

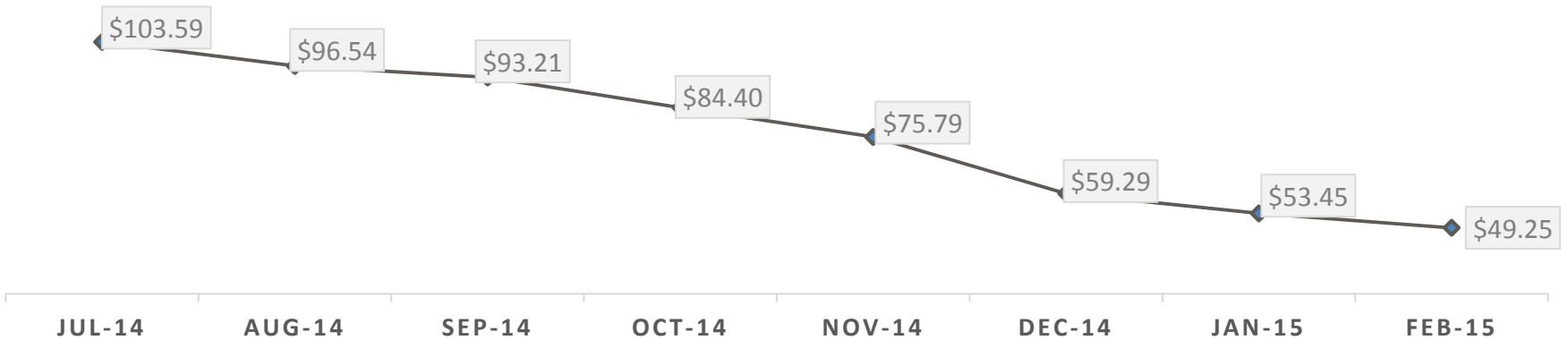


Mid-Year Deficit Elimination Plan

Joint Legislative Committee on the Budget

Feb. 20, 2015

The Impact of Oil Prices



FY15		Original Forecast	11/14/2014 Forecast	1/26/2015 Forecast	Cumulative FY15 Budget Impact
	Severance tax	\$808.5 million	\$761.8 million	\$681.4 million	\$127.1 million
	Royalties	\$482.6 million	\$436.0 million	\$334.3 million	\$148.3 million
	Total				\$275.4 million

FY16		Original Forecast	11/14/2014 Forecast	1/26/2015 Forecast	Cumulative FY16 Budget Impact
	Severance tax	\$802.7 million	\$730.9 million	\$508.2 million	\$294.5 million
	Royalties	\$467.1 million	\$442.8 million	\$385.4 million	\$81.7 million
	Total				\$376.2 million

Mid-Year Approach

This mid-year deficit elimination plan proposes **\$103.5 million** in potential solutions through targeted reductions in contracts, travel and operating services as well as strategic program reductions and continued efficiencies at state agencies. Overall, this plan includes:

- **\$60.66 million** in agency reductions
- **\$42.84 million** in revenue opportunities

Reductions by Governor's Authority = **\$67.1 million**

Reductions for JLCB Approval = **\$36.4 million**

Table of Organization (TO) Reductions	Position Reductions That Do Not Affect TO*
7 (Department of Insurance)	47 (Culture, Recreation and Tourism)
	24 (Secretary of State)
	8 (DHH Human Service Districts)

**This number includes full-time reductions only*

Reductions

Agriculture and Forestry - \$2.01 million

Savings in agriculture and forestry were identified in the following areas:

- Reduced fuel expenses.
- Delaying the replacement of outdated computers, maintenance and updating of internal networks, servers, and IT technology; and delaying projections that would provide for on-line application and payment.
- Not filling vacant food inspector, mechanic, animal health technician and livestock brand officer positions for the remainder of the fiscal year.

Corrections - \$1.07 million

In the Department of Corrections, contract reductions and excess funding for unemployment benefits that are no longer needed make up more than a million in savings.

