



## **Governor Jindal's Fiscal Year 2016 Executive Budget** *Building on a foundation of self-reliance and sustainability*

Since 2008, Louisiana has focused on creating a smaller, sustainable government that can withstand external economic forces and efficiently provide essential services to the people of the state. Those principles have helped Louisiana to grow its economy faster than the rest of the country and create jobs for more people than at any other time in the state's history. We've attracted world-scale energy, technology, corporate and manufacturing projects that are producing more than \$62 billion in new capital investment and resulting in 91,000 new jobs in Louisiana. This year, our transformation efforts continue with the reduction of expenses associated with refundable tax credits. While this proposal does not increase the current tax obligation of any Louisiana taxpayer, it limits certain refundable credits to an individual or business's actual tax liability, reducing the possibility of refunding taxes that were never collected.

Though our economy is growing and the state has reduced its reliance on oil revenue by 70 percent since the 1980s, dramatic swings in oil prices still impact our budget. Over the last year, the price of a barrel of oil has dropped by more than 50 percent, contributing to two mid-year deficits in fiscal year 2015 and to lowered revenues projected for fiscal year 2016.

While some states have resolved similar financial issues by asking taxpayers to pay more, we have spent the last seven years building a foundation of self-reliance that allows us to do more with less. We began the process several years ago by streamlining operations within state agencies, consolidating administrative functions and creating a more efficient way to do business. Those efforts have resulted in record levels of economic growth and productivity generated by the smallest government workforce in 25 years.

Overall, this proposal further reduces the state's budget by \$1.2 billion. When combined with the reductions in previous years, that means that since 2008, we have reduced the overall budget by nearly \$10 billion. To get to this point, we worked closely with department heads and officials to identify

opportunities that would further reduce the size and scope of government. Our approach required each agency to take critical look at every expense in the budget to prioritize what is essential and target what is not.

Departments evaluated every line item in their budget, focusing on performance, service and value. Those reviews turned into priorities, and each agency created targeted reduction plans that incorporated a program's importance and value into its likelihood of reduction.

The end result is an executive budget that balances the state's resources to maintain investments in infrastructure, preserve classroom funding for K-12 education and fully fund TOPS. We have also provided several legislative options that will further minimize the impact of higher education reductions if enacted.

Louisiana is no stranger to sacrifice. Over the previous seven years, we've faced challenges that include a national recession, a devastating oil spill, and three major hurricanes. We've seen drastic swings in our budget related to federal disaster aid, oil prices, and the national economic downturn. In every instance, we've forged ahead. In every instance, we made the necessary adjustments to create a balanced budget and make government work more efficiently for taxpayers. As a result, we have built a smaller government and a bigger, stronger and more diverse economy. We will continue to move forward and to make Louisiana a place we are proud to call home.

*- Governor Bobby Jindal*

## Addressing the \$1.6 Billion Shortfall

In 1986, mineral revenue accounted for nearly half of the state's general fund revenue. When the price of oil plummeted to below \$10 a barrel, our economy struggled for years to recover. Since then, we have greatly diversified, expanding into other sectors and developing a workforce proficient in industries that didn't even exist in 1986. We have streamlined state government, eliminated waste, and created an environment that thrives on innovation and efficiency.

The FY 16 Executive Budget proposes total funding of \$24.6 billion, a decrease of \$1.2 billion, or 4.7 percent, compared to the FY 15 operating budget of \$25.8 billion. Since 2008, the state's budget has been reduced by nearly \$10 billion by reducing waste and bureaucracy and promoting economic growth. Working from the continuation stage, this year's proposal employs a variety of strategies to balance the budget:

- » Department-by-department strategic reductions to the existing operating budget: approximately **\$415 million**
- » Recurring savings from the mid-year plan and GEMS efficiencies from FY15 and FY16 that have reduced the need for revenue within state agencies: approximately **\$180 million**
- » Reduction in expenses on certain refundable tax credits: **\$526 million**
- » Requiring agencies to absorb certain increases, including state employee performance adjustments, inflationary costs, and the growth of some programs: approximately **\$160 million**
- » Utilizing surplus dollars and other non-recurring sources of income for approximately **\$300 million**. This budget has reduced the amount of funding that will require another source in the future by nearly 70 percent.

