



Mid-Year Deficit Elimination Plan

Joint Legislative Committee on the Budget

November 21, 2014

Rapid Response

Earlier this month, the credit rating agencies affirmed Louisiana's credit ratings.

Standard & Poor's said:

"We believe the state has a strong budgetary framework embedded in balanced budget requirements, frequent revenue and expenditure forecast updates, and broad executive powers and a track record for prompt expenditure adjustments to eliminate deficits."

Among Louisiana's strengths, Moody's cited the state's:

"flexibility to address unexpected budgetary developments mid-year."

In its credit profile, Fitch noted:

"Louisiana has responded proactively to forecast budget gaps"

Plan Summary

Revenue Opportunities and Targeted Reductions

Savings:

- Targeted contract reductions
- Vacant position reductions
- Travel
- Supplies
- Operational services

Revenue:

- Tax amnesty
- Insurance reimbursement
- Excess collections at DPS
- Projected increases in TOPS, MATF, Lottery and other Dedications

Reductions

Reductions by Governor's Authority

“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)**

Reductions by Governor's Authority = \$150.98 million

Reductions for JLCB Approval

“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)**

Reductions for JLCB Approval = \$32.28 million

Expenditure Freeze

\$10.9 million in savings from all agencies by reducing spending on:

- Travel
- Supplies
- Operational services
- Professional services

Expenditure Freeze Savings = \$10.9 million

Government Positions

167 total vacant positions affected by the deficit reduction plan.

Front-line, field workers and essential care worker positions were not included in these reductions. Instead, administrative positions were targeted.

- At DHH, direct-care positions were not affected
- At DCFS, there were no cuts to child welfare case workers or foster care workers
- At DOE, there were no reductions in district support, child care licensing, statewide monitoring, or instructors in the special school district
- In Corrections, security officers, probation officers and medical positions were protected
- At OJJ, specialist, counselor and social worker positions were NOT impacted
- At DPS, state trooper positions, highway safety positions, communication officer positions, and criminal investigators were protected
- At DOTD, road maintenance employees were not affected.

Government Positions Savings = \$12.17 million

Targeted Contract Reductions

\$6.21 million in savings from targeted contract reductions at:

- Department of Corrections
- Office of Juvenile Justice
- Department of Health and Hospitals
- Department of Environmental Quality
- Department of Education
- Department of Transportation and Development
- Department of Revenue

Contract Reductions Savings = \$6.21 million

Agency Savings

- **Healthcare - \$5.34 million**

- Eliminated 47 vacant positions to save **\$1.04 million**. The reductions will not impact delivery of care
- Reduced **\$2.36 million** from current contracts, including:
 - One-time reduction on contracts with delayed start dates
 - Reduction in legal services contracts
- Saved **\$1.57 million** by freezing expenses, including travel and supplies
- Identified an additional **\$569,400** in savings by making changes to the criteria for the pediatric day healthcare program to ensure children meet the appropriate medical criteria before being admitted to a center, and reducing the high risk Medicaid pool

- **Children and Family Services - \$964,980**

- Froze 40 vacant administrative and supervisor positions to save **\$660,000**
- Front-line staff, child welfare case workers, foster care case workers or disability determinations examiners were not affected
- Saved **\$304,980** by freezing expenses

Agency Savings

- **Education – \$5.65 million**

- Eliminated 14 vacant administrative and policy positions to save **\$300,000**; district support, child care licensing and statewide monitoring positions were not affected
- Reduced **\$845,733** from current contracts
- Saved **\$40,000** by freezing expenses
- Identified **\$700,000** available from the Professional Improvement Program due to a decline in participation as teachers retire and **\$3.76 million** available due to 700 fewer scholarships than expected being awarded for FY15

- **Transportation – \$8.2 million**

- Eliminated 9 vacant attorney and engineer positions and froze other vacancies to save **\$4.1 million**. Road maintenance employees were not affected
- Reduced **\$2 million** from current contract records management contract and statewide planning and research contract
- Saved **\$2.1 million** by freezing expenses for supplies for road maintenance and other non-essential spending