- \$913,728 in excess unemployment funding left over from Fort Wade Correctional Facility, which closed in FY13. The unemployment benefits were paid for 52 weeks.
- \$60,558 is attrition from vacant positions from Elayn Hunt.
- \$99,625 reduction of Medicaid Eligibility Determination Team (MEDT) contracts based on current utilization trends. These contracts utilize physicians to review medical records and other required information to determine if offenders meet the disability related program requirements for Medicaid eligibility.

Reductions

Public Safety - \$329,746

At DPS, the expenditure freeze and contract reductions make up \$329,746 in savings.

- \$120,000 reduction in financial services and legal services contracts
- \$134,746 reduction from reducing equipment purchases at the State Fire Marshal
- \$75,000 in savings from reducing supplies and administrative costs at Gaming Control Board

Coastal Protection - \$1.24 million

CPRA pays DNR for all back office functions and DNR pays for CPRA's IT costs. After the IT consolidation, CPRA was funded to pay DOA directly as well. This resulted in CPRA being double funded \$1.24 million in excess budget authority. DNR will continue to pay for CPRA's IT services and CPRA excess authority will be removed.

Children and Family Services - \$146,932

Total Federal Funds Reduced = \$285,223

At DCFS, savings came from a reduction in a child support enforcement contract for medical support orders, administrative reduction for child support enforcement services, and a reduction in student worker employment for the remainder of the year.

- Reduction of \$83,333 SGF associated with contracted services to support with medical support orders.
- Reduction of \$60,118 SGF associated with a reduction of administrative costs for child Support Enforcement Services.
- Reduction of \$3,481 SGF by reducing student workers for the rest of FY15.

Reductions

Environmental Quality - \$2.53 million

DEQ reduced its budget by more than \$2.5 million through reductions in contracts, administrative expense cuts and reductions in the Motor Fuels Underground Tank Fund and Waste Tire Management Fund.

- Environmental Trust Fund
 - \$900,000 in contract reductions includes unused lab analysis contracts with vendors throughout the state. Also, there is budget in the event of a disaster for special testing that has yet to be used given we have not had any events this fiscal year.
 - \$401,000 in savings as a result of the expenditure freeze
 - \$110,000 in other charges for a contract for site remediation funded by an EPA Hurricane Katrina grant. The grant was completed and deobligated this fiscal year, so the remaining contract budget will not be used.
 - \$79,400 in savings on expenses for supplies
 - \$9,600 in travel reduction
- \$709,714 Motor Fuels Underground Tank Fund - There is unlikely to be an impact to the fund. Historically, site remediation takes more than three years for each site. There is still a large balance in the fund to cover future claims.
- \$322,176 Waste Tire Management Fund - There will not be sufficient funds to pay waste tire processors the full 100% subsidy in one month. However, some portion will be paid and the unpaid portion will remain in arrears until sufficient funds are collected (in the future) to make up the payment.

Reductions

Healthcare - \$13.05 million

Total Federal Funds Reduced = \$8,353,000

Overall, DHH is reducing General Fund expenditures for the 2015 fiscal year by \$13.05 million, excluding federal match. Approximately \$5.88 million in reductions is being made by the districts and authorities.

- \$4.74 million through contract reductions, including legal expenses, translation services, promotional items purchasing, bi-monthly encounter validation report, and supplies and operating services.
- \$2.3 million from eliminating the Mental Health Emergency Room Extension UCC/DSH pool, for which no hospitals in Louisiana have qualified for the pool in the last two years.
- \$5.88 million from human service districts. Each district will create savings in a variety of ways, including contract reductions, office space consolidations, travel expense reductions, and by backfilling reductions with funds from community grants and other sources.
- \$113,490 from eliminating the in-patient major teaching hospital program that provided enhanced reimbursement for hospitals that covered the purchase of certain blood products; only one hospital (Tulane) has applied for this program.
- MVP reductions will also freeze any new waiver slots, with the exception of those for transitions out of facilities, emergency waiver slots and children aging out of the Children's Choice waiver. No current waiver recipients or those who've already been offered a slot will be impacted.

