



# Mid-Year Deficit Elimination Plan

Joint Legislative Committee on the Budget

# Mid-Year Solutions Authority

## Solutions Authorized by the Governor

(\$264.0 million)

“The governor may direct the commissioner of administration to reduce appropriations for the executive branch of government for any program that is appropriated from a fund that is in a deficit posture. ...total adjustments for a budget unit shall not exceed three percent in the aggregate of the total appropriation for that budget unit for a fiscal year.” – R.S. 39:75 (C)(1)(a)

## Solutions Proposed to the JLCB

(\$195.1 million)

“The governor may direct the commissioner of administration to reduce any appropriation or allocation for the executive branch of state government from the state general fund and dedicated funds, including any which are constitutionally protected or mandated, by an amount not to exceed five percent in the aggregate of the total amount appropriated or allocated from that fund for that fiscal year.” – R.S. 39:75 (C)(2)(b)

## Solutions Proposed to the entire Legislature by Ballot

(\$28.2 million)

“If a deficit for the current fiscal year is projected due to a decrease in the official forecast of recurring money, [REC] shall incorporate a specified amount of the fund into the official forecast for the current fiscal year pursuant to a concurrent resolution adopted by a favorable vote of two-thirds of the elected members of each house. If the legislature is not in session, the two-thirds consent requirement shall be obtained as provided in R.S. 39:87.”  
– R.S. 39:94 (C)(2)(a-b)

# November REC Forecast

The Revenue Estimating Conference updated its FY16 forecast on Monday, reducing projected revenues by \$370 M.

The reduction was driven by decreases in

- Corporate Income/Franchise Taxes
- Mineral Severance Tax and Royalties
- Sales and Use Taxes

Partial offsets in the updated FY16 REC forecast included net increases to Individual Income and Gaming revenues.

Revenue Source	Aug. FY16 Forecast	Nov. FY16 Forecast	Increase/ (Decrease)
Corporate Income and Franchise Tax	\$789.5 M	\$588.1 M	(\$201.4)
Individual Income Tax	\$3,012.9 M	\$3,054.8 M	\$41.9 M
Sales and Use Tax	\$2,935.1 M	\$2,872.2 M	(\$62.9 M)
Severance Tax	\$519.8 M	\$468.0 M	(\$51.8 M)
Other LDR Tax Collections	\$983.8 M	\$1,002.0 M	\$18.2 M
DNR Royalties, Rentals, etc	\$327.1 M	\$239.2 M	(\$88.0 M)
All other Revenues (Gaming, DPS, etc.)	\$2,697.5 M	\$2,739.6 M	\$42.1 M
<b>Total Taxes, Licenses and Fees</b>	<b>\$11,266 M</b>	<b>\$10,964 M</b>	<b>(\$302 M)</b>
– Dedications	(\$2,414 M)	(\$2,482 M)	(\$68 M)
<b>Net General Fund</b>	<b>\$8,852 M</b>	<b>\$8,482 M</b>	<b>(\$370 M)</b>

# Proposed Mid-Year Solutions Overview

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FY15 ending deficit:	\$117.1 million
FY16 current deficit:	<u>\$370.2 million</u>
<b>Total deficit:</b>	<b>\$487.3 million</b>

Strategic reductions:	\$149.1 million
Excess fund balances:	\$278.3 million
Additional revenues:	\$ 31.7 million
Budget Stabilization Fund:	<u>\$ 28.2 million</u>
<b>Total solutions:</b>	<b>\$487.3 million</b>

# Budget Solutions: Strategic Reductions

## Strategy and Goals

- Minimize adverse operational impacts to agencies and those they serve, especially vulnerable populations such as children, the elderly and the disabled
- Avoid layoffs by freezing, defunding or eliminating vacant positions

## Prominent Examples

- \$126.2 million saved in Medicaid Vendor Payments from expanding DHH's ongoing fraud mitigation initiatives and managing Medicaid cash flow.
- \$7.1 million saved within LED based on two projects not requiring funding in the current year as originally anticipated.
- \$3.7 million saved across DEQ's four program agencies, through hiring freeze attrition pursuant to Executive Order BJ 2015-11, and savings resulting from the statewide consolidations of HR, procurement and technology services.

