Executive Budget
Fiscal Year 2016-2017
Joint Legislative Committee on the Budget
February 13, 2016

John Bel Edwards
Governor
Deficit Amounts Last 8 Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($341.00)</td>
<td>($828.00)</td>
<td>($107.98)</td>
<td>($471.07)</td>
<td>($165.46)</td>
<td>($31.58)</td>
<td>($273.99)</td>
<td>($1,057.38)</td>
</tr>
</tbody>
</table>
Historical Fund Sweeps

2008: $14,382,672
2009: $43,300,998
2010: $86,974,063
2011: $6,664,175
2012: $173,677,695
2013: $44,203,414
2014: $103,956,135
2015: $101,191,150
2016: $30,300,000

## One-Time Money in FY16 Budget

<table>
<thead>
<tr>
<th>State Agency</th>
<th>Potential Financing Replacement in FY17 (in millions)</th>
<th>FY16 Funding Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Program</td>
<td>$52.0</td>
<td>2013 Tax Amnesty Fund</td>
</tr>
<tr>
<td>Medicaid Program</td>
<td>$114.6</td>
<td>Overcollections Fund (Various Sources)</td>
</tr>
<tr>
<td>Debt Services from Defeasance and Bond Premiums</td>
<td>$191.7</td>
<td>FY14 Cash Position and Net Bond Premiums from 2014D Sale and 2015 A&amp;B Sale</td>
</tr>
<tr>
<td>WISE</td>
<td>$24.3</td>
<td>CDBG Hurricane Disaster Recovery Funds</td>
</tr>
<tr>
<td>HCR 8 - SGF</td>
<td>$103.0</td>
<td>Suspends business utilities exemptions from adoption to 60 days after the 2016 Regular Legislative Session</td>
</tr>
<tr>
<td>Transfers from Various Funds into SGF</td>
<td>$30.3</td>
<td>Act 121 (HB 566) transfer into the SGF (fund sweep)</td>
</tr>
<tr>
<td>Minimum Foundation Program (MFP) (Lottery Proceeds Fund)</td>
<td>$25.9</td>
<td>Lottery reserves and unclaimed prizes (LA Lottery Corporation)</td>
</tr>
<tr>
<td><strong>TOTAL (Post Session)</strong></td>
<td><strong>$541.8</strong></td>
<td></td>
</tr>
<tr>
<td>Rainy Day Fund Use</td>
<td>$28.2</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>FEMA Reimbursements</td>
<td>$17.4</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>Prior Year Fund Sweeps Not Yet Collected</td>
<td>$10.3</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>Backfill: DHH Federal Resources</td>
<td>$132.6</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>Backfill: Transocean Funds (BP Settlement)</td>
<td>$4.0</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>Backfill: Various Transportation Funds</td>
<td>$47.6</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>Backfill: 2013 Tax Amnesty Fund</td>
<td>$23.0</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td>Backfill: Other Various Funds Sweeps</td>
<td>$21.6</td>
<td>Governor's Mid-Year Deficit Elimination Plan</td>
</tr>
<tr>
<td><strong>TOTAL (Post Mid-Year Solution)</strong></td>
<td><strong>$284.7</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$826.5</strong></td>
<td></td>
</tr>
</tbody>
</table>
Budget Status for FY 2015-2016

First Deficit

Deficit Amount: $487 million

Revenue Solution:
- Rainy Day: $28 million
- FEMA reimbursement: $17 million
- Fund sweeps: $10 million

Expenditure Solution:
- Reduce Expenditures: $432 million

$282 million in other funds were used to “backfill” for these general fund cuts. Result is no reduction.