Reductions

Natural Resources - \$375,059

Savings at DNR come primarily from reductions in contracts for legal services and software maintenance that is budgeted but not necessary for current fiscal year.

- \$10,000 savings from freezing student employment.
- \$347,455 savings from reduction in lease management activity contracts for legal services that have not been used and for software system maintenance associated with the SONRIS system used for reporting and analysis. Funding is budgeted for any unknown updates or maintenance and has yet to be encumbered for actual work.
- \$17,604 from Fisherman's Gear Compensation Fund – will not impact current claims.

Division of Administration - \$2.54 million

Overall, DOA reduced its budget by more than \$2.5 million through re-estimating debt service and adjusting authority based on current estimates as well as from attrition, utilities reduction, contracts and legal services.

- \$1.8 million in excess authority based on current debt service estimates
- \$307,000 from attrition
- \$50,000 in energy cost
- \$328,000 in contracts
- \$43,000 in legal

Reductions

K-12 Education - \$899,286

The reduction in DOE's budget will have no impact on classroom funding. The reduction of \$899,286 is savings from reductions in administrative contracts.

- \$468,468 from Teach for America contract. The teacher recruitment and training services provided by TFA will be funded by other sources.
- \$355,818 from legal services that were not needed
- \$75,000 for data analysis that can be done in-house

Department of Justice - \$1.54 million

Most of the reduction to the DOJ budget is related to delays in technology upgrades as a result of litigation delays. Scheduled upgrades to computer software and equipment can not be completed until litigation is complete.

- \$1.1 million in reductions are from the Louisiana Fund (\$1.1 million). The full extent of the upgrades to computer software and equipment is not firm yet due to the delay of the litigation.
- Also, there are reductions to the self-generated revenue in the consumer enforcement division associated with legal services provided to various entities, and a \$100,000 reduction to the Video Draw Poker Fund.

Reductions

Transportation - \$16.65 million

At DOTD, nearly \$17 million in reductions were identified through increased efficiencies and savings in supplies.

- DOTD is on target to realize \$9.04 million in savings by the end of the fiscal year through the GEMS initiatives identified below:
 - \$5 million from the sale of surplus properties
 - \$500,000 from expanding annual advertising revenue on roads, bridges and rest stops
 - \$542,000 from hiring engineers that reduce the need for outside design and construction engineer contractors
 - \$3 million comes from reducing capital project cost overruns with a Quality Assurance and Quality Control engineering team
- \$2.07 million comes from a reduction in spending on inventoried supplies
- \$5.54 million in reduction in budget authority. If needed, there is additional revenue recognized by REC that can backfill the reduction in order to maintain DOTD's current level of service.

Reductions

Department of Insurance - - \$1.38 million

At insurance, much of the \$1.38 million reduction comes from the elimination of seven vacant positions. The agency also identified funding for contracts that will be postponed and delayed software upgrades and electronic documentation conversion.

- \$537,155 in reductions include elimination of seven vacant positions including two Insurance Supervisors, two Insurance Specialists, one Insurance Tech, one Attorney, and one administration position.
- \$747,280 in reduction to contracts are due to contracts coming in lower than what was budgeted and some IT software upgrades will be delayed. Also, reductions include contracts for accounting and auditing contracts examining insurance firms.
- \$99,500 - IAT to DOS for electronic documentation. They pay the Secretary of State for microfiche and electronic documentation services. This may delay the process of converting to electronic documentation.

Reductions

Commission on Law Enforcement - \$3,239,293

At the Commission on Law Enforcement, the \$239,293 reduction comes from two dedications that help fund drug abuse education and training on victim reparations for local law enforcement officers. Additionally, the number of eligible participants in Municipal Police Supplemental Pay programs have declined, providing an additional \$3 million in funding that can be used to offset the mid-year deficit.

