

Bobby Jindal
Governor



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Commissioner of Administration

STATE OF LOUISIANA

Executive Budget

Fiscal Year 2010-2011

Joint Legislative Committee on the Budget
February 12, 2010

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Introduction: Education and Health Care

- The FY 11 Executive Budget Protects Dollars to the Classroom for Higher Education and K-12 Education
- The FY 11 Executive Budget Utilizes Surplus and Amnesty to Mitigate Reductions to Health Care



FY 11 Executive Budget Overview

- Revenue Levels Normalizing After Post-Katrina Highs
- Protecting the Economy, Returning to Sustainable Levels of Spending
- Streamlining Government, Improving Outcomes



COMPARISON: FY 09-10 Budgeted to FY 10-11 Executive Budget (Totals Including Additional Funding Related to Hurricane Disaster Recovery) (Exclusive of Contingencies) (Exclusive of Double Counts)

	As of 12/01/09 Budgeted 2009-2010	Executive Budget 2010-2011	Executive Budget Over/(Under) Budgeted	Percent of Change
GENERAL FUND, DIRECT	\$9,046.0	\$8,025.1	(\$1,020.9)	-11.29%
GENERAL FUND BY:				
FEES & SELF-GENERATED REVENUES	\$1,527.7	\$1,616.5	\$88.8	5.81%
Less: LSU Health Care Services HCSD	\$0	(\$82.0)	(\$82.0)	0.00%
Adjusted Fees and Self-Generated Revenues	\$1,527.7	\$1,534.5	\$6.8	0.44%
STATUTORY DEDICATIONS	\$3,948.9	\$3,586.6	(\$362.4)	-9.18%
INTERIM EMERGENCY BOARD	\$2.0	(\$0)	(\$2.1)	-102.00%
TOTAL STATE FUNDS	\$14,524.7	\$13,228.1	(\$1,296.6)	-8.93%
Less: LSU Health Care Services HCSD	\$0	(\$82.0)	(\$82.0)	0.00%
Adjusted Total State Funds	\$14,524.7	\$13,146.1	(\$1,378.6)	-9.49%
FEDERAL FUNDS	\$15,180.2	\$10,998.9	(\$4,181.3)	-27.54%
Less: LSU Health Care Services HCSD	\$0	(\$79.4)	(\$79.4)	0.00%
Adjusted Federal Funds	\$15,180.2	\$10,919.5	(\$4,260.7)	-28.07%
GRAND TOTAL	\$29,704.9	\$24,227.0	(\$5,477.9)	-18.44%
Less: LSU Health Care Services HCSD	\$0	(\$161.4)	(\$161.4)	-0.00%
Adjusted Grand Total	\$29,704.9	\$24,065.6	(\$5,639.3)	-18.98%
GRAND TOTAL POSITIONS	43,871	82,269	38,398	87.52%
Less: Higher Education (34,159) and LSU Health Care Services HCSD (7,215)	0	(41,374)	(41,374)	0.00%
Adjusted Grand Total	43,871	40,895	(2,976)	-6.78%

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



FY11 Net Adjustments in Authorized Positions

Executive	118	Youth Development Services	-76
Veterans Affairs	3	Health & Hospitals	-1,944
State	-2	Social Services	-533
Justice	-4	Natural Resources	-128
Lt. Governor	-3	Revenue	-1
Treasury	-2	Environmental Quality	-77
Public Service	-6	Workforce Commission	291
Agriculture & Forestry	-25	Wildlife & Fisheries	-8
Insurance	-7	Civil Service	0
Economic Development	-3	Higher Education	8
Culture, Recreation & Tourism	-68	Other Education	-25
DOTD	-179	Dept. of Education	-48
Corrections	-224	Ancillary	-42
Public Safety	9	TOTAL	-2,976



