Proposed Budget

Fiscal Year 2019-2020

Joint Legislative Committee on the Budget

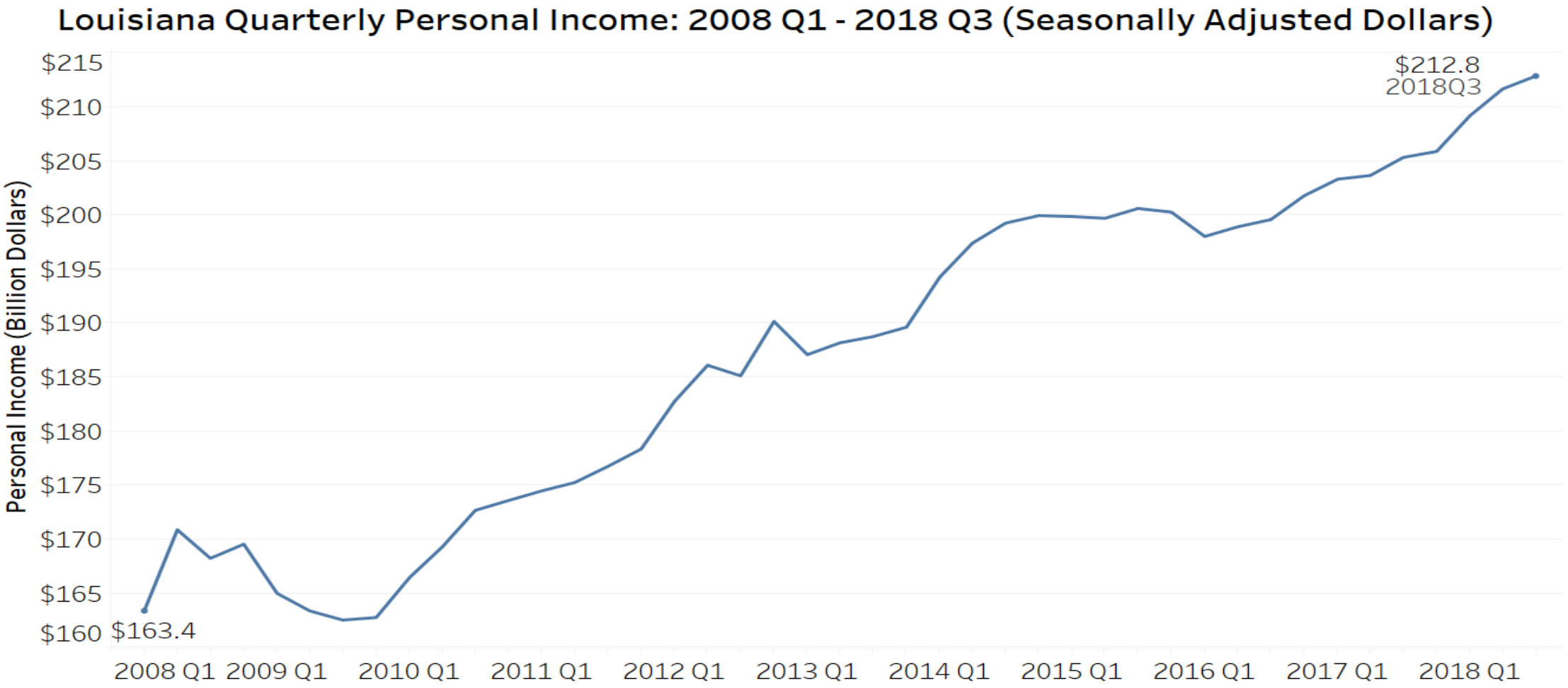
February 22, 2019

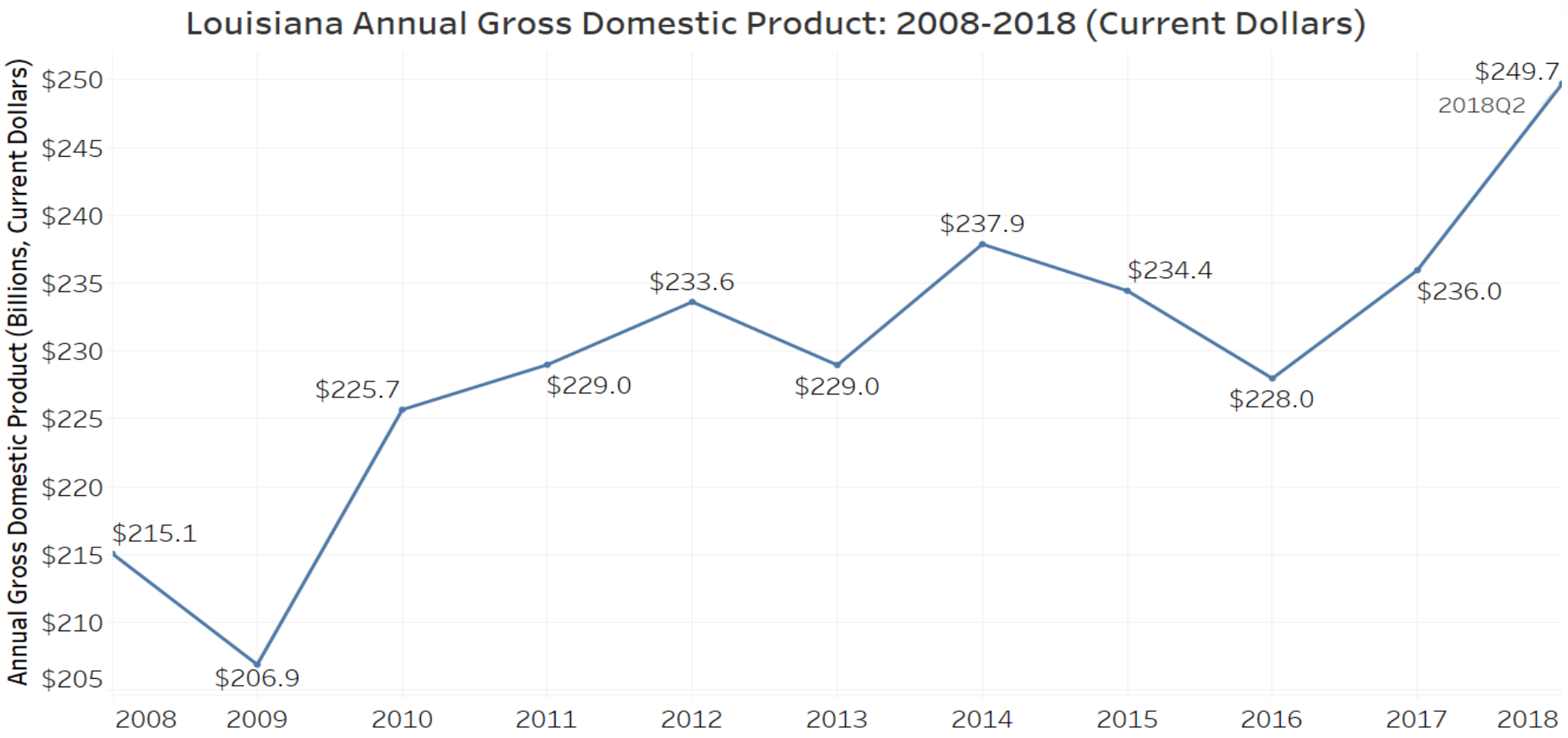
John Bel Edwards
Governor

What We Have Accomplished Together

New Economic Activity and Investment

Year	Number of Project Wins	Capital Investment	New Jobs	Retained Jobs
2016	38	$21.07 billion	6,607	5,412
2017	43	$4.66 billion	13,138	7,714
2018	47	$7.33 billion	7,358	8.095
Total	128	$33.06 billion	27,103	21,221


Louisiana Quarterly Personal Income: 2008 Q1 - 2018 Q3 (Seasonally Adjusted Dollars)
Personal Income (Billion Dollars)
$215
$210
$205
$200
$195
$190
$185
$180
$175
$170
$165
$160
$163.4
$212.8
2018Q3
2008 Q1
2009 Q1
2010 Q1
2011 Q1
2012 Q1
2013 Q1
2014 Q1
2015 Q1
2016 Q1
2017 Q1
2018 Q1



Source: U.S. Bureau of Economic Analysis: Gross Domestic Product by State

Department of Transportation &Development

- 2016 through 2018
  - Number of projects let: 991
  - Total cost: $1,982,580,739
  - Total length in miles: 3,202.46

- <u>CY 2018 Projects</u>
  - I-10 widening from Highland Road to LA 73
  - LA 318/US 90 interchange in St. Mary Parish
  - Improvements at 13 airports statewide
  - Belle Chasse Bridge and Tunnel replacement project
  - I-49 North Segment K Phase 2 in Shreveport

DOTD GARVEE Bond Projects

- Reconstruction and widening of I-10 from Miss. River bridge to I-10/I-12 split
- New Interchange on I-10 at Kenner to serve new Armstrong airport terminal
- New access from I-20 directly into Barksdale AFB in Bossier City

Coastal Accomplishments (2016-2018)