With the elimination of 727 additional positions in the upcoming year, we now have the smallest number of state government employees in 25 years. Based on figures from the Department of State Civil Service, between December 31, 2007 and December 31, 2014:

- » The total "head count" of all employees in the executive branch of state government has decreased from 100,677 to 70,263, a reduction of 30,414, or 30.2 percent.
- » In terms of full-time employees (or FTEs), the total has fallen from 93,554 to 62,384, a reduction of 31,170, or 33.3 percent.
- » As a result of the reduction in the number of state employees, the overall state payroll has been reduced by a total of more than \$828 million – from \$4.154 billion to \$3.326 billion.

## Embracing Innovation to Promote Efficiency

Historically, the public sector has been slower to embrace the technology and innovation that helps drive private sector growth. Modernization and efficiency have often been overlooked in favor of a complex bureaucracy that slows progress and prevents change.

Since 2008, we have focused on breaking down that outdated model of business. Through continued consolidation of functions, modernization of equipment, and streamlining processes, Louisiana state government has realized significant savings in almost every functional area. The FY16 budget reflects the accomplishments of our public sector leaders and staff.

## Technology

In fiscal year 2015, technology services were consolidated into the Office of Technology Services to provide a centralized, fully operational technology team to executive cabinet agencies. By eliminating redundant and duplicative systems, maximizing purchasing power, establishing master purchase contracts for equipment provided by individual manufacturers, and by sharing resources across agencies, the consolidation saved **\$25 million** in its first year. The FY16 budget includes the annualization of those savings, plus an additional **\$5 million** expected this year.

## GEMS

The Government Efficiencies Management Support (GEMS) project provided more than \$2.7 billion in savings and revenue enhancement ideas between FY15 and FY19. This budget includes the first full year of the implementation of projects included in the GEMS initiative, including a total of **\$145.6 million** in recurring efficiencies that combines savings that were built into last year's budget with new initiatives beginning in FY16. Some of those efforts include:

- » Transforming the way we contract with vendors to save the state **\$37 million** in FY16. Traditionally, agencies bought their goods and services on an individual basis, with no coordination or awareness of similar transactions occurring in other sections. As part of the GEMS initiative, we have moved away from that outdated model by encouraging vendors to negotiate with the state as a single enterprise instead of a band of loosely connected agencies. Through fiscal year 2019, this approach will save more than **\$180 million**.
- » Changing the way we manage property insurance to save more than **\$25 million** each year. In a recent survey of 14 states, Louisiana was the only state that procured insurance by issuing an RFP with detailed insurance specifications. This year, we have changed that approach and contracted with a broker of record who will work with the state and insurers to negotiate coverage and price. The new contract will increase competition and flexibility, saving the state \$3.4 million each year in broker fees alone. An additional \$20 million will be saved in FY16 through contract negotiations with vendors.
- » Consolidating the human resource function within state government will save **\$10.8 million** this fiscal year. The centralization will ensure consistent practices across state agencies and allow Louisiana to implement strategies to better manage our resources, including flattening levels of management, managing FMLA, unemployment insurance, overtime and employee litigation costs, and establishing coordinated talent management programs to prepare employees for future positions of leadership.

## Strategic Tax Reform and Economic Growth

While many states have raised taxes to balance budget gaps, Louisiana has proven that economic success is achieved by supporting entrepreneurial growth, promoting competition, and fostering an environment that rewards businesses for creating high quality jobs. In 2014, Louisiana's business climate was named the best in the country by Business Facilities magazine.

As we have reduced taxes and enacted business-friendly policies, our economy has thrived. According to the U.S. Census Bureau, Louisiana has experienced seven consecutive years of population in-migration, reversing decades of migration out of the state. In fact, our population has grown seven percent faster than the rest of the country for the past seven years.

Much of the growth in population is attributable to the unprecedented levels of new job creation and capital investment associated with new economic development projects. Over the last seven years, advances in economic development have driven more than 91,000 new jobs and \$62 billion in capital investments. Today, Louisiana ranks higher in every major national study of state business climates than it ever did prior to 2008.

