraud and ensure that the state collects all revenue due**
 - ◆ 25 additional positions in Attorney General's Office to enhance Medicaid fraud investigation and recovery
 - ◆ Funding for audit tracking system and replacement optical scanning equipment in Office of Revenue
 - ◆ Continuation of funding for collection of NSF checks by district attorneys for state agencies.

Department of Veteran's Affairs



- ❖ **Expanding outreach program for units returning home from deployment**
- ❖ **Planning two new homes and building a new cemetery**

HAVA

\$47.6 Million in federal funds is provided pursuant to the Help America Vote Act of 2002 with no additional state funds needed



Unmet Needs



- ❖ **Higher Education Mandated Costs --\$40 Million**
- ❖ **Judgments -- \$20 Million**
- ❖ **DHH private providers --- \$47.3 Million**
- ❖ **TOPS tuition match --- \$3 Million**
- ❖ **State Police Information Technology (AFIS and Criminal History)--- \$4.8 Million**