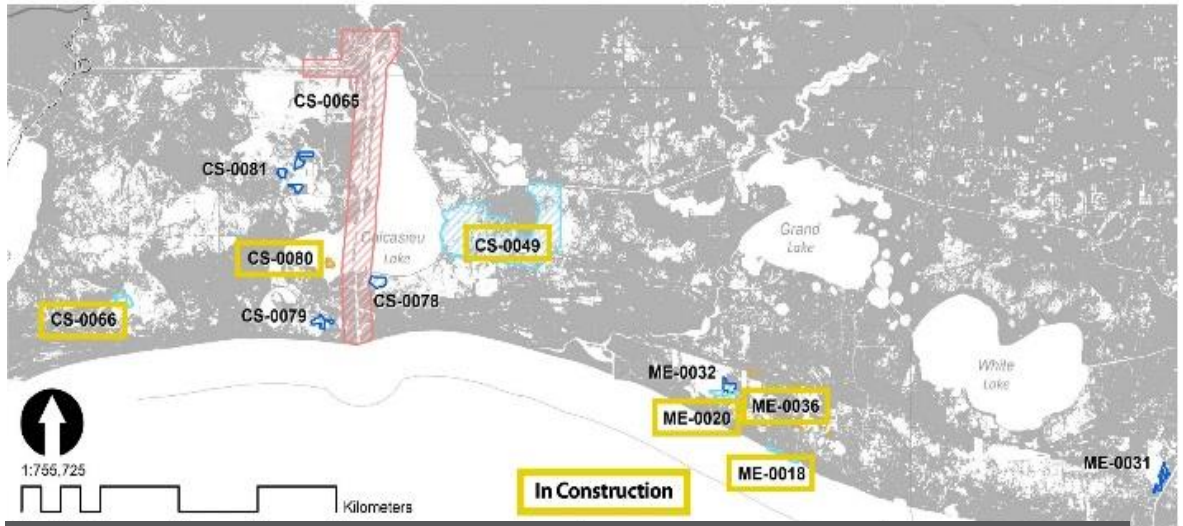
- 27 Projects Completed
- $5.25 Billion Value for the Coast
- 76 Active Projects benefitting 128,000 acres and 190 miles of levee
- Unanimous Approval of 2017 Coastal Master Plan

CPRA Active Projects FY20

Southcentral Region

16 active projects: 9 in construction, 6 in E&D, 1 in planning

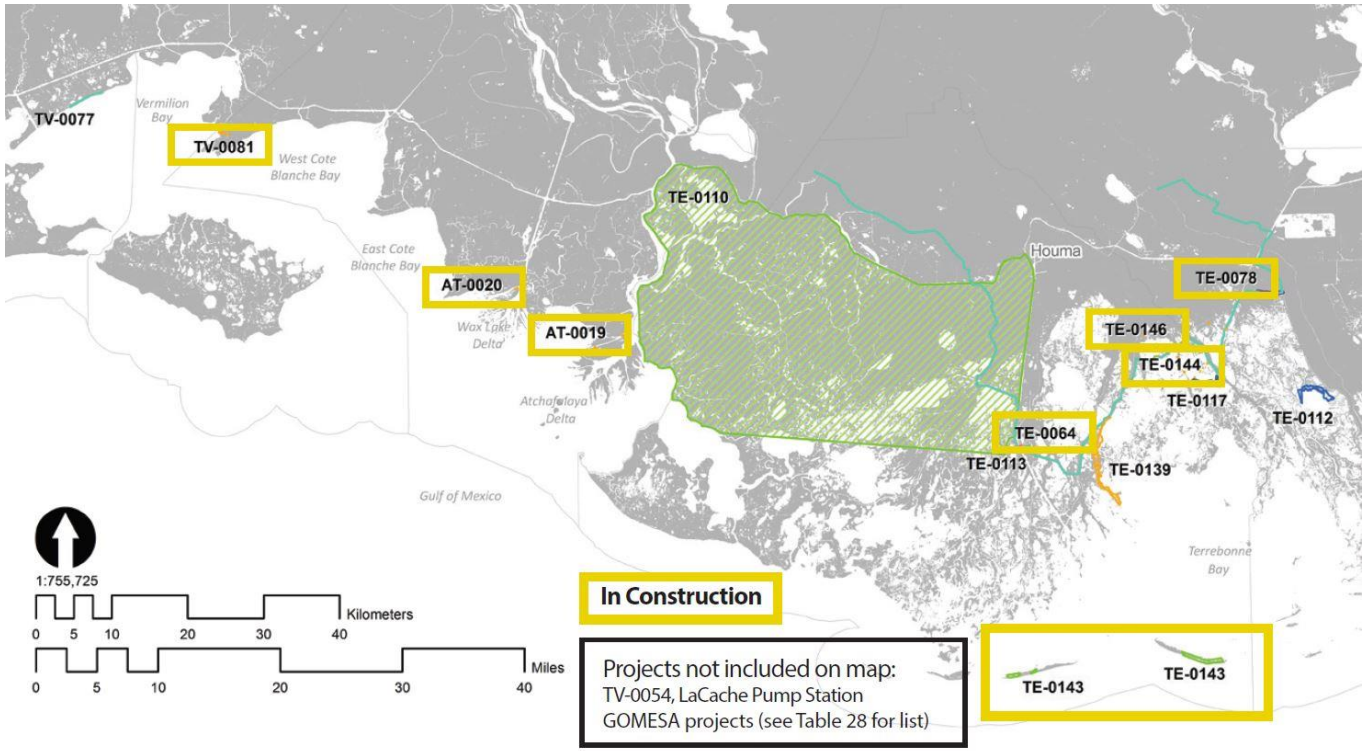
Projects in Construction:
TE-0064 Morganza to the Gulf
TE-0078 Cut-Off/Pointe aux Chene Levee
TE-0143 Terrebonne Basin Barrier Island
TE-0144 Island Road Fishing Piers
TE-0146 Pointe-aux-Chenes WMA Enhancements
TV-0081 Cypremort Point State Park Improvements
AT-0019 Atchafalaya Delta WMA Boat Access
AT-0020 Atchafalaya Delta WMA Campground Improvements
N/A LaCache Pump Station



Southwest Region

12 active projects: 6 in construction, 6 in E&D

Projects in Construction:
CS-0049 Cameron-Creole Freshwater Introduction
CS-0066 Cameron Meadows Marsh Creation and Terracing
CS-0080 Rabbit Island Restoration
ME-0018 Rockefeller Refuge Gulf Shoreline Stabilization
ME-0020 South Grand Chenier Marsh Creation
ME-0036 Rockefeller Piers and Signage