To sustain this momentum and to ensure future success, the FY 16 Executive Budget includes funding for important economic development initiatives that spur job creation and further diversify and grow Louisiana's economy. It also includes the transformation of certain refundable tax credits into non-refundable credits.

While the majority of the state's refundable tax incentives are used to reduce a company's or individual's tax liability, certain credits have gone further. Last year, Louisiana paid more than \$589 million to companies and individuals as a result of these credits. That means that beyond reducing a company's tax bill, the state has actually provided revenue subsidies for some businesses. This budget proposes to reduce those subsidies by **\$526 million**, creating a recurring solution that will limit the possibility of our credits acting as revenue-generators and reduce the potential for abuse of the tax code.

Make no mistake - we will not increase the current tax obligation of any Louisiana taxpayer. And Louisiana will continue to promote economic growth through tax incentives and exemptions. These policies have produced real improvements in our state's economy and in our quality of life. However, we cannot pay more than we take in.

Tax credit reform will allow Louisiana to continue its record of growth. Recent economic milestones and recognitions of Louisiana's progress include:

- » Since January 2008, Louisiana ranks No. 3 in the South and No. 9 in the nation for job growth.
- » Since 2008, Louisiana's private sector has added 88,300 new jobs for a 5.6 percent growth rate that ranks No. 2 in the South and No. 5 in the nation.
- » In the past 12 months alone, the state has added 34,600 new private-sector jobs.
- » Louisiana's private-sector employment has grown for 51 consecutive months.

- » Since January 2008, Louisiana's real GDP (gross domestic product) has grown by \$17.98 billion, or 8.8 percent. That represents GDP growth that is nearly 86 percent faster than the nation and 38 percent faster than the South.
- » According to the latest available data, per capita income in Louisiana has grown by \$5,388 (15 percent) during the past six years and is at its highest level and highest ranking ever.
- » Louisiana's exports totaled more than \$63 billion in 2013, ranking the state No. 6 in the nation, in absolute volume.
- » For the fifth consecutive year, LED FastStart® earned the No. 1 ranking for state workforce programs in the U.S. by Business Facilities. The magazine's editor-in-chief, Jack Rogers, commented on the ranking: "Pick a successful growth strategy other states are starting to replicate, and you'll discover that Louisiana has made it work on a grand scale. Nowhere is this more evident than in the unprecedented cooperation between higher education resources and business in Louisiana."

## Securing a Better Future

Protecting our people and our environment is one of the state's top priorities. A regular schedule of cadet training classes is necessary to ensure the state has the resources needed to efficiently and effectively provide services to the public. That's why this year's budget includes funding for cadet classes in both the Office of State Police and Wildlife and Fisheries.

- » 46 new troopers graduated from the Louisiana State Police Training Academy in May 2014 and another class is scheduled to graduate in April 2015. To train future troopers and maintain their presence in the field, we have included **\$5 million** in this budget for a new cadet class that will convene at the start of the fiscal year.
- » We are investing **\$1.4 million** in a class of Wildlife and Fisheries agents to keep Louisiana beautiful by protecting our wildlife, natural resources, hunters and fishermen. One new class will convene in May, with another beginning in January 2016.

## Improving our Classrooms through Choice

Since 2008, we have made significant improvements in the way we educate our children. Statewide, the percentage of students performing at grade level on state assessments increased nine percentage points from 60 percent in 2007 to 69 percent in 2014.

Since removing the cap on charter schools in 2009, Louisiana has opened more than 60 new charter schools throughout the state, bringing the total to 134. As a result, 70,000 children now have a choice about where they go to school. In 2014, our Recovery School District (RSD) became the nation's first school district with 100 percent charter school enrollment. In RSD-Nola the percentage of students scoring at grade level more than doubled from 23 percent in 2007 to 57 percent in 2014, representing a 34 percentage point increase.

In New Orleans we have seen the graduation rate increase from 54.4 percent before Hurricane Katrina

to 72.8 percent today. At the same time, the percentage of New Orleans students scoring at grade level and above has increased from 35 percent to 63 percent in 2014. In 2005, 65 percent of New Orleans students attended a failing school. By 2013-14, this percentage was cut to 22 percent of New Orleans students in a D or F school. Of those students, approximately 4 percent attended F schools.