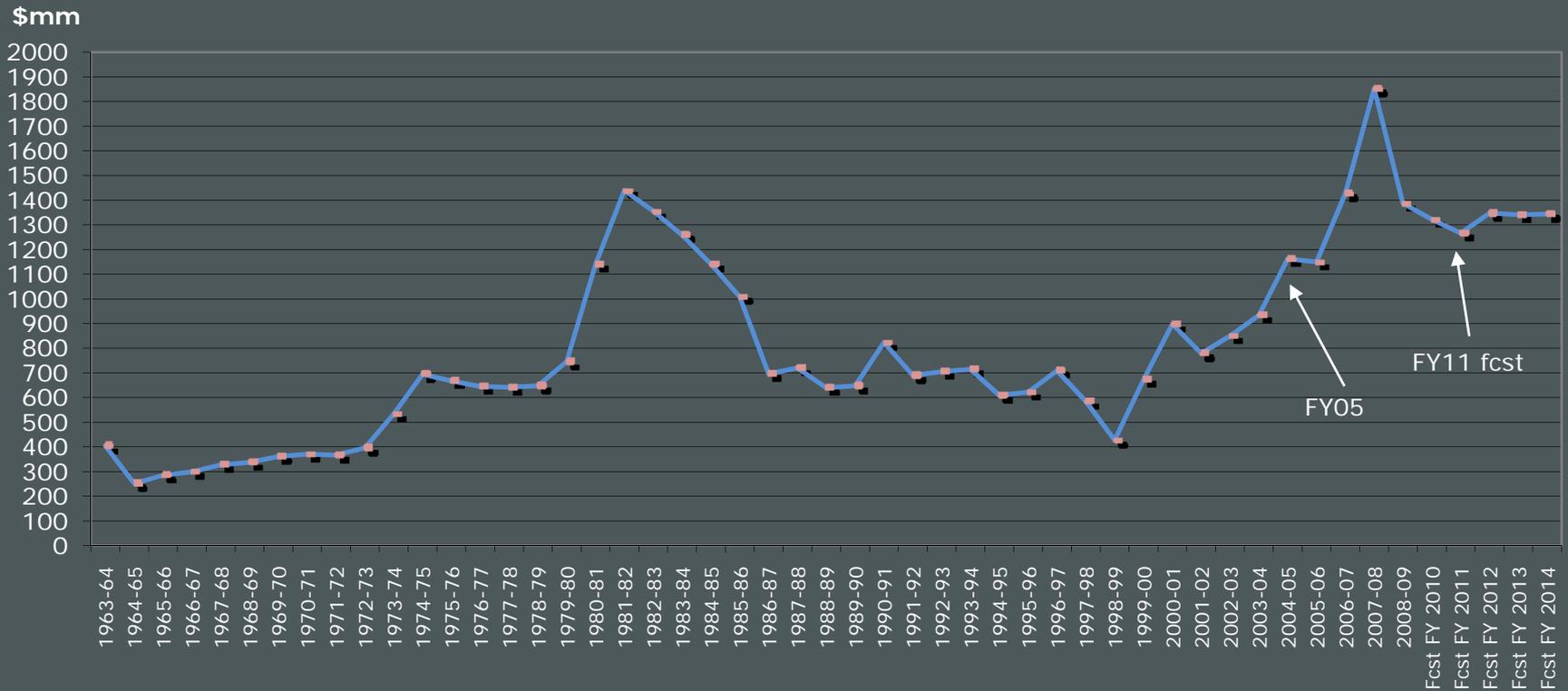
Position Eliminations to Date

- Following prior reductions of 3,326 fulltime appropriated positions through budgetary actions in FY 09 and FY 10, approval of the 2,976 position reduction for FY 11 would mean a total of 6,302 fulltime appropriated positions reduced since the beginning of the Jindal administration, with savings of more than \$378 million.