Medicaid was reduced by $335.3 million and $209.1 million in other funds were used to “backfill” for the cuts. $126 million was pushed to FY 17.
Enter Edwards

- Budget discussions during the transition to the Edwards administration included an update on the current year general fund forecast
- Preliminary revenue reductions in the forecast ranged from $400 million to $450 million
- January fiscal status statement included supplemental budget needs for Medicaid, TOPS and MFP reaching about $300 million
- General discussions by the Edwards administration projected a $700 million to $750 million budget imbalance for the remaining six months of the current fiscal year
Resolving FY 2015-2016

Second Deficit

• Revenue Estimating Conference met February 10, 2016, and lowered the current year forecast by $570 million

• Budget development meetings with agencies and departments increased budget shortfalls from $300 million to over $370 million

• FY 2015-2016 projected imbalance now exceeds $940 million
### Resolving FY 2015-2016

**Current Mess**

<table>
<thead>
<tr>
<th>Supplemental Expenditure Needs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>REC Forecast Decline</td>
<td>$570,100,000</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$252,600,000</td>
</tr>
<tr>
<td>TOPS</td>
<td>$28,266,867</td>
</tr>
<tr>
<td>Dept. of Revenue</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Preamble Cuts</td>
<td>$18,840,452</td>
</tr>
<tr>
<td>Corrections</td>
<td>$14,500,000</td>
</tr>
<tr>
<td>MFP</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Juvenile Justice</td>
<td>$11,283,973</td>
</tr>
<tr>
<td>DCFS</td>
<td>$10,907,256</td>
</tr>
<tr>
<td>Local Housing</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Public Health</td>
<td>$2,050,000</td>
</tr>
<tr>
<td>Supplemental Needs 2/10/16</td>
<td>$373,448,548</td>
</tr>
<tr>
<td>Total FY 2015-2016 Budget Imbalance</td>
<td>$943,548,548</td>
</tr>
</tbody>
</table>
Resolving FY 2015-2016
Let’s Fix It

• Total Projected Budget Imbalance $943,548,548

• Use of Rainy Day Funds $128,000,000
• Re-Purpose initial BP Payment $200,000,000
• Reductions to Agencies:
  • General Fund $32,944,590
  • Statutory Dedications $38,523,527
  • Fees and Self-generated Revenues $18,310,269
    Subtotal $417,778,386

• Remaining Budget Shortfall $525,770,162
Resolving FY 2015-2016

- Rainy Day Fund: $128,000,000
- BP Funds: $200,000,000
- Budget Reductions: $158,452,509
- Remaining Shortfall: $457,000,000
Resolving FY 2015-2016

Immediately Implementing Cuts

- Deficit Reductions Using Governor’s Authority $21,734,240
- Supplemental Not Funded $68,674,123
- Deficit Reductions with Governor and JLCB Authority $38,490,799
- Deficit Reductions Requiring Legislative Approval $29,553,347
- Total Reductions $158,452,509
Resolving FY 2015-2016

Additional Budget Reductions – Supplemental Expenditures Not Funded:

- MFP $12,000,000
- TOPS $28,266,867
- Corrections $14,500,000
- Local Housing $3,000,000
- DCFS $10,907,256

Total Expenditures Not Funded $68,674,123
Resolving FY 2015-2016

Revenue Options:
• Increase Sales Tax 1 Cent
• Increase Tobacco Tax
• Reduce Inventory Credits
• Increase Telecommunications Tax
• Reduce Vendor Compensation
• Eliminate Exemption for Business Utilities
• Eliminate Exemption for Insurance Company Deposits

• Total Revenue Adjustments $340 million to $350 million

• Remaining Shortfall $107,096,039
Resolving FY 2015-2016
Closing the GAP

Remaining Shortfall $107,096,039

• Reduce Hospital Provider Payments and/or $ 64,257,623
  Optional Medicaid Programs

• Eliminate Two-Thirds’ General Fund Draw for Higher Education in May 2016 $ 42,838,416

• Remaining Shortfall - 0 -
Resolving FY 2015-2016 – Option B

- Total Projected Budget Imbalance: $943,548,548
- Use of Rainy Day Funds: $128,000,000
- Re-Purpose Initial BP Payment: $200,000,000
- Reductions to Agencies:
  - General Fund: $32,944,590
  - Statutory Dedications: $38,523,527
  - Fees and Self-Generated Revenues: $18,310,269
- Remaining Budget Shortfall: $525,770,162
Resolving FY 2015-2016

Failing to Act

Additional Budget Reductions –
Supplemental Expenditures Not Funded:

• MFP $ 12,000,000
• TOPS $ 28,266,867
• Corrections $ 14,500,000
• Local Housing $ 3,000,000
• DCFS $ 10,907,256
• Medicaid $252,600,000

Total Expenditures Not Funded $321,274,123

Reductions to Higher Education $204,496,039

Remaining Shortfall -0-
Resolving FY 2015-2016

Yes, Devastating Higher Education

- No more monthly draws
- Schools will use any remaining self-generated funds to continue operations as long as possible for spring semester
- Projections are that funds will be depleted early May
Resolving FY 2015-2016

Solve the $570 million shortfall first

Expenditure shortfall can be resolved if additional funds are received

Revenue must resolve the current fiscal year deficit

Only then will the following supplemental expenditures be eligible for some funding
Welcome to the Real World

This budget is based upon REC’s estimate of funds available.

