



State of Louisiana

Division of Administration
Office of the Commissioner

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Administration to Present Surplus Details Friday

BATON ROUGE – At Friday’s budget meeting, the Division of Administration will present a budget status report that shows a \$178.5 million surplus for fiscal year 2014.

The year-end report shows actual revenues and expenditures in the state General Fund at the end of the fiscal year. The revenue for 2014 includes a balance carried over in prior years that had not been included in previous year balances.

“We will get more details as we begin a more formal review, but it does appear that there was a balance carried over from prior years that should be included in this report,” said Louisiana Fiscal Officer John Carpenter.

At the end of each fiscal year, the Treasury “sweeps” agency funds that have not been appropriated or spent during the fiscal year. That money is transferred to the state General Fund. Going back as far as 2002, some of those balances were not included in year-end reports that identified the state’s surplus or deficit. While the Treasury had used the money for cash flow, it had never been reported in the year-end report presented to the Joint Legislative Committee on the Budget (JLCB).

“It’s disappointing that the Treasurer never reported these balances to the public,” said Commissioner of Administration Kristy Nichols.

Louisiana calculated its 2014 year-end balance on a modified cash basis, the same way it calculated the balance in previous years. This method uses the same basis of accounting as the budget adopted by the Legislature.

Commissioner Nichols said, “Treasurer Kennedy has accused the state of changing the accounting system from accrual to cash. We have not. We are using the same accounting method we have always used.”

A modified cash basis includes all cash receipts and disbursements as of June 30. Adjustments are made to include revenues that the state is legally entitled to, but has not received. For example, sales

tax revenue is recognized when the original transaction takes place, not when the state receives the revenue from the merchant (assuming it was received within 45 days after the fiscal year end).

On the expenditure side, balances are adjusted when the expense is incurred, not when the bill is paid. For example, legal services rendered in June are included in the report, even if the bill is not paid until July.

The balance that helps to make up the 2014 surplus has been collected and is currently in the state General Fund. In any accounting method - whether cash, accrual or modified cash - this balance would be included in year-end calculations.

After Friday's JLCB meeting, the Legislative Auditor will begin the process of certifying the final numbers. The next step is working with the Legislature to determine how the surplus will be spent.

Commissioner Nichols has said that the top priorities are health care and education. "The bottom line is that we have a surplus. Now we have to work to ensure it is used in the most responsible, appropriate way."

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