Normalizing Revenues, Historical Trends

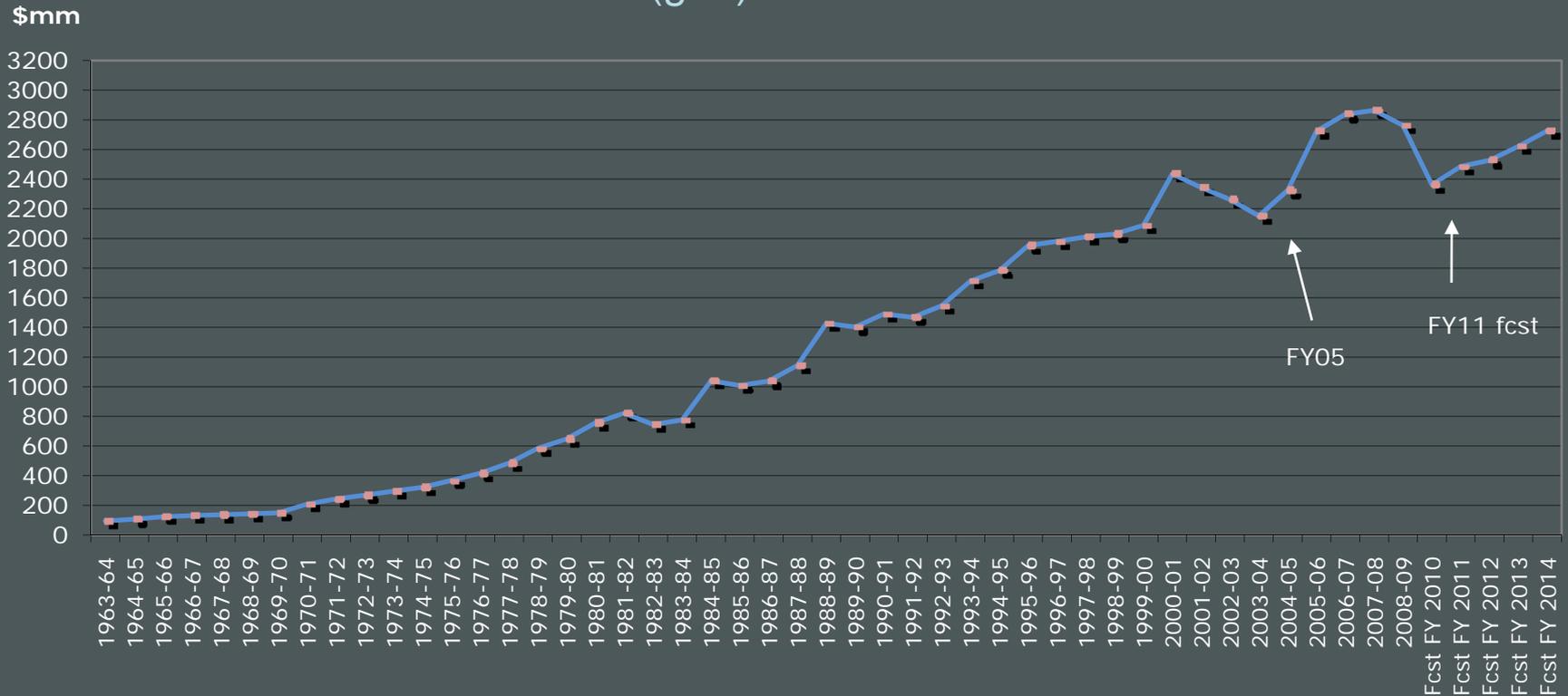
Severance & Royalty Annual Collections





Normalizing Revenues, Historical Trends

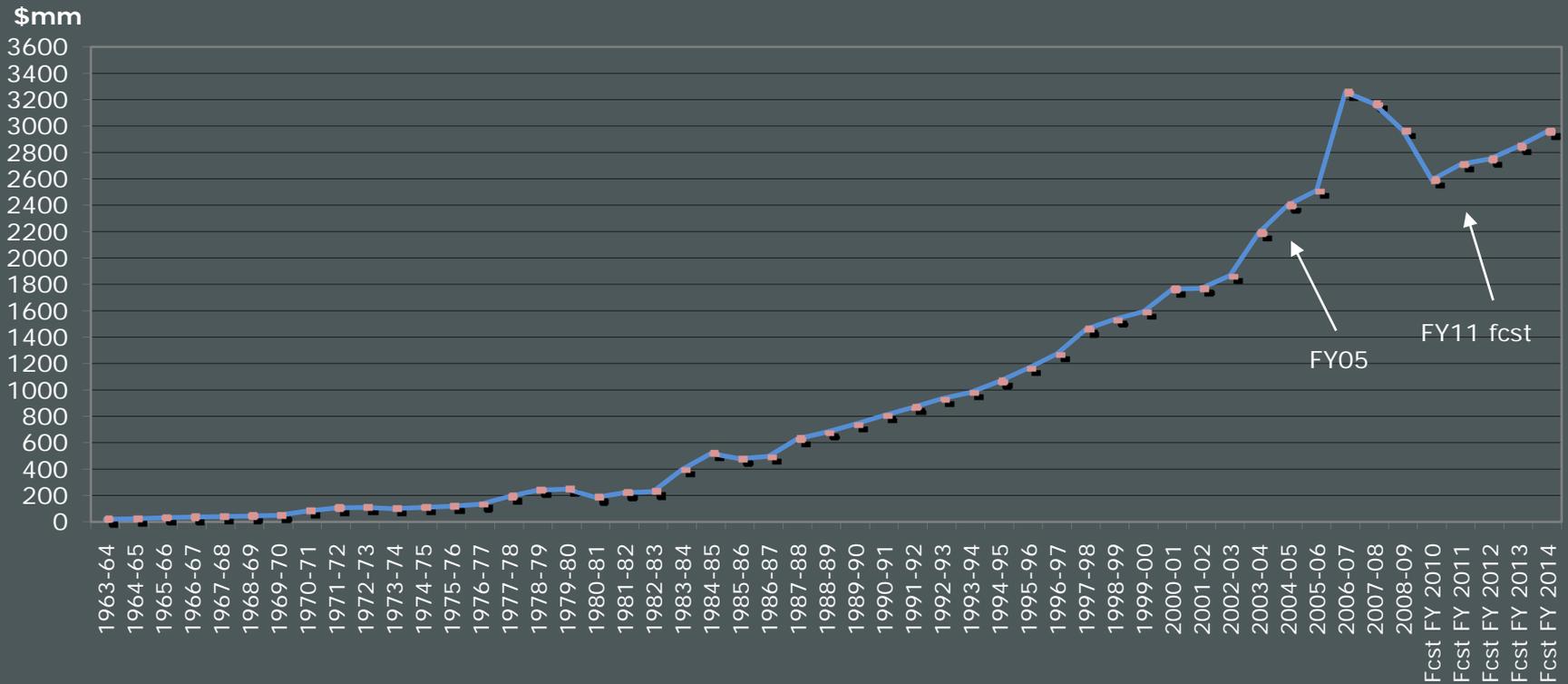
Sales Tax (gen) Annual Collections





Normalizing Revenues, Historical Trends

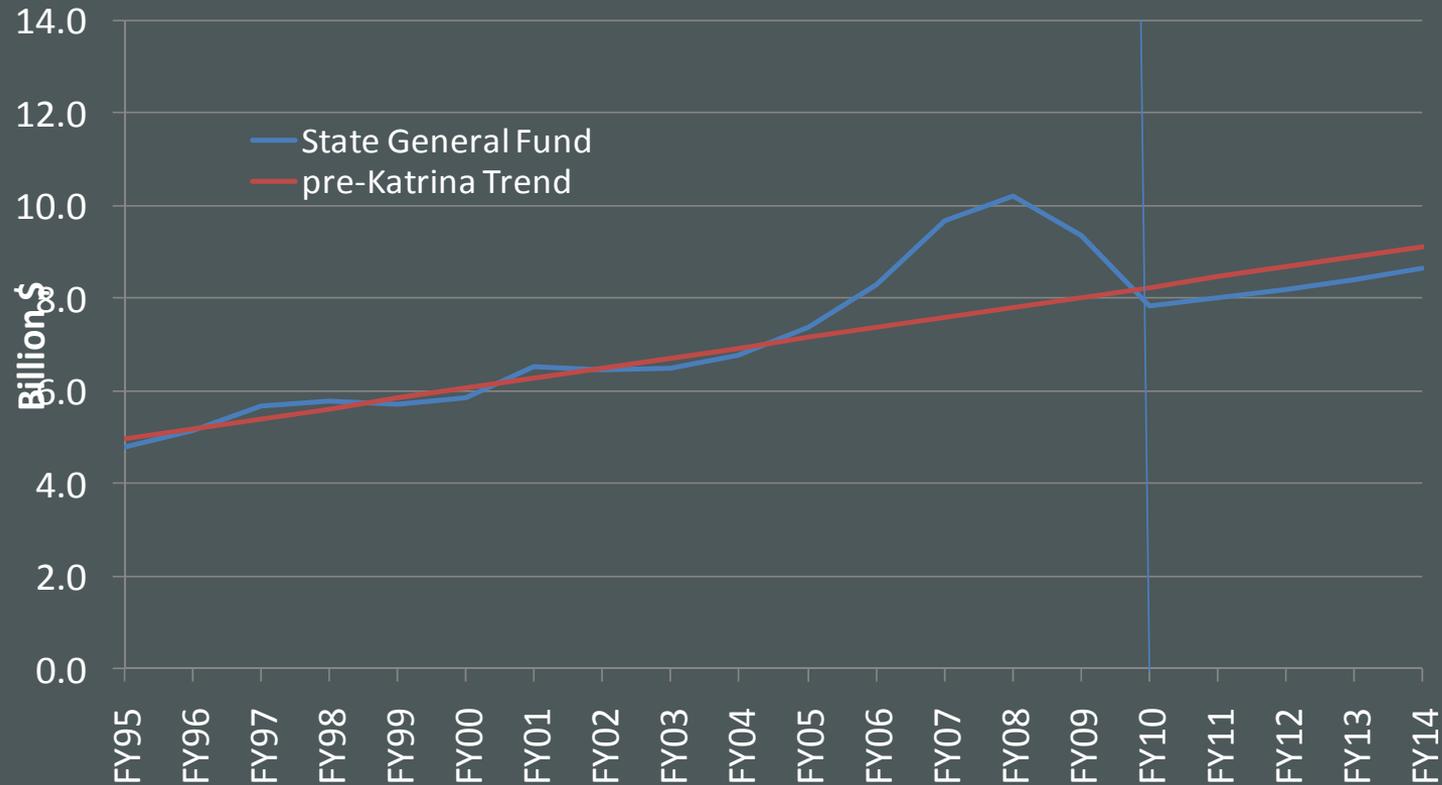