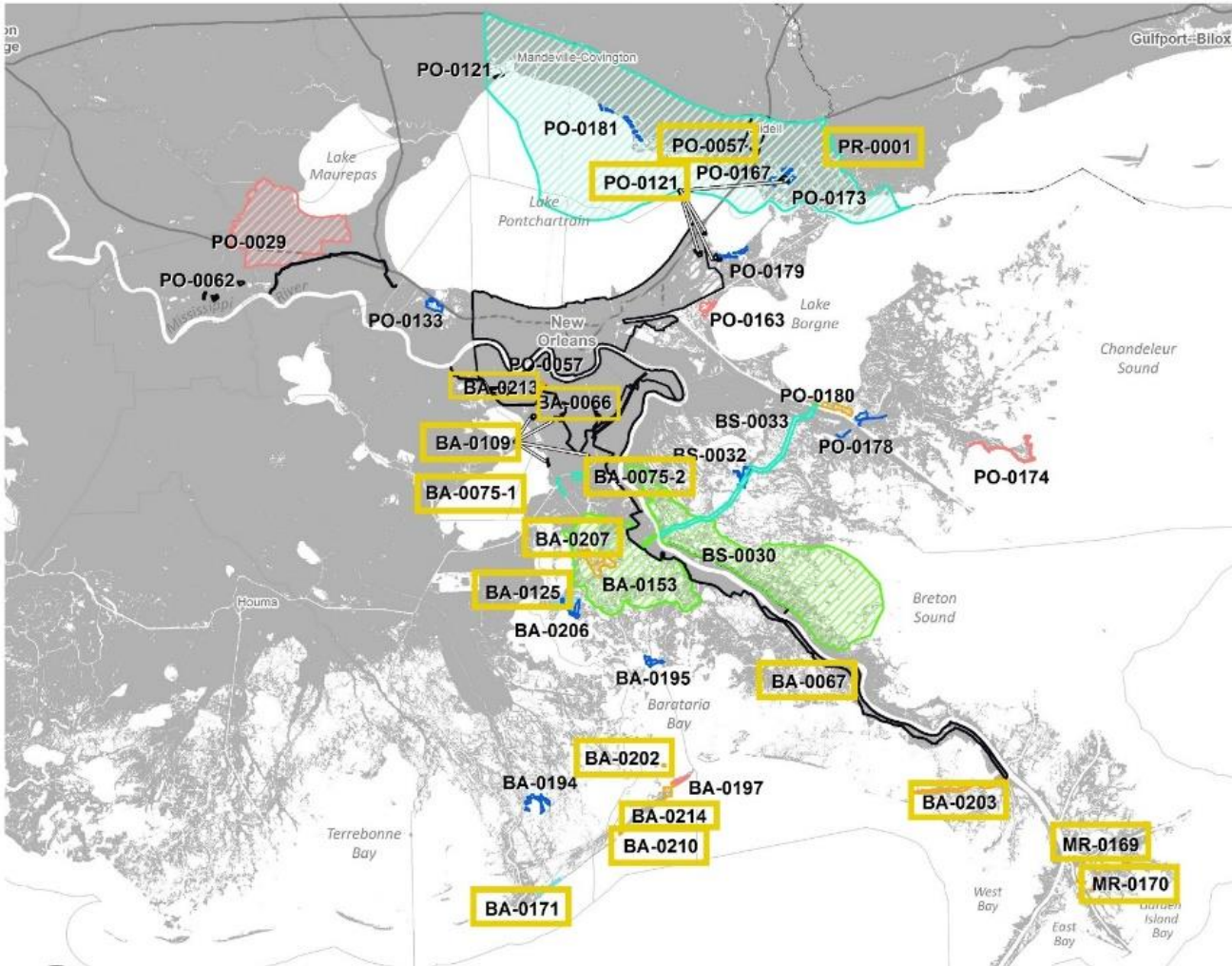


CPRA Active Projects FY20

Southeastern Region

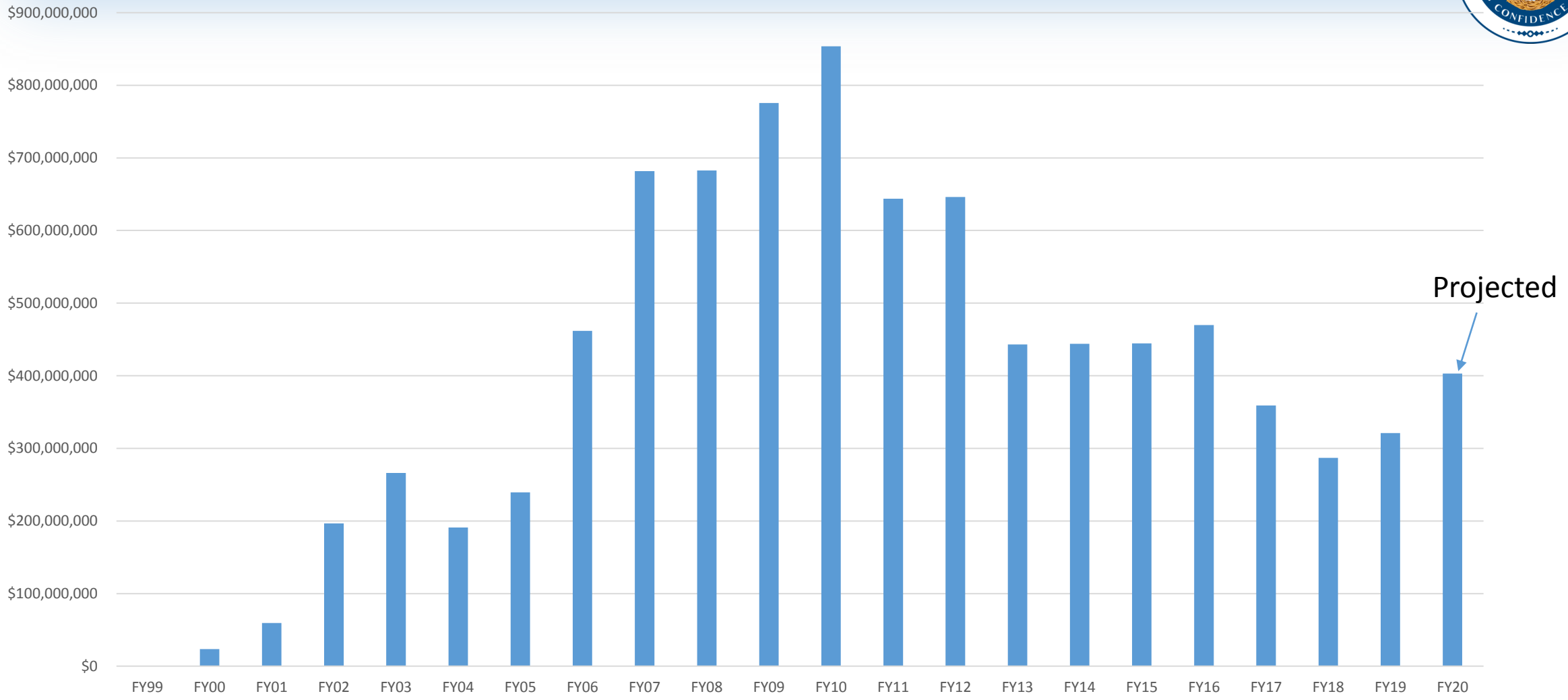
48 active projects: 23 in construction, 20 in E&D, 5 in planning

Projects in Construction:
BA-0075-1 Jean Lafitte Tidal Protection
BA-0075-2 Rosethorne Tidal Protection
BA-0066 West Bank and Vicinity
BA-0067 New Orleans to Venice
BA-0109 HSDRRS Mitigation- WBV
BA-0125 Northwest Turtle Bay Marsh Creation
BA-0171 Caminada Headlands Back Barrier Marsh Creation
BA-0202 Queen Bess Island Restoration
BA-0203 Barataria Basin Ridge and Marsh Restoration- Spanish Pass
BA-0207 Large-Scale Barataria Marsh Creation
BA-0210 Grand Isle & Vicinity Breakwater
BA-0213 Bayou Segnette State Park Improvements
BA-0214 Grand Isle State Park Improvements
PO-0057 SELA- Overall
PO-0121 HSDRRS Mitigation- LPV
PR-0001 Middle Pearl River WMA Boat Launch
MR-0169 Pass a Loutre Crevasses NRDA
MR-0170 Pass a Loutre Campgrounds NRDA
N/A Grand Isle Bayside Segmented Rock Breakwater
N/A Lafitte Area Independent Levee District Tidal Protection
N/A St. Bernard Pump Station Repairs
N/A Violet Canal Repairs
N/A SLLD E-North & E-South Levee Lift



Budget Reforms

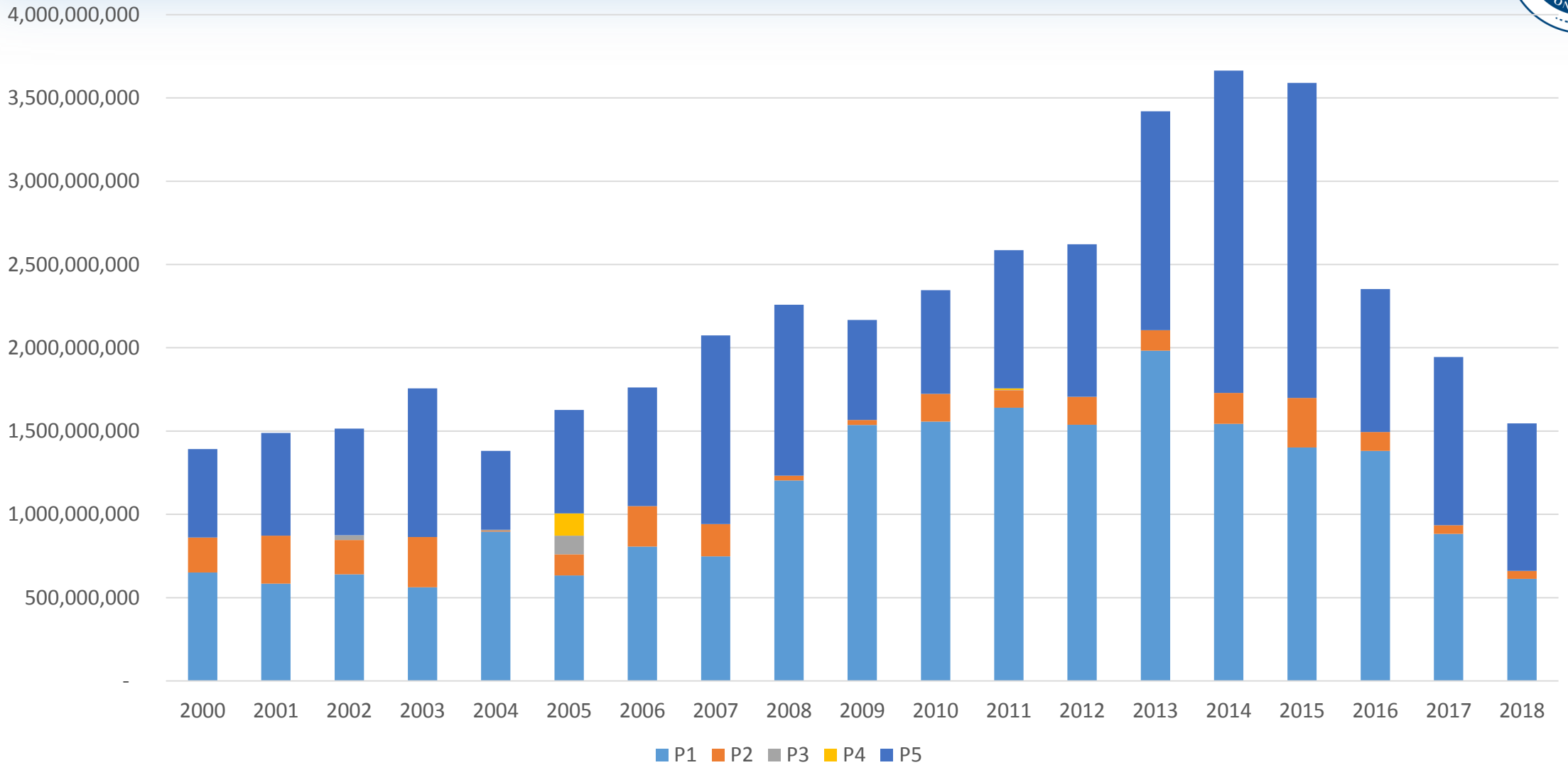
Budget Stabilization Fund - Beginning Balances