Agency Savings

- **Wildlife and Fisheries - \$2 million**
 - No positions eliminated. All vacant positions are enforcement agents.
 - Saved **\$2 million** through reduction of public outreach contract, personal services savings through attrition, and freezing land acquisitions. No impact to fisheries or enforcement.
- **Natural Resources - \$714,902**
 - Eliminated 5 vacant positions, while preserving conservation enforcement specialists and coastal resource specialists
 - Saved **\$26,537** by freezing expenses
 - Identified excess balances of **\$688,365** in the Mineral and Energy Operation Fund, the Fisherman's Gear Compensation Fund and the Underwater Obstruction Removal Fund. No impact to current claims.
- **Department of Environmental Quality - \$2.13 million**
 - Saved **\$936,492** by eliminating 10 administrative positions, while vacant geologist, environmental analyst and scientist positions were protected. Saved **\$1.14 million** by freezing expenses
 - Saved **\$52,000** by reducing contracts

Agency Savings

- **Corrections - \$336,780**
 - Eliminated 6 vacant administrative positions, while protecting security officers, probation officers and medical positions to save **\$97,500**
 - Saved **\$91,250** by reducing travel expenses
 - Saved **\$148,030** by reducing current health care contracts, excluding any reductions in private prison contracts
- **Office of Juvenile Justice - \$1.98 million**
 - Saved **\$1.07 million** by freezing 9 security staff positions and eliminating 10 vacant positions that were vacant as part of the agency's goal of increasing probation officer caseloads from 1:20 to 1:25. Reducing those positions leaves the specialist, counselor and social worker positions untouched.
 - Saved **\$635,000** by reducing travel, limiting repairs and reducing supplies
 - Saved **\$270,000** by reducing current mentor/tracker and community reintegration contracts
- **State Police - \$5 million**
 - No positions eliminated
 - **\$5 million** collected in the Debt Recovery Fund that can fund the cadet class previously funded by the Riverboat Gaming Enforcement Fund.

Agency Savings

- **Workforce Commission - \$2.22 million**
 - 13 positions eliminated, including those related to Unemployment Insurance, Workforce Investment Act Veterans' Program (LVER and DVOP Louisiana Rehabilitation Services and Workers' Compensation)
 - **\$2.22 million** available in the Office of Workers' Compensation Administrative Fund, the Incumbent Worker Training Account, the Employment Security Administration Account, and the Penalty and Interest Account
- **Economic Development - \$648,086**
 - 1 position elimination could potentially come from Business Development **\$648,086** in available funds from LED's debt service and commitments schedule. This should not hamper the Department's ability to attract new commitments.

Agency Savings

- **Division of Administration - \$3.07 million**
 - Eliminated 24 vacant administrative positions to save **\$1.13 million**
 - Identified **\$1.57 million** in excess from state lands
 - Saved **\$370,000** in operating services
- **Department of Revenue - \$2.09 million**
 - Eliminated funding for vacant positions to save **\$1.2 million**
 - Saved **\$13,000** in operating services
 - Saved **\$420,000** from acquisitions
 - Saved **\$539,800** by reducing current contracts

Revenue Opportunities

Opportunity	Description	Funds Available
Tax amnesty	LDR initiative generated more than expected	\$32.1 million
ORM revenue	Additional revenue from excess insurance reimbursement	\$12.0 million
Insurance verification system fund	Additional revenue from insurance verification fees above amount needed to pay for state trooper salary increase	\$15.0 million
Overcollections Fund	Excess collected from reversions from the general fund, reversions from fees and self-generated revenue and FEMA payments	\$47.0 million
Lottery Fund	Available balance as recognized by REC	\$1.1 million
TOPS Fund	Available balance as recognized by REC	\$4.9 million
Medical Assistance Trust Fund	Available balance as recognized by REC	\$4.9 million
Health Excellence Fund	Available balance as recognized by REC	\$7.9 million
Riverboat Gaming Enforcement Fund	Available balance as recognized by REC	\$5.0 million
LA Office Building Corp	Available balance	\$0.5 million