# Budget Solutions: Excess Fund Balances

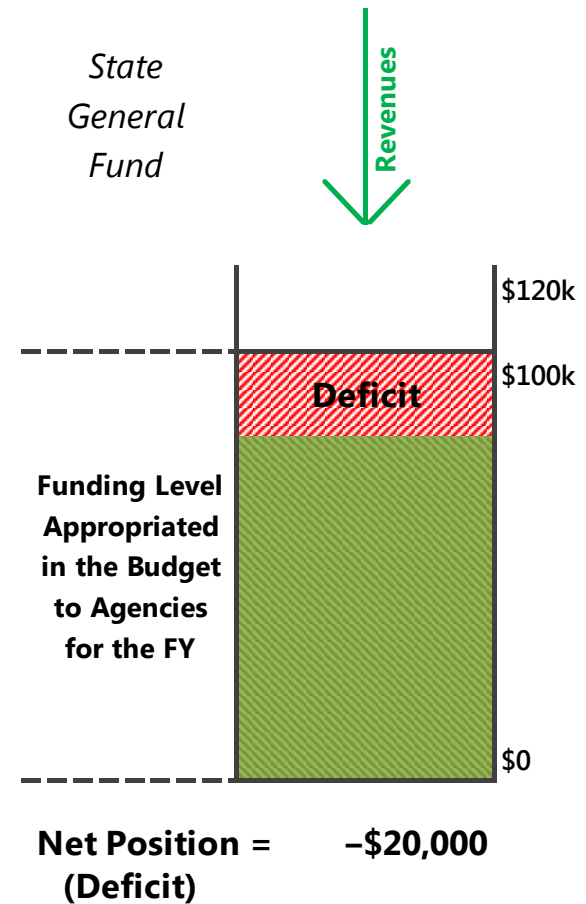
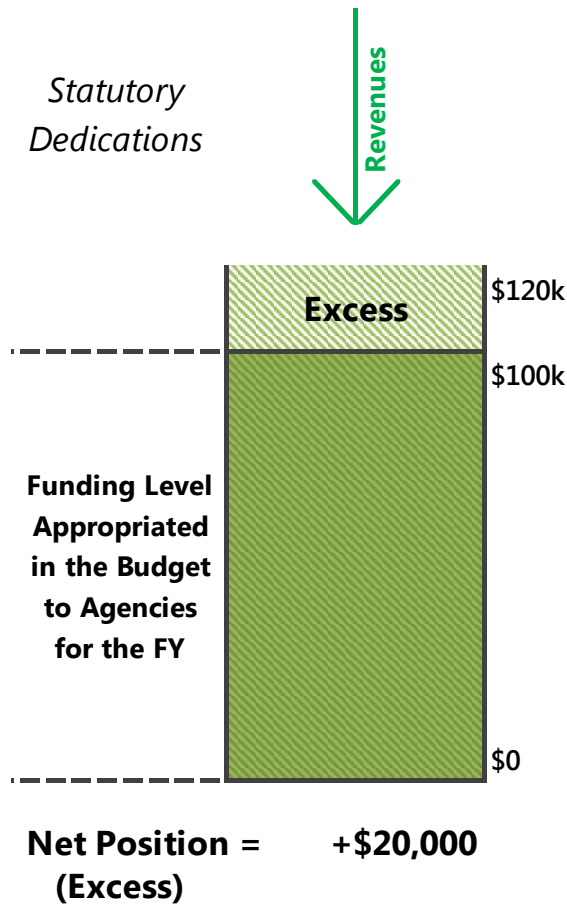
## Strategy and Goals

- Manage cash flow to align expected revenues to expected expenditures
- Used excess balances from funds except those that are: pass-throughs to local governments; legally obligated; intermingled with federal funds; or constitutionally excluded