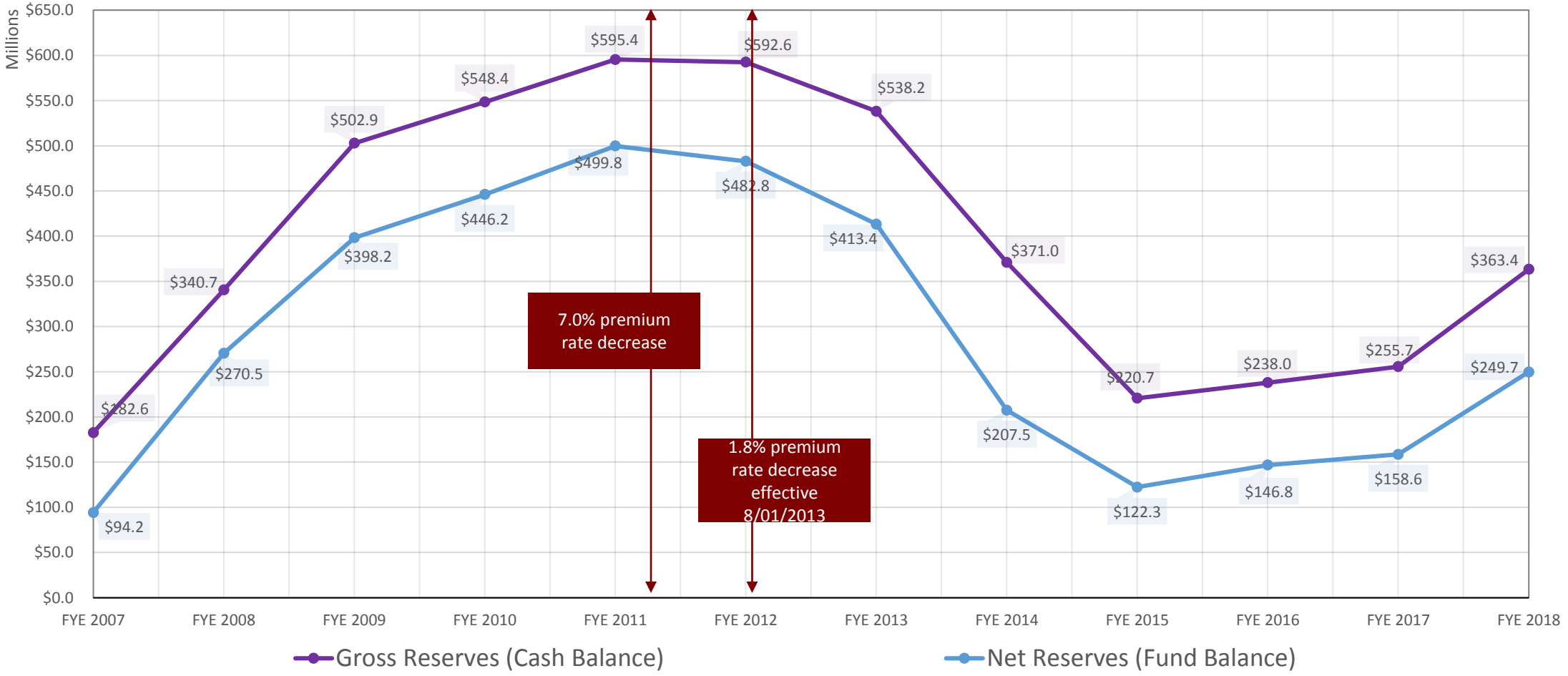
G.O. Bond Portion of Capital Outlay Acts

	2015	2016	2017	2018
Priority 1:	$1,434,220,500	$1,370,000,105	$916,584,155	$654,682,000
Priority 2:	$391,399,658	$232,163,700	$112,874,898	$129,470,400
Priority 3:	$800,000	$0	$0	$0
Priority 4:	$0	$0	$0	$0
Priority 5:	$2,080,284,000	$1,248,347,867	$1,234,954,285	$1,167,894,997
Total:	$3,906,704,158	$2,850,511,672	$2,264,413,338	$1,952,047,397

Original HB2 Appropriations: 2000-Present

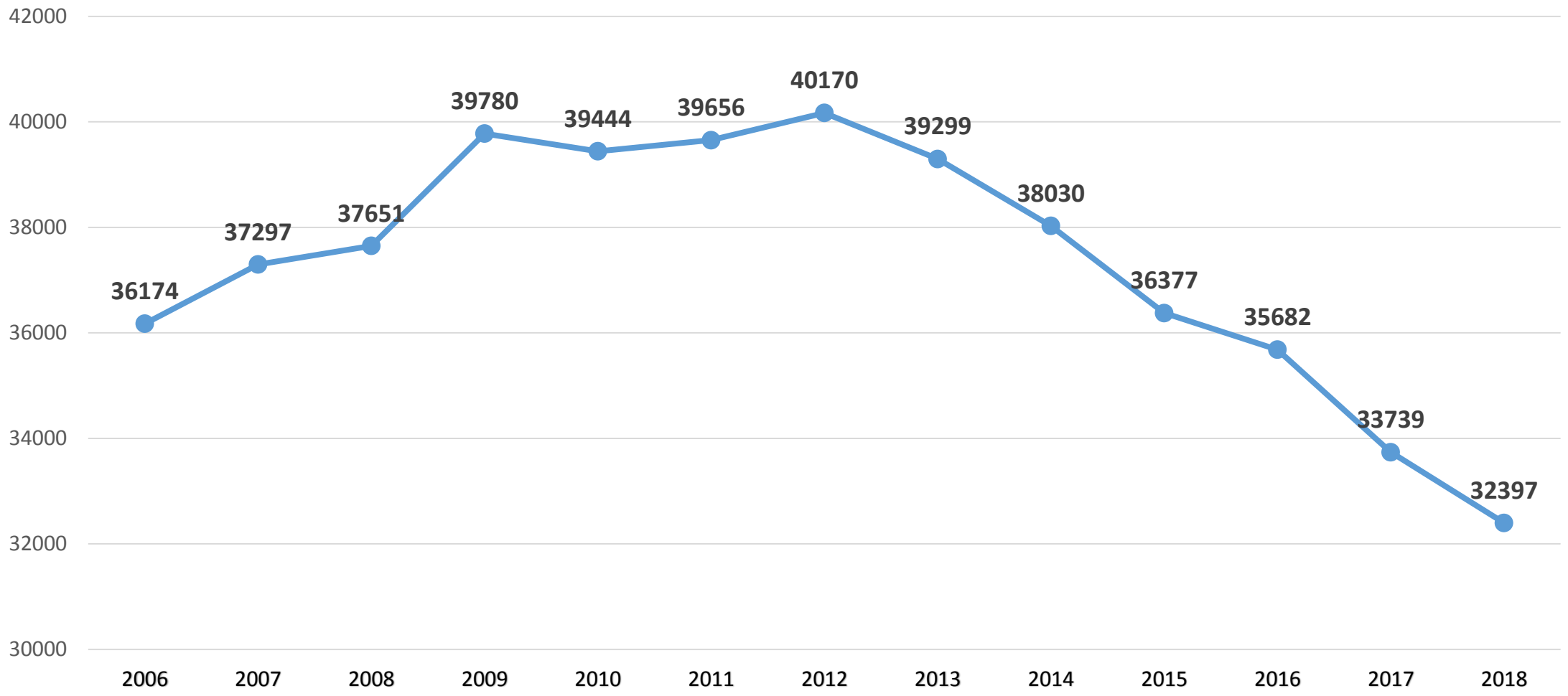


Office of Group Benefits



Data Source: Accrual Financial Reports. The difference between Gross Reserves and Net Reserves is the actuarialy estimated fiscal year-end Incurred But Not Reported (IBNR) claims liabilities and outstanding