- \$124,250 reduction in tobacco tax healthcare fund will reduce expenditures in drug abuse education program
- \$115,043 reduction in Crime Victim Reparations Fund will reduce training for local law enforcement officers. In fiscal year 2015, funding to the Crime Victim Reparations Fund increased by 15 percent, from \$3.2 million to \$3.7 million. \$1.4 million is used to provide relief for crime victims and the remainder is used to train local law enforcement officers. The portion of funding allocated to providing financial relief for crime victims will not be reduced. We worked closely with the Louisiana Commission on Law Enforcement to ensure that public safety was not jeopardized by implementing the plan and that training would not be significantly impacted.
- \$2.7 million reduction in the projected number of eligible Municipal Police Supplemental Pay participants from 6,413 to 5,825.
- \$300,000 reduction in the projected number of eligible Municipal Police Supplemental Pay participants from 5,637 to 5,442.

Reductions

Revenue - \$2.258 million

At the Department of Revenue, savings were found through implementing a hiring freeze and freezing professional services expenses that don't generate revenue.

- \$1.379 million savings in tax collections program from hiring freeze, reducing travel expenses, and freezing professional services that don't generate revenue.
- \$879,426 in ATC program from hiring freeze and requiring all expenses be approved by the undersecretary.

Economic Development - \$221,080

Additional fees and revenue. There is a total of \$1.5 million in additional Fees and Self-generated Revenues at LED, but the \$221,080 represents the remaining calculation of the 5% deficit reduction available for the second deficit reduction.

Lt. Governor - \$74,143

This will reduce the number of Education Program Grants associated various events and presentations throughout the state.

Workforce Commission - \$329,467

The midyear cut will be mitigated through administrative savings and the non-renewal of an IT contract (SAS).

Reductions

Wildlife and Fisheries - \$1.82 million

Postpones a land acquisition

Inspector General - \$32,393

Savings from attrition

Juvenile Justice - \$4 million

Reduction from contract authority that is not being utilized this year

Public Service Commission - \$12,750

Savings from seven underutilized vehicles. While the cars will remain at PSC, the funding will be used in this plan.

Secretary of State - \$931,593

- \$428,400 - Postponing BESE Election to Fall elections
- \$165,701 - Hiring freeze for Registrars of Voters offices including part-time staff
- \$118,902 - Elimination of 21 full-time positions, 9 part-time positions, and the reduction of hours for 2 full-time employees and 12 part-time employees at state museums
 - Old State Capitol and the Louisiana State Exhibit Museum in Shreveport will be open three days a week. The remaining museums will open one day per week
- \$218,590 – Reductions in warehouse rentals, voter outreach services, and IT project delays

Reductions

Culture, Recreation and Tourism - \$3.49 million

- \$113,070 by reducing student worker positions and administering BP funds
- \$1.52 million from the elimination of 42 full-time and 64 part-time positions at state parks as well as reductions in contracts, supplies, operating services and repairs. Will result in pool closures and the adjustment of operating hours. Also includes closure of Fort Pike, Marksville State Historic Site and Plaquemine Lock State Historic Site
- \$1.204 million reduction in supplies and marketing costs at the Office of Tourism
- \$239,006 from adjusting state library schedule to be open two days a week and have local library systems cover cost of internet service, elimination of 5 full-time position
- \$298,366 from utilities reductions at state museums
- \$112,067 from delaying a vehicle purchase at CODOFIL and reducing training within the National Main Street Program

Treasury - \$491,102

Reduction in budget authority

Revenue

In addition to those reductions, we have also identified \$42.84 million in revenue:

- \$11.1 million from Department of Revenue excess collections from the fraud initiative
- \$8 million excess in the DEQ Motor Fuels Underground Tank Fund
- \$8.2 million in Riverboat Fund revenues - \$2.2 million is a FY14 Fund Balance from the Riverboat Gaming Enforcement Fund; the remaining \$6 million is available TTF from DOTD which can be appropriated to Public Safety for patrol
- \$13.2 million in excess funds from the Telephone Company Property Assessment Relief Fund
- \$1.4 million in federal reimbursement at the Department of Military Affairs

Q&A