Continuing to invest in the futures of our young people is a critical aspect of building a better Louisiana. This budget includes several critical investments in K-12 education.

### **Minimum Foundation Program**

To continue our work in strengthening K-12 education we are protecting classroom funding for K-12 education in the FY16 budget. Since 2008, MFP funding has increased by 15 percent, from \$3,125,756,759 in FY08 to \$3,593,789,905 in FY15. In FY16, the total is again expected to increase to provide funding for 6,284 more students. In FY16, total funding will be \$3,628,258,948, making the total increase since 2008 more than 16 percent.

### **Scholarships**

The Louisiana Scholarship Program allows students from low-income families to escape failing schools and continue their education elsewhere. Since its inception in 2008-2009 school year 2008, the program has grown dramatically, enrolling roughly 7,200 students have taken advantage of the program students this year. This year's budget provides funding that will allow an additional 679 students to participate. Total funding is increasing by nine percent, from \$42,419,441 in FY15 to \$46,184,852 in the upcoming year.

## **Higher Education**

Not including hospitals, LOSFA, or non-recurring adjustments, higher education funding will decrease by **\$141.3 million** in the FY16 Executive Budget. However, there are Legislative options that could help to further reduce the impact of budget reductions to higher education in the final, enacted budget.

### **Workforce and Innovation for a Stronger Economy**

Last year, we announced the development of the WISE initiative, intended to strengthen the critical linkage between college coursework and employment needs in the State of Louisiana. In its first year, WISE helped to fund salaries, scholarships and important upgrades to infrastructure at our state's universities and colleges. In fiscal year 2016, we are pleased to continue our support with a **\$30 million** investment in the program. \$5.7 million of which will come from the State General Fund. The remainder is CDBG program income. To receive the funding, the college or university must receive a 20 percent private industry match that is accompanied by a proposal as to how the funds will be invested in meeting the future workforce needs of Louisiana based on data-driven occupational forecasting. For the CDBG funding, they must also meet the criteria required by the Community Development Block Grants.

## **Taylor Opportunity Program for Students (TOPS)**

Since 1998, TOPS has given 1.3 million high performing high school students the opportunity to attend college in Louisiana for up to eight semesters. Since its inception, Louisiana has supported the program by providing more than \$2.5 billion in funding, with \$1.5 billion since 2008. Over the last seven years we have increased funding for TOPS by 142 percent, up from \$117 million in FY08. In FY16, we will continue to prioritize this program by increasing funding by **\$34 million**, or **13.7 percent**, to **\$284,259,610**.

## **Louisiana Procurement Technical Assistance Center**

This budget proposal also includes an investment of \$185,000 for the Louisiana Procurement Technical Assistance Center (PTAC) at the University of Louisiana at Lafayette. Since its inception, PTAC has helped Louisiana small businesses obtain \$4.5 billion in contracts, creating 19,000 new direct jobs and generating more than \$100 million in tax revenue within the state. These matching dollars will ensure local businesses can continue to receive these valuable resources.

## **Continuing the Transformation of Health Care Delivery in Louisiana**

The past seven years have been marked by major change in how Louisiana delivers, manages and pays for health care. From implementing the Bayou Health program that is improving how 920,000 individuals access health care to transforming Louisiana's public hospital system, we have embraced change to improve how we provide and finance care for Louisiana's residents. In the coming fiscal year, the state is continuing the transition to managed care, integrating behavioral health care into Bayou Health, continuing the commitment to care for the uninsured through the LSU public-private partnerships, working diligently to reduce pre-term births, and improve birth outcomes.

### **Improved Quality through Managed Care**

Now in its third year, Louisiana's Medicaid managed care program, Bayou Health, continues to provide the state with better budget predictability and cost savings in the form of an overall reduction in the growth of the Medicaid program. Historically, Louisiana's Medicaid program grew between 5 and 7 percent annually, which is consistent with the 6 percent national average for Medicaid growth. Since implementing Bayou Health, the growth of Louisiana's Medicaid program has slowed to approximately 3 percent annually. The reduction in growth of Medicaid overall through Bayou Health is coupled with the savings of \$135.9 million that DHH removed from its budget after implementation of Bayou Health in 2012. Overall, Bayou Health is saving \$29.55 per member per month over what legacy Medicaid would be expected to cost today, or a greater than 12 percent reduction. Not only has Bayou Health reduced the amount of taxpayer dollars needed to fund the program, it has also improved access to coordinated care for more than 920,000 enrollees. Quality improvements include decreased neonatal intensive care unit (NICU) hours, inpatient hospital stays and increased care management.