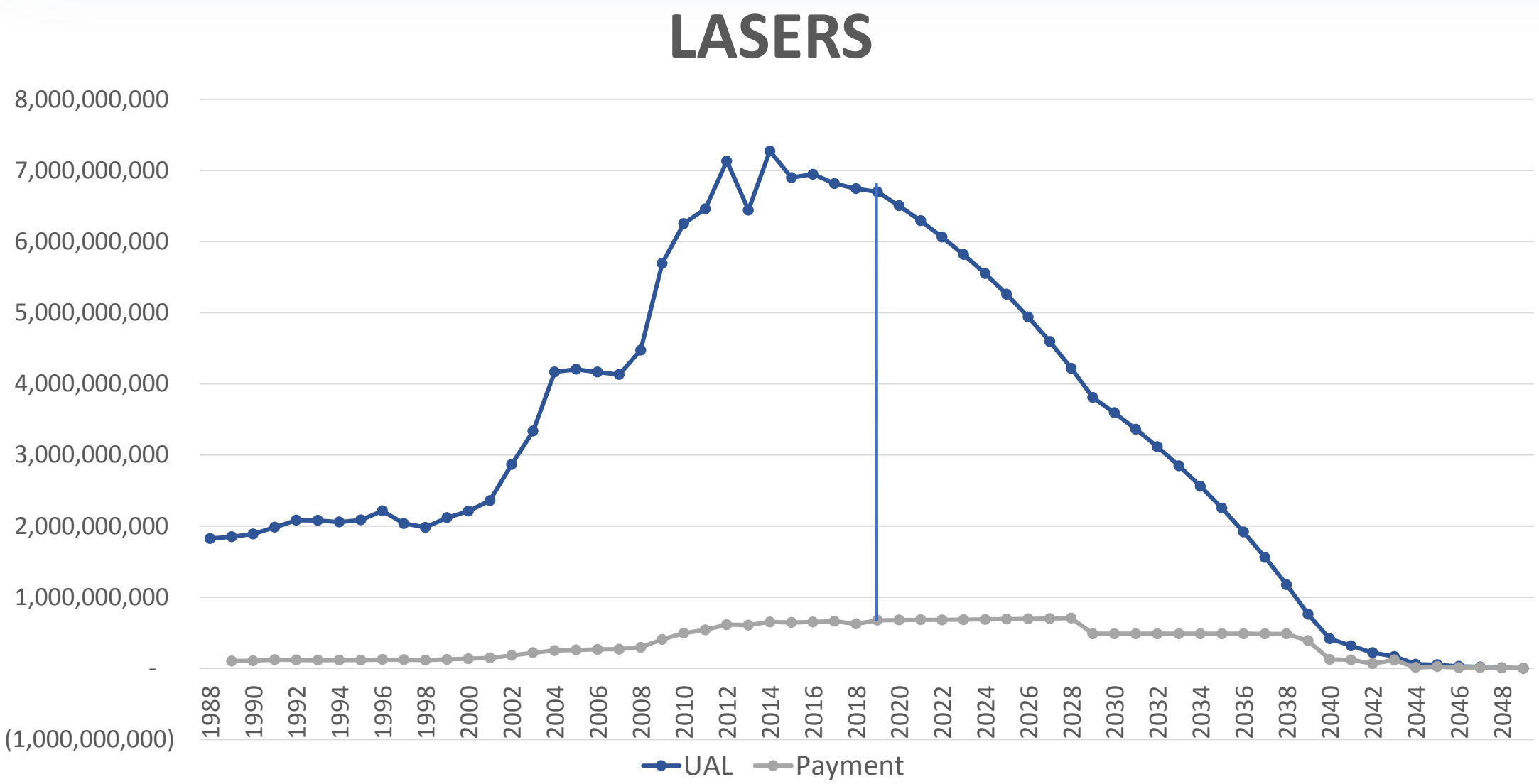
Louisiana Prison Population CY 2006-2018



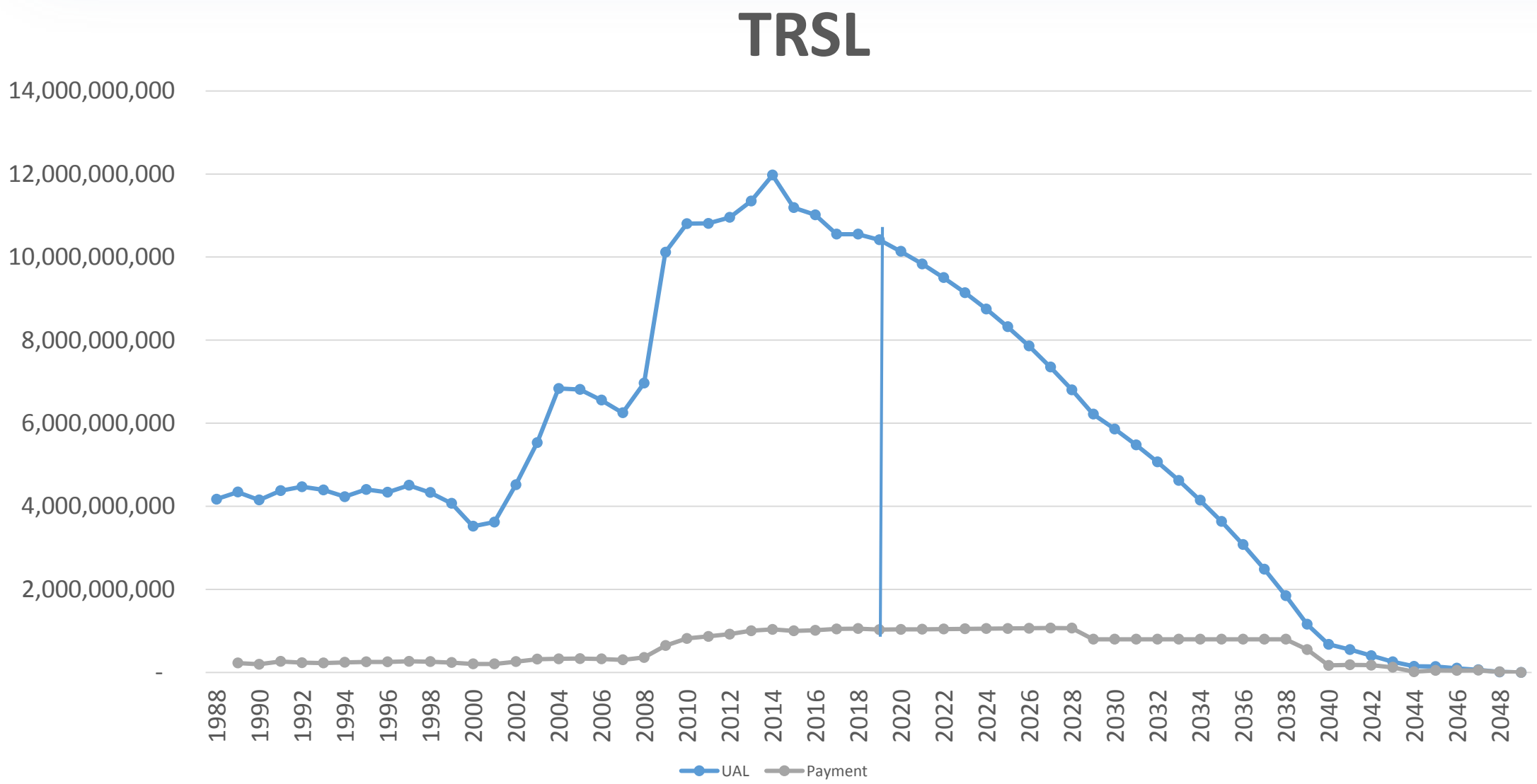
Year 1 Criminal Justice Reinvestment

Total Savings	$12,203,000	
30% Returned to State General Fund	$3,660,900	
70% Reinvestment Funds	$8,542,100	
30% Community Incentive Grants	$2,562,630	Allocated to DPS&C to award incentive grants to parishes, judicial districts, and nonprofit community partner organizations to expand evidence-backed prison alternatives and reduce admissions to the state prison system.
20% LCLE Victim Services	$1,708,420	Allocated to the Louisiana Commission on Law Enforcement and the Administration of Criminal Justice (LCLE) to award competitive grants for victim services.
50% DOC Reinvestment	$4,271,050	Allocated to the DPS&C for targeted investments in reentry services, community supervision, educational and vocational programming, transitional work programs, and contracts with parish jails and other local facilities that house state inmates to incentivize expansion of recidivism reduction programming and treatment services.

Historical and Projected UAL and UAL Payments



Historical and Projected UAL and UAL Payments



FY19: The Facts

- No one-time money for recurring expenses
- No fund sweeps
- No mid-year deficit
- Anticipated excess in the current year

Use of Current Year Excess

- Finalize implementation of LaGov financial system — $15 Million
- Repay FEMA for multiple disasters including the August 2016 flood — $25 million
- Partial repayment plan for Public Service Commission and Environmental Quality — $3 Million
- Higher Education and TOPS — $19 million
- Corrections — $16 Million

Budget Stability

- No one-time funds or fund sweeps
- Resolution of the fiscal cliff
- Improved credit status

The Revenue Dilemma

REC Timeline

JUNE 2018	NOV. 2018	DEC. 2018	JAN. 1	JAN. 2019	FEB. 2019
• Meeting to revise forecast based on legislative action. • Revised FY19 forecast. • Revised FY20 forecast only as part of long-range forecast. Thus, no fees or self-generated revenue were included. Only updated "Page 2" dedications.	• Motion to adopt DOA forecast for FY19, FY20. • Speaker proxy objects; no vote but other three members voice support for DOA forecast.	• Voted 3-1 to adopt DOA forecast for FY19, FY20.	• Applicability of La. R.S. 39:26(A)(2).	• Voted 3-1 to adopt DOA forecast for FY20.	• Voted 3-1 to adopt LFO forecast. • Voted 3-1 to reject Speaker's proposal to approve current stat deds and self-generated revenue numbers and not revise June 2018 general fund forecast or “Page2” dedications.