Personal Income Tax Annual Collections





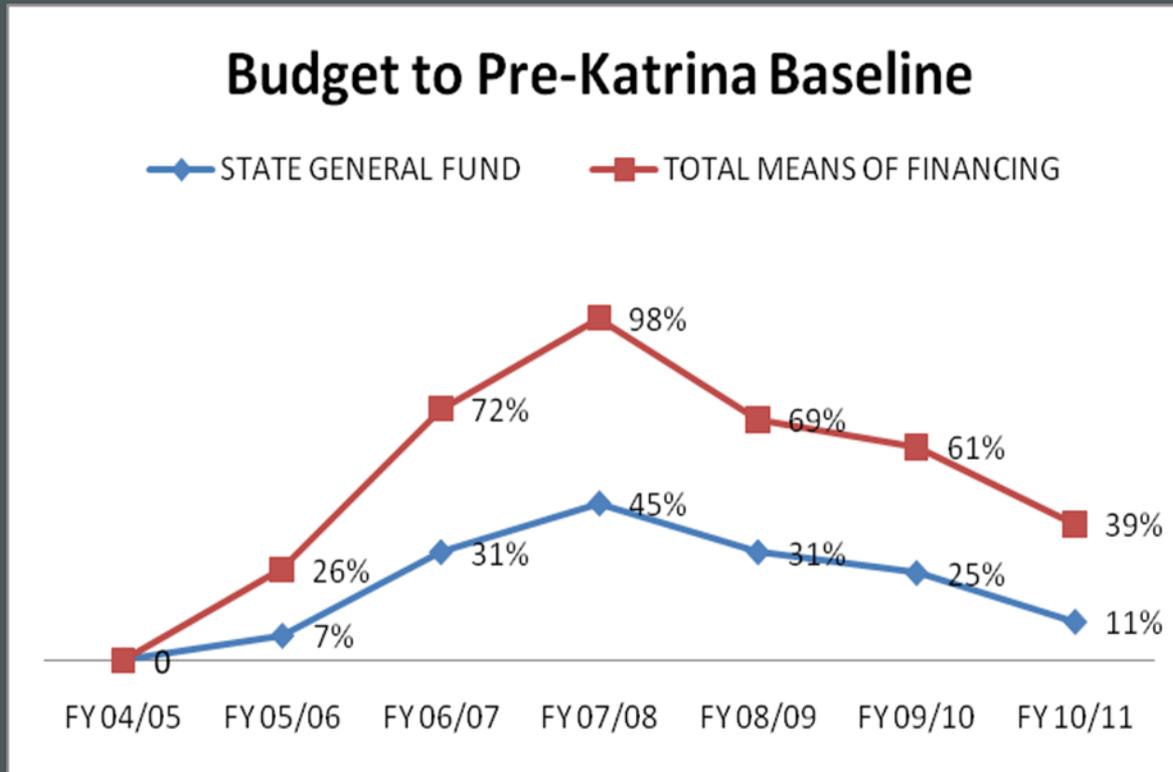
Normalizing Revenues, Historical Trends

State General Fund Revenue



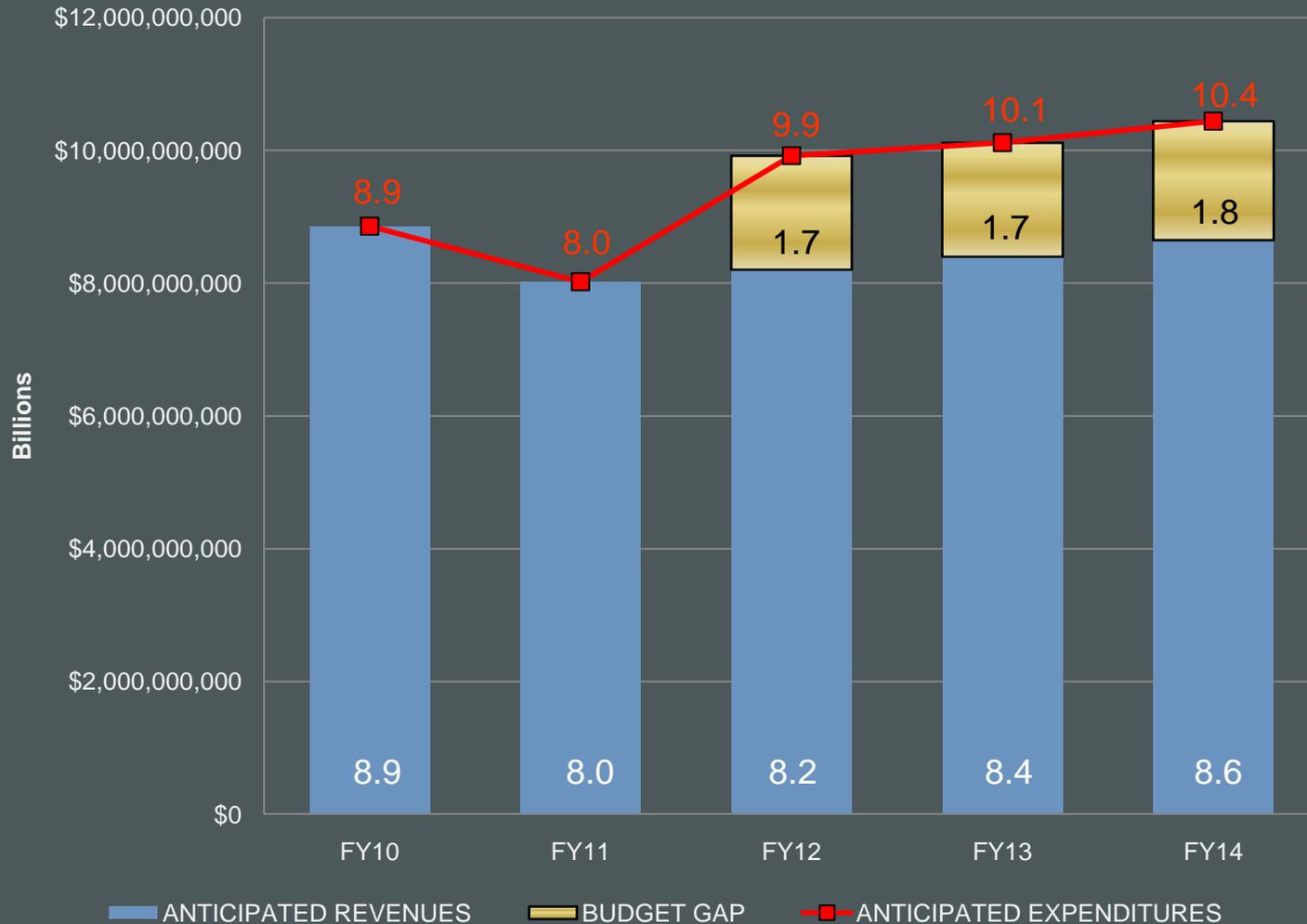


Returning to Sustainable Spending Levels





5-Year Budget Outlook





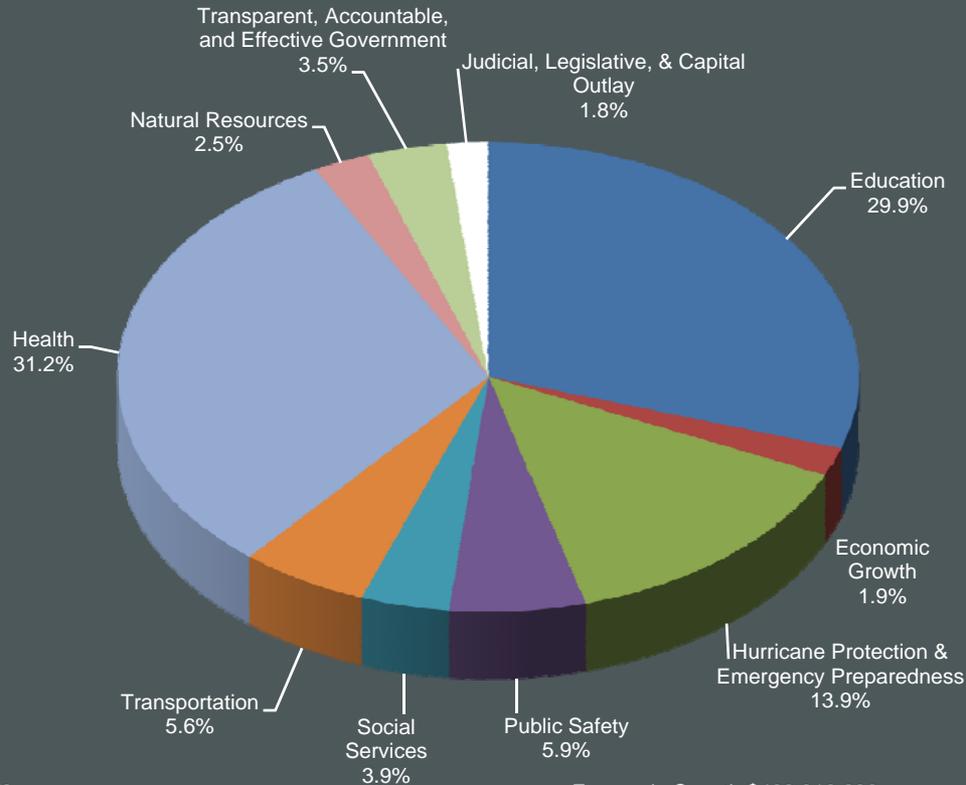
Improving Outcomes

- What outcomes matter most to our citizens?
- How much should we spend to achieve each outcome?
- How best can we deliver the outcome to get the results citizens expect?



Proposed FY11 Total Funding by Outcome Goal Areas

Fiscal Year 2010-2011 Executive Budget Total Expenditures by Outcome Goal Areas
(Totals \$24,226,973,386)