Similar successes have been experienced by the Louisiana Behavioral Health Partnership (LBHP). Prior to implementation of LBHP, there was a limited array of Medicaid-allowable mental health services for

children and none for addictive disorders. LBHP expanded access to providers by more than double - from approximately 800 to more than 1,700 providers. To date, the Partnership has served over 85,000 children and 106,000 adults across all service types. This exceeded the program's objectives of treating at least 50,000 children and 100,000 adults. There has also been an 87 percent increase in available adult inpatient beds since the LBHP was implemented.

## **Building Upon the Success of Bayou Health and the LBHP**

While we are pleased with the performance of the state's managed-care initiatives, we are aggressively working to improve the provision of health services to Louisiana's residents. At the heart of this work is the goal to better care for the whole individual rather than the parts. That means breaking down the barrier in coordination between behavioral health services, physical and acute care services.

The Bayou Health program currently includes five health plans under two models: shared savings and capitated. Effective Feb. 1, 2014 changes in Bayou Health will help to improve even greater budget predictability, expanded opportunities and incentives for the managed-care organizations (MCOs) to improve recipient health outcomes, add benefits for Bayou Health recipients, and streamline coordination between Bayou Health and the state's behavioral health managed care program. The most significant change for Bayou Health is the consolidation of its two models into one risk-bearing MCO model, in which managed care organizations are paid a flat, monthly fee for managing the care of Medicaid recipients, reimbursing providers for services and maintaining a robust network of subcontracted providers to ensure benefits for Bayou Health members.

As with reforming Bayou Health to a single system of full risk-bearing plans, the Department is also integrating all of the behavioral health care services of LBHP into care coordinate by the Bayou Health MCOs. This integration will help MCOs and physicians improve overall health care for individuals in Bayou Health and those receiving behavioral health care services. The transition for this integration is ongoing and includes a working advisory group that will guide the transition process to be effective Dec. 1, 2015.

## **Next Steps in Long-Term Supports and Services**

In addition to moving LBHP participants into Bayou Health, we are planning the implementation of a managed care system for individuals with age-related or developmental disabilities through a system of managed long-term supports and services (MLTSS). The process began in 2012 with a Request for Information (RFI) and was followed by two concept papers in 2013 and early 2014, and a standing advisory group. DHH also engaged stakeholders in developing MLTSS to improve the delivery and quality of health care to these two populations. Those working stakeholder meetings are ongoing.

Once implemented, MLTSS enrollees will receive a greater coordination of care for their long-term supports and service (LTSS) needs. These MLTSS plans will also fully integrate physical and behavioral health.

## **Increasing Access and Care through Public-Private Partnerships**

Over the past three years, the state has completely transformed how it delivers care to the uninsured and poor, moving from an antiquated model of government-run public hospitals to care provided by community partners at independently run hospitals. This maintains safety net care while supporting and improving graduate medical education in the Louisiana. In the 2014 fiscal year, the partnerships came in nearly \$52 million under budget.

Since these public-private partnerships were launched there has been increased access to urgent care centers, preventive care, and disease management for uninsured and Medicaid enrollees. We received final approval from CMS for these hospital public-private partnerships on Dec. 23, 2014.

In Baton Rouge, Our Lady of the Lake's clinics have already had more than 126,000 patient clinic visits, including over 30,000 patient visits at the new 24-hour urgent care center that was opened in North Baton Rouge. A second urgent-care center opened in mid-city Baton Rouge on Dec. 15, 2014. Over 15,000 patients have been seen at the Perkins Surgery Center. Additionally, approximately 80,000 prescriptions have been filled since the partnership took effect in 2013, and the wait time for filing prescriptions has been reduced significantly from 10 days to 10 minutes in most instances.