The Law

- Article VII(11) of the Constitution provides as follows: “The governor shall submit to the legislature…a budget estimate [which] shall include a recommendation for appropriations from the **state general fund and from dedicated funds**…which shall not exceed the official forecast…”
- Article VII(11) must be considered in tandem with the provisions of Article VII(10)(B) dealing with the REC, which says: “The conference shall prepare and publish **initial and revised** estimates of money to be received by the **state general fund and dedicated funds** for the current and next fiscal years which are available for appropriation…”
- Louisiana R.S. 39:26(A)(2) provides: “By January 1 the conference **shall revise** the official forecast for the **ensuing fiscal year** which shall be utilized in the preparation of the **executive budget**.”

FY 2020 June 2018 Scenario

The Twilight Zone

Even if June 2018 Scenario Could Be Used

- Does not include approximately $2.5 billion in other dedications and self-generated revenues
- Federal funds are <u>not</u> adjusted for the loss of self-generated and statutory dedications to be used as matching funds
- <u>No</u> adjustment to interagency transfers is included due to the complexity of realigning state mandated costs if some agencies are not funded
- Table of Organization is <u>not</u> adjusted to reflect the amount of layoffs and/or terminations if agencies are not funded

Even If June 2018 Scenario Could Be Used

Major reductions due to lack of forecast:

- State Treasurer 79%
- Insurance 98%
- CRT 44%
- Public Safety Services 58%
- Natural Resources 45%
- Revenue 99%
- Environmental Quality 82%
- Wildlife & Fisheries 66%
- Ancillary Budgets 73%

Even if … the Deep Uncertain Hole

	Budgeted 2018-2019	June 2018 Scenario	June 2018 Over/(Under) Budgeted
General Fund	$9,560.4	$9,605.5	$45.1
Fees/Self Generated	$2,847.2	$1,476.3	($1,370.9)
Statutory Dedications	$4,320.8	$3,209.9	($1,110.9)
Federal Funds	$14,150	$14,666	$516
Total	$30,878.5	$28,957.8	($1,920.7)

In Millions

Other Impacts

- Due to the complexity of calculating the impact of not including dedications and self-generated, the negative impacts to the Federal Funds and Interagency Transfers Means of Financing and to positions would have to be included in any Executive Budget recommendation
- As an example or illustration of the potential impact to Federal Funds
  - The Department of Health will not be able to include $832 million in dedications and self-generated revenues
  - This will equate to over $1.6 billion in federal funds
  - A total of approximately $2.5 billion in funding would not be able to be included in the budget at this time
- This leads to an absurd result and would not be in the public's interest to make such a recommendation based on this scenario

Department Comparisons Total Funding

	Budgeted 2018-2019	June 2018 Scenario	Over/Under Budgeted
Executive	2,541,288,346	2,058,911,321	-482,377,025
Veterans Affairs	71,192,039	56,603,925	-14,588,114
Secretary of State	90,358,748	61,408,963	-28,949,785
Attorney General	71,957,217	57,104,900	-14,852,317
Lieutenant Governor	7,212,197	7,206,425	-5,772
State Treasurer	11,639,368	2,478,759	-9,160,609
Public Service Commission	9,722,536	9,315,679	-406,857
Agriculture & Forestry	73,306,663	46,691,874	-26,614,789
Commissioner of Insurance	31,878,205	717,962	-31,160,243

Department Comparisons Total Funding

	Budgeted 2018-2019	June 2018 Scenario	Over/Under Budgeted
Economic Development	49,129,804	38,049,706	-11,080,098
Culture, Recreation & Tourism	89,299,693	49,782,213	-39,517,480
Transportation & Development	637,481,619	605,430,914	-32,050,705
Corrections	571,465,367	520,148,720	-51,316,647
Public Safety Services	478,056,078	199,683,558	-278,372,520
Youth Services	125,462,265	133,647,916	8,185,651
Department of Health	14,070,752,723	14,171,813,612	101,060,889
Children & Family Services	779,223,704	772,599,939	-6,623,765

Department Comparisons Total Funding

	Budgeted 2018-2019	June 2018 Scenario	Over/Under Budgeted
Natural Resources	56,063,158	30,573,888	-25,489,270
Revenue	105,569,842	855,000	-104,714,842
Environmental Quality	137,257,945	24,290,632	-112,967,313
Workforce	288,273,138	174,614,102	-113,659,036
Wildlife & Fisheries	176,572,698	59,025,245	-117,547,453
Civil Service	21,022,685	20,104,624	-918,061
Higher Education	2,741,586,490	2,730,149,442	-11,437,048
Other Education	102,169,978	98,027,042	-4,142,936
Department of Education	5,376,183,272	5,381,507,323	5,324,051
Health Care Services Division	62,243,427	45,631,428	-16,611,999
Other Requirements	876,987,614	695,451,722	-181,535,892

FY 2020 Proposed Budget

The Real World

FY 2019-2020 Budget Comparisons

	June 2018 Scenario	FY 2019-20 Proposed Budget
General Fund	9,605.5	9,740.0
Fees/Self Generated	1,476.3	3,028.6
Statutory Dedications	3,209.9	4,341.6
Federal Funds	14,666	14,666.0
Total	28,957.8	31,776.1

In Millions

2019-2020 Proposed Budget

Major Statewide Increases	General Fund	Total Funds
Market Rate Adjustments	$24,539,231	$57,423,689
Retirement Costs	$21,783,799	$48,264,974
Risk Management	$7,079,963	$10,801,374
Technology Services	$6,816,758	$14,963,677
Group Benefits	$4,759,739	$11,630,496
Total	$64,979,490	$143,084,210

2019-2020 Proposed Budget

Major Increases	General Fund
GO New Bond Sale Debt Service	$25,621,352
K-12 Teacher Pay and MFP Increase	$140,184,280
Higher Education	$10,687,857
TOPS	$15,285,908
Juvenile Justice	$14,900,000
DCFS	$8,849,399
Total	$215,528,796

2019-2020 Proposed Budget

Increase Summary	General Fund
Statewide Adjustments	$64,979,490
Major Adjustments	$215,528,796
TOTAL	$280,508,286

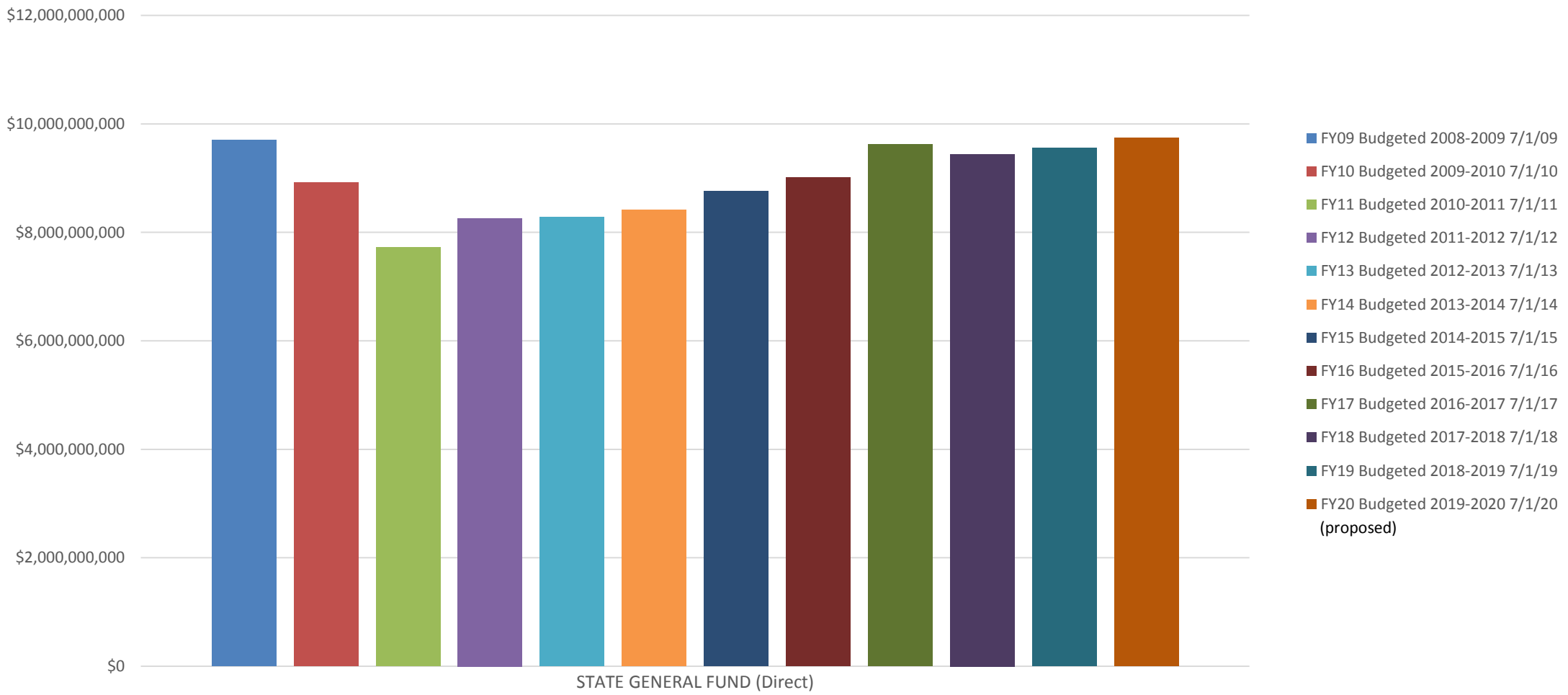
2019-2020 Proposed Budget

Major Decreases	General Fund	Total Funds
Attrition Adjustments	$26,098,002	$59,635,964
Personnel Reductions	$4,712,673	$7,664,801
Rent	$1,388,093	$3,456,767
Total	$32,198,768.0	$70,757,532