Education \$7,250,473,273

Hurricane Protection & Emergency Preparedness \$3,365,656,830

Social Services \$935,129,364

Health \$7,551,293,273

Transparent, Accountable, and Effective Government \$837,293,139

Economic Growth \$468,316,239

Public Safety \$1,434,414,643

Transportation \$1,350,445,644

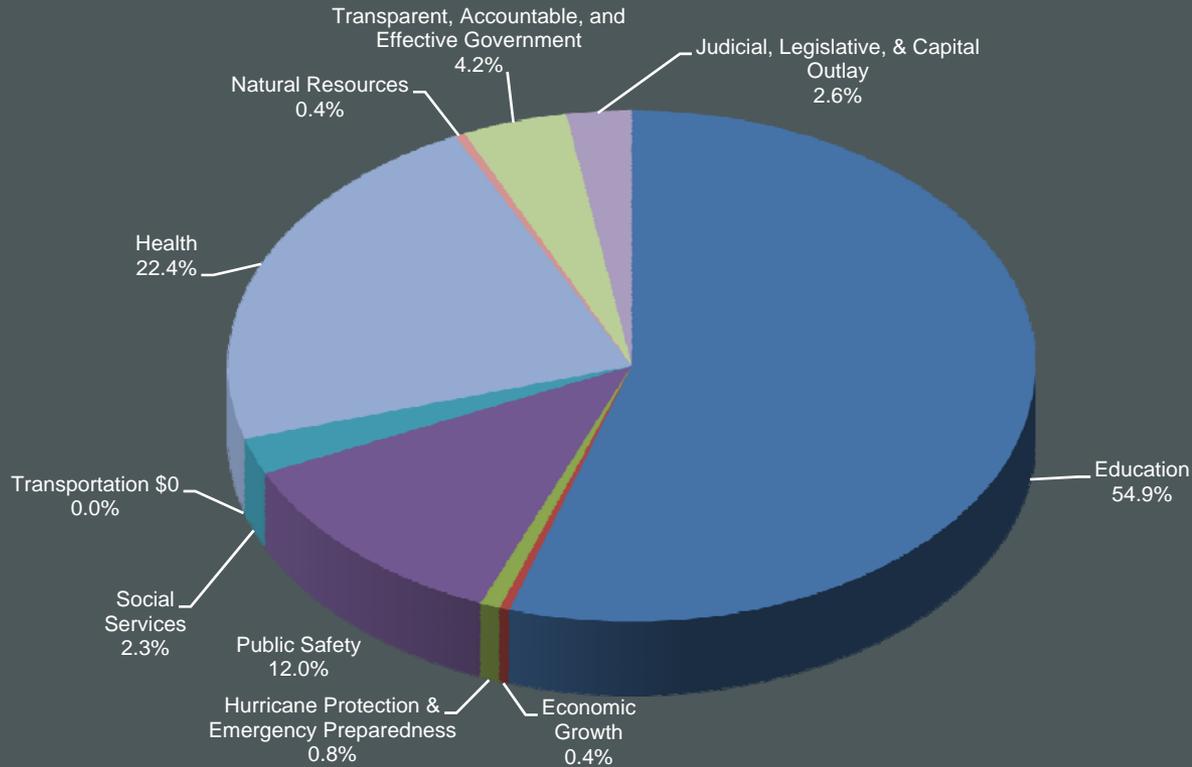
Natural Resources \$602,034,471

Judicial, Legislative, & Capital Outlay \$431,916,510



Proposed FY11 General Fund by Outcome Goal Areas

Fiscal Year 2010-2011 Executive Budget State
General Fund Expenditures by Outcome Goal Areas
(Totals \$8,025,050,000)



■ Education \$4,404,633,339	■ Economic Growth \$33,540,077
■ Hurricane Protection & Emergency Preparedness \$60,891,744	■ Public Safety \$960,419,771
■ Social Services \$187,674,987	■ Transportation \$0
■ Health \$1,796,217,884	■ Natural Resources \$32,556,060
■ Transparent, Accountable, and Effective Government \$339,511,600	■ Judicial, Legislative, & Capital Outlay \$209,604,538



Strategic Initiatives: The Louisiana Way Forward

Job Creation

- \$15 million in Statutory Dedications for the Rapid Response Fund to secure economic development opportunities
- \$4.4 million in Statutory Dedications for the Fast Start Program, which delivers comprehensive “turnkey” employee training for relocating or expanding businesses
- \$3 million in Statutory Dedications for the Small Business Surety Bond Program
- \$1.3 million in Statutory Dedications for Life Science Incubators (Wet Labs) in Baton Rouge, New Orleans, and Shreveport



Strategic Initiatives: The Louisiana Way Forward

Job Creation

- \$1 million in Statutory Dedications for Small Business Development Centers
- \$800,000 in Statutory Dedications for Small and Emerging Business Development
- \$450,000 in Statutory Dedications for Project Specific Site Preparation and Evaluation
- \$400,000 in Statutory Dedications for Louisiana Business Incubation Support

Most importantly, the FY 11 budget preserves the \$55 million fund balance in Louisiana's Mega-Project Development Fund as a critical tool for job creation and expanding our economy.



Streamlining Government, Improving Outcomes

Reorganizing, Modernizing the Department of Social Services

- A streamlined structure will be proposed to the Legislature that focuses on DSS' core competencies and prioritizes services in the field. The Office of Community Services and the Office of Family Support will be merged under one umbrella: the Office of Family and Child Services.
- A major functional change for DSS is the plan to transfer programs under Louisiana Rehabilitation Services, or LRS, and house them under the Louisiana Workforce Commission and the Department of Health and Hospitals.



Streamlining Government, Improving Outcomes

Reorganizing, Modernizing the Department of Social Services

- The new framework will transfer those programs to the agency that fits with its core competency. For example, those programs, such as Vocational Rehabilitation, that help clients find employment and develop a career will move to the Louisiana Workforce Commission, while other programs such as the Traumatic Head and Spinal Cord Injury Trust Fund will move to DHH.



Streamlining Government, Improving Outcomes

Reorganizing, Modernizing the Department of Social Services

- DSS modernization plans include the development and implementation of a Customer Service Call Center, Electronic Case Record, Client Web portal, Provider Web portal and Worker portal wrapped around existing legacy systems.
- Business re-engineering will reduce redundancy, errors, improve quality assurance, and streamline work processes.



Streamlining Government, Improving Outcomes

Creating the Office of Coastal Protection and Restoration

- The Office of Coastal Protection and Restoration fundamentally restructures the state's coastal program, integrating staff at the Department of Natural Resources that were handling coastal restoration work with those employees at the Department of Transportation and Development who were working to build and maintain hurricane and storm surge protection structures.
- The office will continue integration of the state's coastal efforts by limiting the number of staff hired and utilizing existing staff at other agencies to handle human resources, finances and budgets, information technology and legal assistance.
- State coastal restoration and protection officials estimate approximately \$30 million in funds dedicated specifically to coastal restoration and hurricane protection will be saved over a five year period by utilizing personnel already working at other agencies and also working cooperatively with state colleges and universities to conduct research and gather data pertaining to restoration and protection efforts.