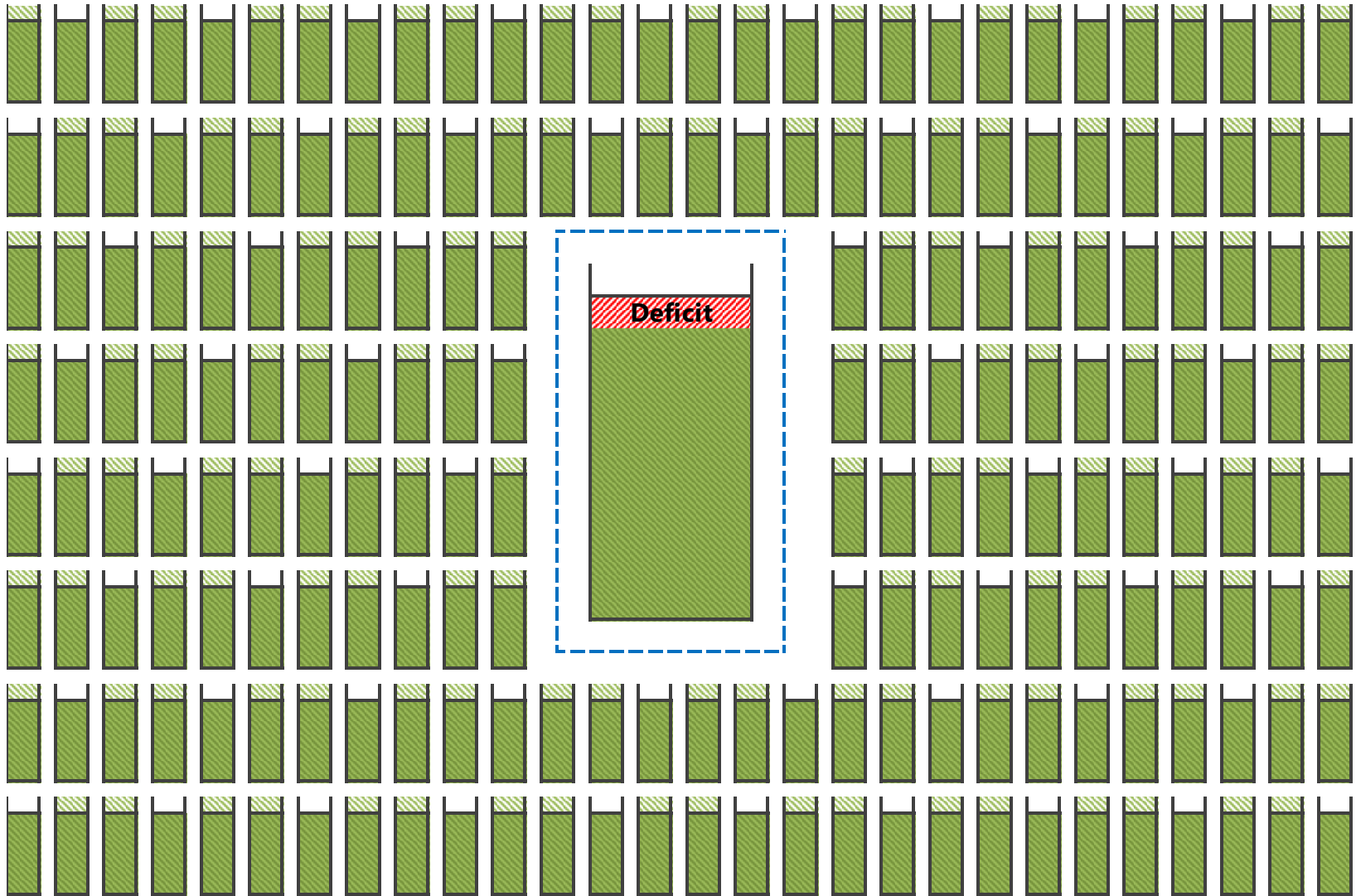
## Explanation of Cash Flow Management

- No fixed relationship between revenues and appropriations.
- Excess cannot be spent without budget authority.
- Wide discrepancies between funds that have more or fewer dollars than appropriated.
- Propose up to 5% reductions of certain statutory dedications and self-generated revenues, using those same funds' excess balances to restore agencies back to their baseline appropriated levels.
- No current-year operating impact to agencies.

# Budget Solutions: Excess Fund Balances



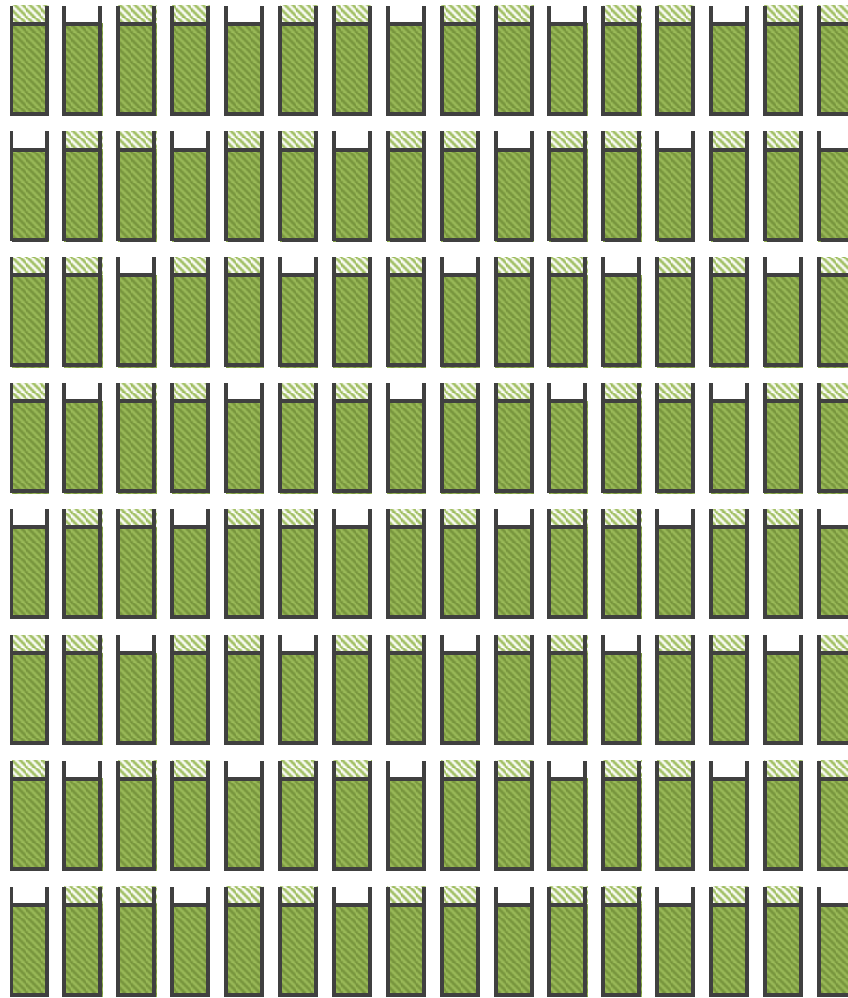
# Budget Solutions: Excess Fund Balances