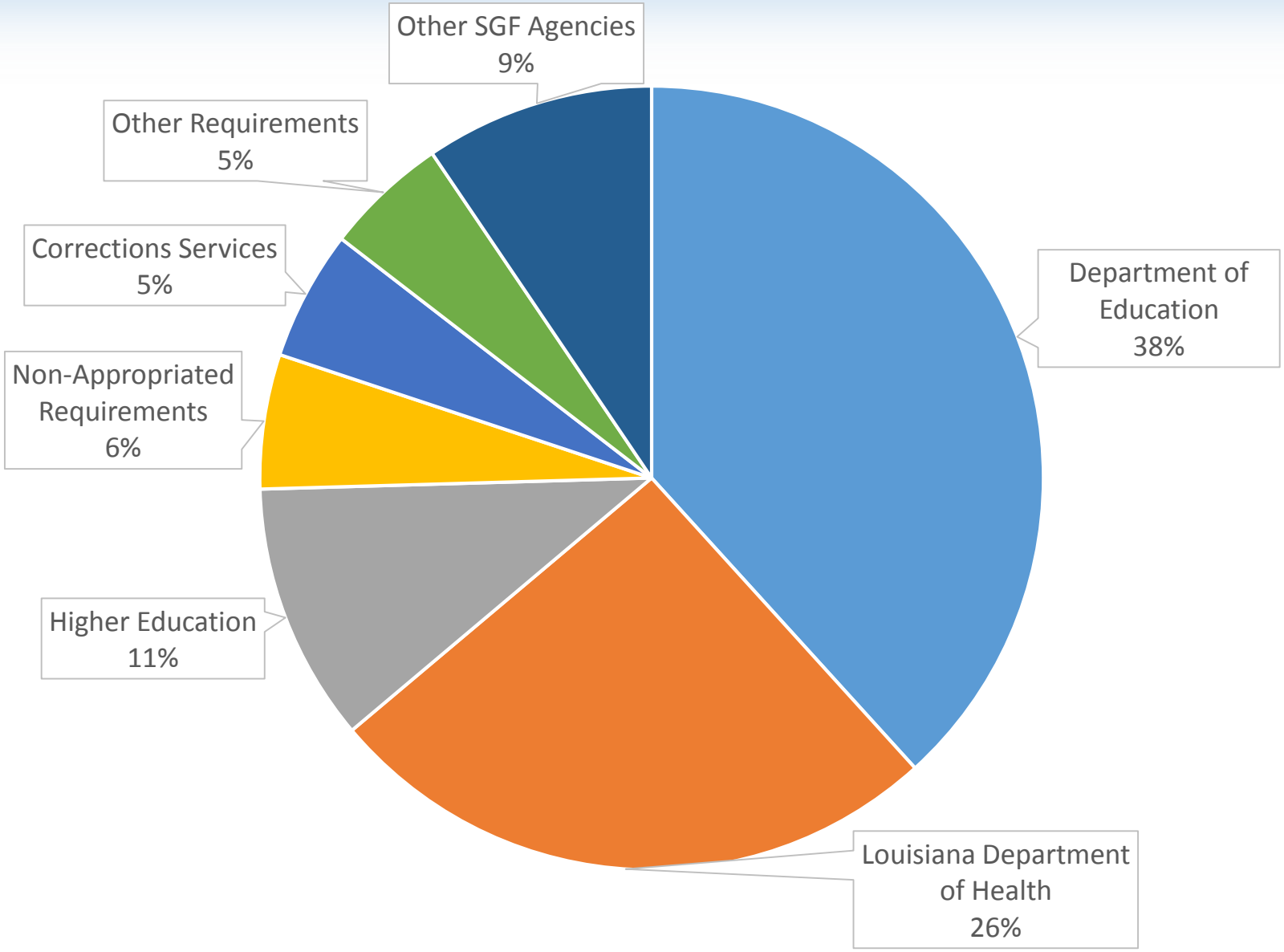
2019-2020 Proposed Budget

- Authorized Positions are increased by 104, primarily due to the conversion of non-TO positions to authorized positions
- Non-TO and Other Charges positions are decreased by a net 282 positions
- Net change in total positions is a reduction of 178

General Fund Budget



State General Fund



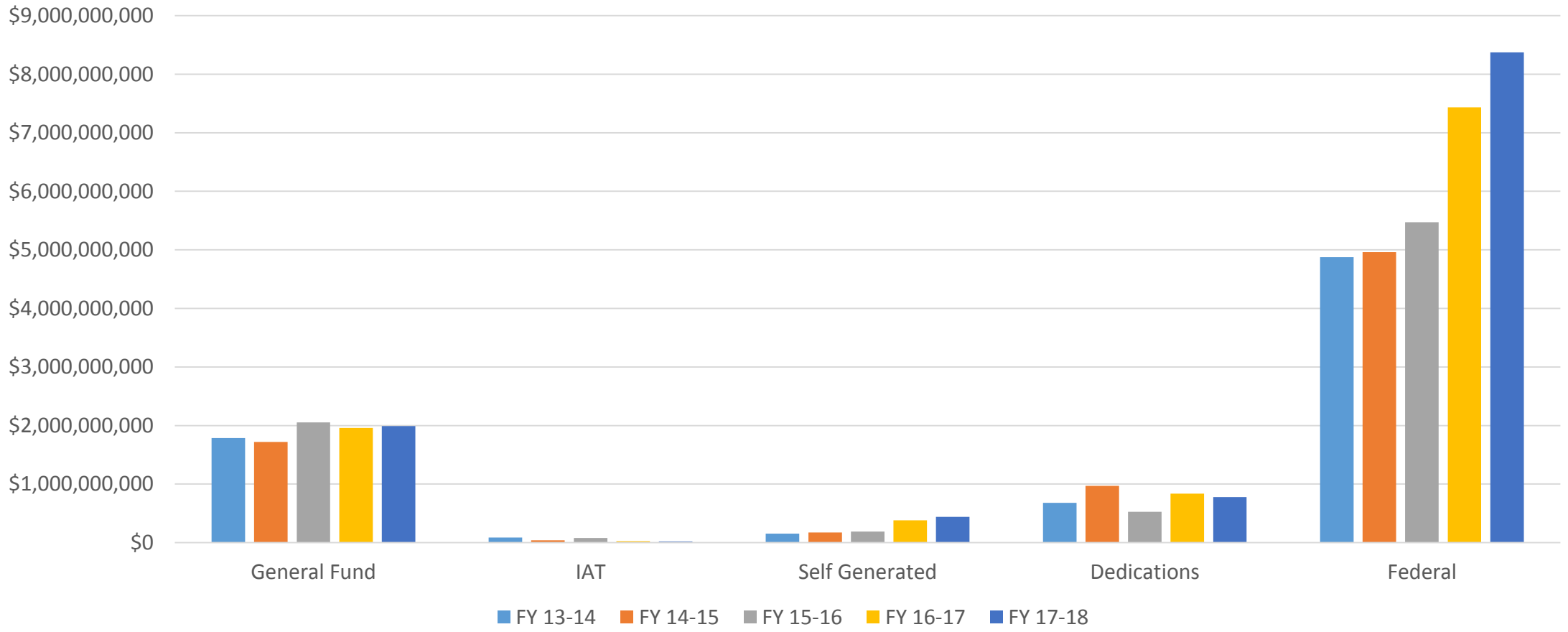
Department of Education

- Funded teacher pay raise $101.3 million
  - $75.7 million provides a raise of $1,000 plus the additional related benefits cost for approximately 60,000 certificated personnel including teachers, counselors, therapists, and school nurses;
  - $25.6 million provides a raise of $500 plus the additional related benefits cost for approximately 40,000 non-certificated personnel including service workers, classroom aides, support staff, and skilled craftsmen.
- 1.375% increase in the MFP base amount per pupil $38.9 million
  - Raising the amount from $3,961 to $4,015 per pupil. These funds provide the Local Educational Agencies (LEAs) with additional operating funds.
- Partial restoration of required services funding - $3.7 million