Streamlining Government, Improving Outcomes

Increasing Transparency and Accountability in Contracts

- In November, the Division of Administration launched an Online Contracts Feature on LaTrac, the state's Transparency and Accountability Portal and Online State Spending Database, which may be accessed through the main LaTrac website at www.latrak.la.gov or directly at www.latrak.la.gov/contracts.
- Information about professional services contracts included in the Executive Budget may also be found in the Executive Budget Supporting Document, which may be accessed through the Office of Planning and Budget website at <http://www.doa.louisiana.gov/opb/pub/ebsd.htm>.



Streamlining Government, Improving Outcomes

➤ Examples in FY11 Executive Budget

- The Department of Transportation and Development will eliminate its photogrammetry airplane at a savings of \$292,000, and eliminate the Melville ferry, which has low ridership and a high cost-per-ridership, at a savings of \$213,039.
- Currently, training for state government employees is split between the Comprehensive Public Training Program (CPTP) in the Division of Administration, which teaches advanced level classes, and Civil Service teaching the introductory classes. Transferring CPTP to Civil Service will allow for a more integrated training program, along with providing online training, bringing greater efficiency. This increased efficiency and coordination yields a 20 percent savings. Louisiana spends \$1,080 per employee on annual training. That is the highest among 23 states reporting, according to the 2008 Pew Center report, "Grading State Government."



Streamlining Government, Improving Outcomes

➤ Examples in FY11 Executive Budget

- As it is done in most other states, partnering with private physicians at Louisiana's Veterans homes will bring \$1,089,749 in savings.
- The Forcht-Wade Correctional Center (FWCC) in Keithville is being converted into a substance abuse treatment facility. Substance abuse is an underlying cause in the majority of the crimes that offenders have committed. The conversion of FWCC to a substance abuse treatment center will serve a vital role in the Department's efforts to reduce recidivism and to successfully reintegrate offenders into society. Furthermore, the Department will realize an annualized savings of \$1.7 Million by converting FWCC into a substance abuse treatment facility and consolidating the skilled nursing units and the reception and diagnostic programs at Elayn Hunt Correctional Center (EHCC).



Streamlining Government, Improving Outcomes

➤ Examples in FY11 Executive Budget

- Pharmacy Services will be privatized at all state correctional facilities, resulting in savings of approximately \$800,000. Administrative Services at all state correctional facilities and units will be consolidated on a regional basis, saving \$1 million. In addition, video technology will be used to provide for monitoring of offenders from a central location, saving \$1.2 million.
- The Department of Public Safety will eliminate the Oil Spill Coordinator's Outreach Program, at a savings of \$112,000.
- Louisiana Economic Development eliminated its Workforce Development and Training Programs, saving \$2.5 million in traditional, less-effective work force grants, and has shifted all workforce development funding to Louisiana FastStart, a new comprehensive job recruiting, screening and training program. In FY 11, because of FastStart, Entertainment training will also be eliminated, for a savings of \$1.5 million.



Streamlining Government, Improving Outcomes

➤ Examples in FY11 Executive Budget

- At the Department of Environmental Quality, the Office of Environmental Assessment and its activities have been consolidated into the Office of Environmental Compliance and the Office of Environmental Services. Outsourcing the DEQ Laboratory Services Division yields a net savings of \$1.3 million.
- A system of care is being coordinated between the Department of Social Services, Department of Health and Hospitals and the Office of Juvenile Justice for youth mental health services that are reimbursable through Medicaid, thus leveraging Medicaid dollars and providing a \$1.1 million savings in State General Fund.
- The Department of Wildlife and Fisheries is eliminating its publication *Louisiana Conservationist*, at a savings of \$220,000.



Streamlining Government, Improving Outcomes

➤ Examples in FY11 Executive Budget

- To increase transparency and accountability in the budgeting process, all institutions of higher education and LSU's Health Care Services Division (HCSD) will be required to bring their non-T.O. FTE positions "on-budget" as Table of Organization, in the same manner followed by the other executive branch agencies.
- Medicaid will be transitioned to an integrated delivery system with care coordination that will eventually yield a \$45 million savings.



Protecting Dollars to the Classroom, Pursuing Reforms

MFP Funding

- While other departments and programs saw FY 10 midyear budget reductions, the Minimum Foundation Program (MFP), which provides funding for local school districts, received an increase of \$52.6 million.
- For FY 11, the funding level for MFP is protected, with total funding recommended at \$3,308,741,821.

	FY 05	FY 11
Total State Funding	\$2,624,561,103	\$3,308,741,821
Total Funding Per Pupil	\$3,696	\$5,035
Student Count	710,079	657,169



Protecting Dollars to the Classroom, Pursuing Reforms

K-12 Strategic Initiatives

- \$36.8 million in total funding, including \$8.6 million in general fund, for the LA Literacy and Numeracy initiative
- \$7 million in total funding, including \$4.4 million in general fund, for the High School Redesign Program
- \$17 million in total funding, including \$2 million in general fund, for Career Technical Education
- \$11.95 million in TANF funds for the Jobs for America's Graduates program and for Educational Mission to Employ Louisiana's Youth (EMPLoY), an effective drop-out prevention initiative
- \$8 million in Statutory Dedication funding to continue Student Scholarships
- \$75.9 million in total funding, including \$15.4 million in general fund and \$60.5 million in TANF for the Cecil J. Picard LA 4 Pre-K Program.



Protecting Dollars to the Classroom, Pursuing Reforms

Higher Education

- FY 11 Executive Budget proposes no reduction in state funding to Higher Education schools in FY 11, but does non-recur one-time special legislative projects and reduces \$5.2 million (27.3 percent) for higher education management boards, similar to a motion initially adopted by PERC.
- FY 11 Executive Budget provides \$4.7 million in additional funds to fully fund Taylor Opportunity Program for Students (TOPS), with a total funding of \$134.6 million.
- \$26.4 million in State General Fund for Go Grants is unchanged after the FY 10 midyear adjustments, as Federal funding for Pell Grants is expected to increase.
- \$289.6 of ARRA funding for State Fiscal Stabilization Fund - Education Grant.