*Note: The State manages 393 separate funds.*



# Budget Solutions: Excess Fund Balances



**Funds**



**Bank Accounts**

*Note: The State manages 393 separate funds.*

# Budget Solutions: Excess Fund Balances

## Prominent Examples

- \$132.6 million State General Fund in MVP replaced with federal DSH match reimbursements which auditors have identified as owed to the State for uncompensated care (UCC) costs at LSU and DHH public hospitals in 2012.
- \$76.5 million State General Fund in MVP replaced with Medical Assistance Trust Fund (MATF) from managed care premiums tax revenue that was higher than anticipated, and increased Amnesty collections.
- \$46.0 million from the Transportation Trust Fund in excess of the FY16 appropriated amount. This will not impact current-year project operations.
- \$6.5 million from the Coastal Protection and Restoration Fund in excess of the FY16 appropriation. This will not impact current-year project operations.
- \$15.1 million in smaller excess fund balances from across state government which are unusable to the agencies this year since non-appropriated, but which add up to a larger number which helps mitigate the budget shortfall.

# Budget Solutions: Additional Revenues

## Strategy and Goals

- Offset funding reductions to the maximum feasible extent by identifying and utilizing new and additional funding resources to help restore budget balance

## Prominent Examples

- \$17.4 million from an increase in FEMA's reimbursement match rate for the State's expenditures in response to Hurricane Isaac.
- \$4.0 million from the State's legal settlement with Transocean, which is available for general use.

# Budget Solutions: Budget Stabilization Fund

## Strategy and Goals

- Utilize the Rainy Day Fund to completely protect Higher Education

## Context and Next Steps

- \$28.2 million is proposed to be used in accordance with Article VII, Section 10.3 of the State Constitution, and Revised Statutes 39:94 and 39:87.
- \$44.6 million was deposited earlier this fiscal year, and a portion of BP Settlement funds are scheduled to be annually deposited, starting next year.
- The balance available to be used is 1/3 as of July 1, or \$156 million, well below the proposed amount.
- The utilization of the Budget Stabilization Fund will be proposed to all Legislators by a 15-day ballot.

# Mid-Year Solutions Summary

Department	Strategic Reductions	Excess Fund Balances	Additional Revenues	Rainy Day Fund	Total
01. Executive Department	1,134,836	7,293,790	-	-	8,428,626
03. Veterans' Affairs	-	1,091,149	-	-	1,091,149
04. Elected Officials	266,164	1,070,439	4,000,000	-	5,336,603
05. LED	7,112,372	1,316,169	-	-	8,428,541
06. CRT	-	472,747	-	-	472,747
07. DOTD	1,438,331	47,734,472	-	-	49,172,803
08. Public Safety	206,265	4,914,455	-	-	5,120,720
09. DHH	129,613,247	210,287,158	-	-	339,900,405
10. DCFS	384,674	33,959	-	-	418,633
11. Natural Resources	1,751,573	-	-	-	1,751,573
12. Revenue	-	27,472	-	-	27,472
13. DEQ	3,708,109	910,944	-	-	4,619,053
14. Workforce Commission	1,021,885	152,515	-	-	1,174,400
16. Wildlife and Fisheries	2,000,000	2,252,308	-	-	4,252,308
19. Higher Education	-	-	-	-	-
19. Dept. of Education	500,000	727,832	-	-	1,227,832
Statewide	-	-	27,690,312	28,164,341	55,854,653
	149,137,456	278,285,409	31,690,312	28,164,341	487,277,518