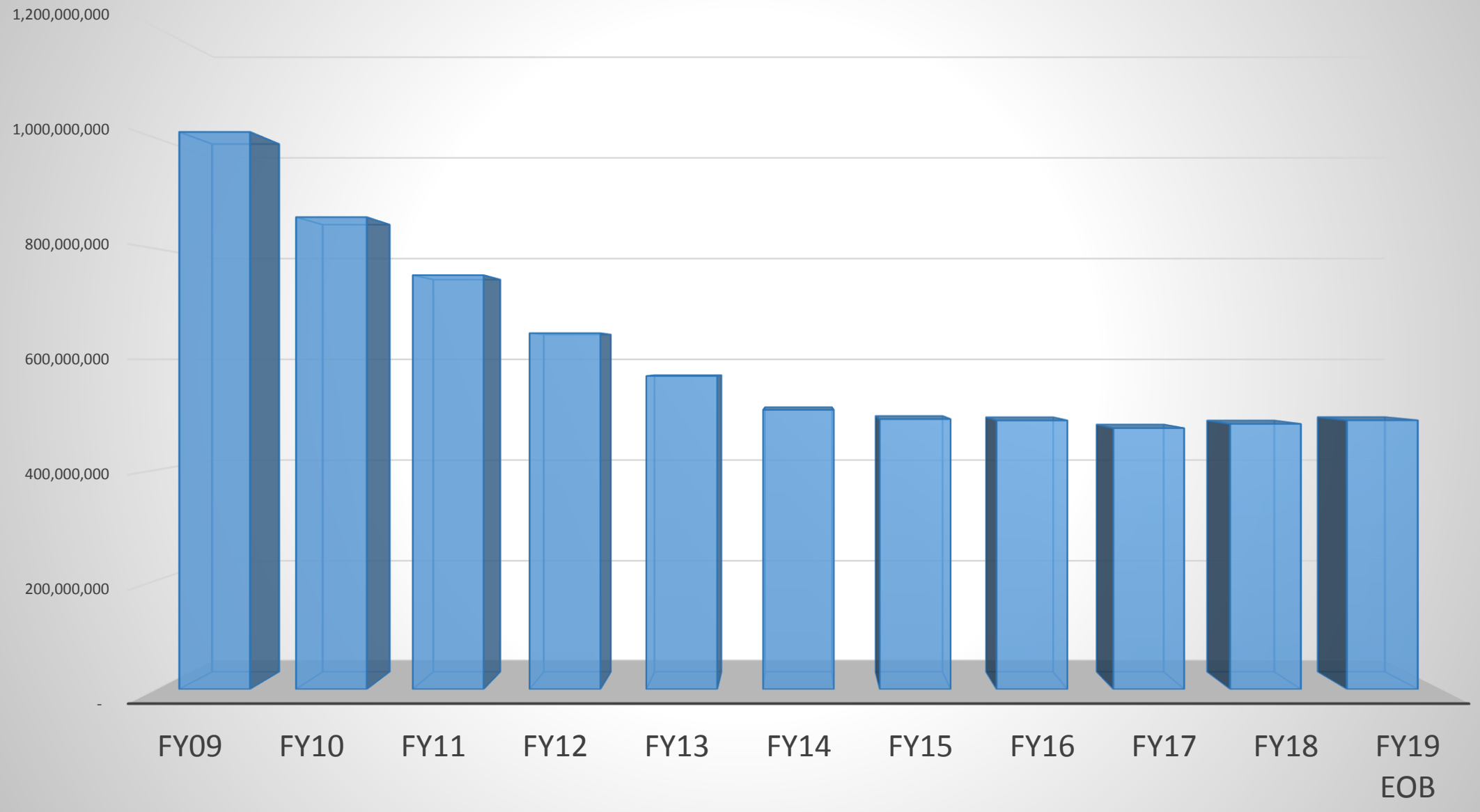
Department of Health

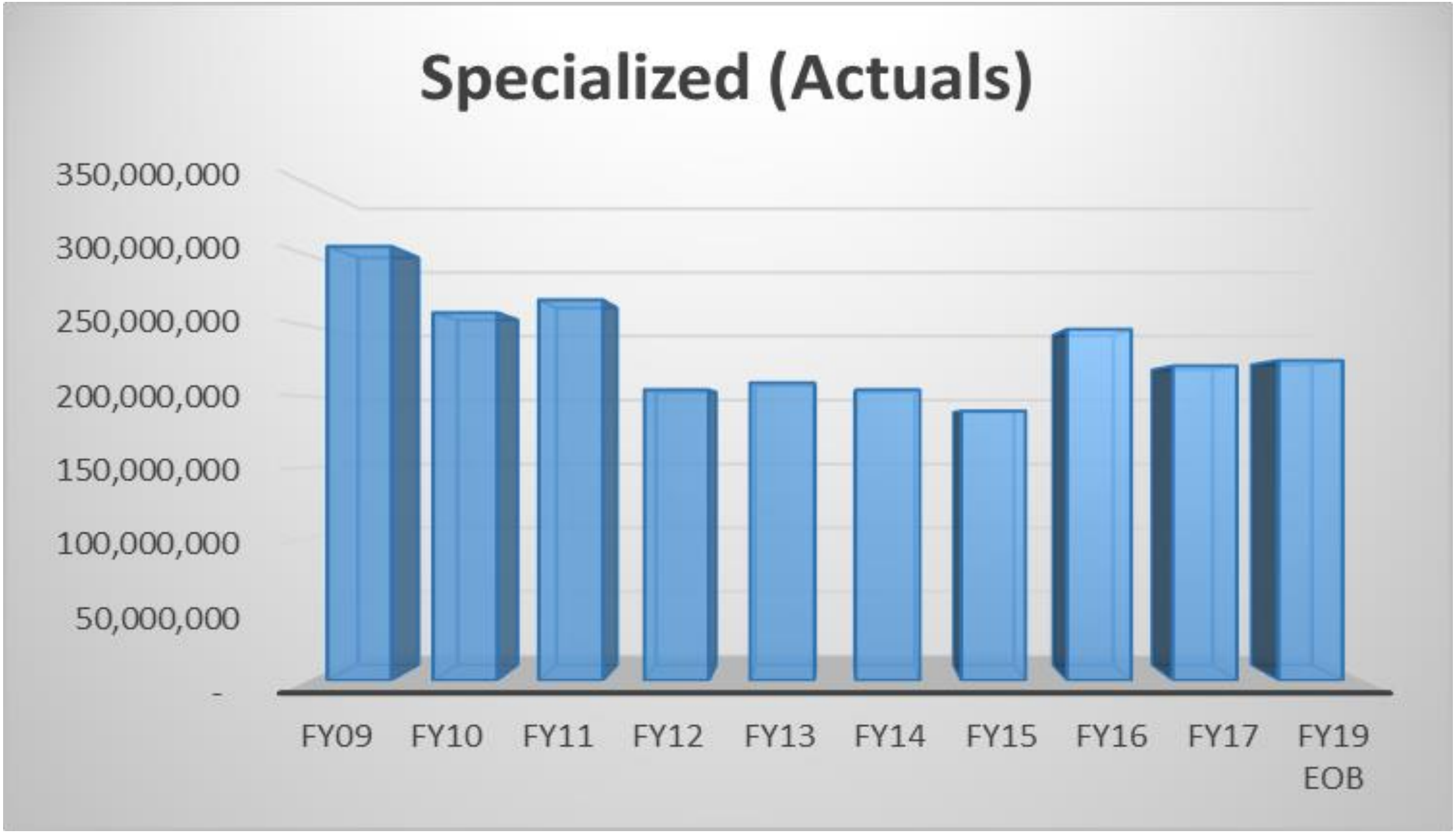
- Starting in FY 2017, Medicaid expansion leveraged an infusion of $1.85 billion in federal funds into $3.57 billion of economic activity
- 19,000 jobs were created/retained
- 481,000 low-income people had new access to health care
- In November 2018, LDH implemented a new Medicaid eligibility and enrollment system that connects with state and federal databases to verify in real time --- income, disability, citizenship and lawful presence in the U.S.
- For FY 2020 LDH will implement a Managed Care Incentive Program financed with self-generated revenues generating an additional $324 million in federal funds

Medical Vendor Payments



2YR/4YR Institutions (Actuals)




Specialized (Actuals)
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
-
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY19 EOB

Higher Education Budgets

- TOPS increased by $15.2 million in General Fund
- Formula funding increased by $6.2 million
- Specialized units increased by $4.48 million

Office of Technology Services

- HCR 121 of the 2017 Regular Session charged OTS with the responsibility to evaluate the status of technology systems within the Executive Branch of state government.
- 157 legacy systems identified as operational risks due to aging, outdated technology, and the inability to maintain continued support
- Projected replacement cost approximately $1 billion

Current Modernization Projects

- LDH: LaMeds Medicaid Eligibility and Enrollment System in Phase 2
- DCFS: Integrated Eligibility for SNAP, TANF with Medicaid Eligibility under development and scheduled to launch fall of 2019
- DCFS: Child Welfare System in procurement/contracting phase
- DOA: Continuing to migrate state agencies onto the La Gov system
- DPS OMV: Licensing Application in initial development phases
- DPS State Police: Computer Aided Dispatch/Records Management System in procurement phase
- Corrections/OJJ: Offender Management System in planning phase
- DOE: Education Management Link in requirements definition and procurement phase

Unfunded Budget Issues for FY 2020

- Mandated Costs for Higher Education -- $18 million
- Early Childhood -- $8.8 million
  - Loss of federal funds (pre-K expansion grant for pre-school development impacting 1,800 students)
  - Awaiting a decision on the continuation of Early Childhood Services grant which could impact 4,500 slots currently being utilized
- Department of Education reductions -- $2.3 million and 41 positions
- Department of Health – rate restorations to return to 2008 Rates -- $38.8 million
- Statewide acquisitions and major repairs -- $13.1 million