Protecting Dollars to the Classroom, Pursuing Reforms

Higher Education Statistics

- According to the Chronicle of Higher Education, in Louisiana “state appropriations for higher education doubled between the 1999 and 2009 fiscal years, the third greatest increase among the states for that time period.”
- According to the Southern Regional Education Board (SREB), Louisiana’s six-year graduation rate is 37 percent compared to 53 percent for all SREB states.
- Also according to SREB, in Louisiana 72 percent of students are enrolled in four-year institutions and 28 percent in two-year schools, compared to averages in other SREB states of 55 percent in four-year schools and 45 percent in two-year schools.
- According to the Delta Project on Postsecondary Education Costs, Productivity, and Accountability, “Louisiana pays as much as \$5,200 per year for each student in a public research university, more than triple what it provides for a student in a two-year college.”
- According to Illinois State University’s Center for the Study of Education Policy (the Grapevine report), in FY 09 Louisiana ranked 8th in the nation for appropriations of state tax funds for operating expenses of Higher Education per \$1,000 in personal income, and ranked 7th in the nation in Higher Education appropriations per capita.



Mitigating Reductions in Health Care

- The expected reduction of Louisiana's base Federal Medical Assistance Percentage (FMAP) due to the flawed federal formula, the Disproportionate Share Hospital (DSH) Audit Rule, loss of both Social Service Block Grant and Primary Care Access and Stabilization Grant dollars, and the scheduled expiration of the enhanced FMAP in December 2010 combine to a loss of \$663.3 million of federal funding.
- In response, the FY 11 budget utilizes \$233.7 million in collections from the Louisiana Tax Amnesty Act of 2009, as well as \$76 million of State General Fund surplus, to defease debt in FY 10, thereby reducing State Debt Service by \$309.7 million in FY 11. The funds made available from this reduction, in turn, are budgeted in FY 11 for the Department of Health and Hospitals.
- Total DHH funding for FY 11 is \$7.73 billion, including proposed state general fund expenditures of \$1.684 billion. The total impact of the \$309.7 million contingent upon utilizing amnesty and surplus funding to defease debt is \$1.1 billion, including federal match.



Mitigating Reductions in Health Care

DSH Audit Rule: LSU, Mental Health, Rural Hospitals

- The total loss of allowable DSH is \$198.5 million. Of this loss in total funds, the state projects: \$135.6 million will be attributed to LSU; \$42.9 million will be attributed to the DHH mental health institutions; \$20 million will be attributed to the rural hospitals.
- LSU: The budget proposes to replace the lost DSH funds with \$122.5 million in SGF and \$13.1 million in federal funds due through cost reports.
- Mental Health: The budget proposes to replace \$30.9 million of the lost dollars with state sources of funding in the Office of Mental Health.
- Rural Hospitals: The budget recommendation includes \$11 million SGF to offset the loss of \$20 million in allowable cost. In addition, the Department will be filing a bill that will authorize an increase in rural hospital reimbursement under Medicaid up to the Medicare reimbursement levels. This will allow the state to match some of the \$11 million, which will help offset the loss of DSH. It is expected that as much as \$7 million of the funds will be matched by federal funds, while up to \$4 million will be direct grants to hospitals - thus fully offsetting the loss of DSH.



Health Care Reform Initiatives

Transforming Medicaid: Improving quality and access for one-quarter of Louisiana's residents

The budget directs the Department to implement reforms passed by the Legislature. A phase-in will begin early in 2011, leading to modest savings of \$15 million in FY2010-2011, with substantially higher savings expected in FY 2012.

Among other things, the features of a reformed Medicaid will include:

- Market-based competitive rates for certain specialties
- Choice for consumers, with choice counseling available
- Management of chronic disease to ensure reduced hospitalization and improved quality of life
- Accountability for outcomes of the populations served by Coordinated Care Networks - the state will select quality measures that correlate with improved health outcomes. These measures will be published on www.healthfinderla.gov to bring transparency and accountability to the system.
- Aggressive fraud and abuse detection by the CCNs and the state



Health Care Reform Initiatives

- Local Governing Entities. The Department will launch the South Central Louisiana Human Services (SCLHAS) Authority, a local government entity operated by a local board of directors in Region 3 of the state. \$24.8 million will be transferred from the Offices of Addictive Disorders, Citizens with Developmental Disabilities and Mental Health to the SCLHAS, and 123 positions will be converted to non-appropriated positions as a part of the transfer of funding.
- OLOL/LSU. The DHH budget includes \$14.3 million in non-recurring funds to be used as part of a new partnership with Our Lady of the Lake Regional Medical Center and Louisiana State University. This new partnership will result in expanded access to primary and urgent care services for the poor, a new Level-1 Trauma Center for the region, and enhanced medical training opportunities for medical students, residents and those training for professions in the allied health field. The partnership will result in new physical patient care capacity as well as physical space for enhanced academic capacity for LSU. Finally, the partnership will save the state as much as \$400 million in capital expenditures, which will not need to be expended to replace Earl K. Long Medical Center.



Health Care Reform Initiatives

- Providing Independence and Integration for Persons with Developmental Disabilities. The Department is seeking to increase its partnerships with private group homes for persons with developmental disabilities rather than operate state-run group homes. Today, more than 93 percent of residents of community homes are served by a private provider, at a cost nearly \$60,000 per individual less than the cost of state-operated group homes. Approximately 150 individuals will be affected by this initiative. As a result of the annualization of this initiative, the Department has proposed adding \$3.8 million to the budget to serve an additional 150 persons now on the waiting list for services in the New Opportunities Waiver (NOW) program.
- Privatization of Services in the Office for Addictive Disorders. The state operates or contracts with the private sector for 582 inpatient treatment beds for individuals with addictive disorders. The Office for Addictive Disorders will privatize the remaining 257 state-run beds at six facilities throughout the state, resulting in a savings of \$2.5 million in SGF.



Budget Information Online

Budget and Supporting Document

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

Online State Spending Database

www.latrak.la.gov