In Lafayette, private partner Lafayette General has reopened clinic and hospital capacity that had previously been shuttered or scaled back, including its reopening of a pediatric clinic, a 12-bed medical detox, and returning its orthopedics unit to full-time status.

In New Orleans, Louisiana Children's Medical Center took over the operations of the Interim LSU hospital. Since completing the partnership, the hospital has increased the emergency department capacity and reopened several medical/surgical inpatient beds and nine inpatient psychiatric beds.

Under its partnership with Lake Charles Memorial Health System, W.O. Moss in Lake Charles has established a new urgent care clinic, which means that more patients are able to see a physician outside of expensive and ineffective emergency room settings. Physicians are now averaging 28-30 patients per day versus 10 in 2012.

The partnership in Lake Charles has also led to the introduction of several new specialty care clinics, including an orthopedic clinic and a breast health clinic. Patients who were previously referred out of town for these critical services can now receive them in their home community. Additionally, all previous backlogs for receiving an MRI, pulmonology services, or GI scopes have been reduced.

In Houma, the partnership between Terrebonne General Medical Center and Ochsner has resulted in improvements to patient care with the hiring of new physicians, including a new cardiologist, urologist and family health physician. Two new digital mammogram units have been installed at the hospital and it has instituted a same-day walk-in screening process leading to a 16 percent increase per month in mammograms.

The Houma partnership has also resulted in expanded urology services—a 41 percent increase in monthly visits. Additionally, it has resulted in an 83 percent increase in urological surgical procedures

and a 12 percent increase overall in patient clinic visits. Ochsner has also decreased the wait time for admit screening for diabetes care from 1 hour to 5 minutes and has increased colonoscopy screening by 54 percent.

In Shreveport and Monroe, University Health has dramatically decreased wait times, for example, reducing MRI appointment times from more than 60 days to 1-2 days and CT appointment times from 14 to 2 days. They have also reduced the clinic appointment backlogs from more than 12,000 to less than 1,800 patients.

## **Birth Outcomes Initiative**

For nearly five years, the Birth Outcomes Initiative (BOI) has engaged community members and key stakeholders to develop evidence-based practices to improve women's and infant health. In April 2011, with heavy stakeholder input, BOI finalized its strategic plan, which included a paramount goal of ending elective non-medically indicated deliveries before 39 weeks.

In 2015, we implemented payment reforms to promote best practices for mothers and babies. The Medicaid program no longer reimburses providers for elective deliveries before 39 weeks, deliveries shown to increased health risks for mothers and their children. The state's largest insurer, Blue Cross of Louisiana, also stopped covering elective deliveries before 39 weeks.

Twenty Louisiana hospitals also signed a letter committing to go one step further to protect Louisiana babies and their mothers. Each of these hospitals agreed to implement policies to prevent non-medically indicated before 40 weeks of gestation. The state is working the March of Dimes, hospitals and physicians to increase this practice statewide.

## **Attention Deficit Hyperactivity Disorder**

In March of 2014, Express Scripts, the largest pharmacy benefit manager in the U.S., released a report titled, "Turning Attention to ADHD: U.S. Medication Trends for Attention Deficit Hyperactivity Disorder," which led to concern about high rates of ADHD medication in Louisiana and the passage of Senate Concurrent Resolution No. 39 by Senator David Heitmeier during the 2014 Regular Session. This resolution urged and requested DHH to study the most effective means to ensure the proper utilization of Attention Deficit Hyperactivity Disorder medications in Louisiana. In response, DHH convened a departmental task force to study this issue. The Task Force also received expertise in pediatrics/psychiatry from Tulane University and technical assistance from the Centers for Disease Control and Prevention (CDC).

On Dec. 9, 2014, the Task Force organized a symposium on this issue presenting their findings and seeking the input of the community on how to address this public health issue. The event was extremely successful, and a final report presenting the Task Force's findings and recommendations was submitted to the Legislature in February 2015. DHH will continue forward on this issue in FY 2016, working with partners in the State's other child-serving agencies to implementing the recommendations of the ADHD Task Force to achieve three goals: increase the accuracy of ADHD diagnosis, increase access and linkage to behavioral therapies and parent support, and improve the alignment of pharmacological treatment with evidence-based guidelines.