The current year budget – like the previous seven – was based on one-time money ($826 million in the current year, fund sweeps, and false assumptions).
Executive Budget Requirements to Maintain Current Service Levels for FY 2016-2017

- General Fund Requirements: $10,245,816,863
- General Fund Forecast: $8,239,300,000
- Shortfall: $2,006,516,863
Components of the $2 billion shortfall

- Revenue forecast was reduced $743.8 million.
- $826 million in one-time funds are in the current year budget and would have to be replaced to maintain services.
- $190 million for utilization of the Medicaid program.
- $262 million for the 12th and 13th payments for the medical vendor program. First mid-year budget reduction simply pushed a payment into next year. Only 11 payments made in current fiscal year.
- $20 million for the MFP to reflect the October student count.
- $14.5 million for Corrections for increased costs.
### 2016-2017 Executive Budget
Constitutional Requirements are 100% Funded

<table>
<thead>
<tr>
<th>Agencies:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elections</td>
<td>$49,616,627</td>
</tr>
<tr>
<td>MFP</td>
<td>$3,406,804,782</td>
</tr>
<tr>
<td>Textbooks</td>
<td>$2,911,843</td>
</tr>
<tr>
<td>Interim Emergency Board</td>
<td>$1,758,021</td>
</tr>
<tr>
<td>Total Agencies</td>
<td>$3,461,091,273</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt Service:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrections</td>
<td>$4,963,192</td>
</tr>
<tr>
<td>HIED - LCTCS</td>
<td>$40,651,080</td>
</tr>
<tr>
<td>LED Commitments</td>
<td>$32,867,863</td>
</tr>
<tr>
<td>OFC and Road &amp; Bridge Settlement</td>
<td>$51,431,112</td>
</tr>
<tr>
<td>General Obligation Debt</td>
<td>$404,806,802</td>
</tr>
<tr>
<td>GOHSEP - FEMA Debt</td>
<td>$6,900,000</td>
</tr>
<tr>
<td>Military Department Debt Service</td>
<td>$2,800,000</td>
</tr>
<tr>
<td>Total Debt</td>
<td>$544,420,049</td>
</tr>
</tbody>
</table>
### 2016-2017 Executive Budget

#### Constitutional Requirements:

<table>
<thead>
<tr>
<th>Local Support</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Police</td>
<td>$35,774,083</td>
</tr>
<tr>
<td>Firefighters</td>
<td>$33,522,000</td>
</tr>
<tr>
<td>Constables &amp; Justices of the Peace</td>
<td>$1,027,452</td>
</tr>
<tr>
<td>Deputy Sheriffs' Supplemental</td>
<td>$53,716,000</td>
</tr>
<tr>
<td>Revenue Sharing</td>
<td>$90,000,000</td>
</tr>
<tr>
<td><strong>Total Local Support</strong></td>
<td><strong>$214,039,535</strong></td>
</tr>
</tbody>
</table>

Constitutional Requirements are 100% Funded $4,219,550,857
The Harsh Reality

Executive Budget Requirements $10,245,816,863
Reductions to Agencies -$2,006,516,863
Available for Appropriation $8,239,300,000
Constitutional Requirements $4,219,550,857
General Fund for Agencies $4,019,749,143
Total General Fund in Executive Budget $8,239,300,000
2016-2017 Executive Budget

Agencies reduced 24%:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Branch</td>
<td>$17 million</td>
</tr>
<tr>
<td>Judicial Branch</td>
<td>$38 million</td>
</tr>
<tr>
<td>Corrections</td>
<td>$116 million</td>
</tr>
<tr>
<td>DHH</td>
<td>$796 million</td>
</tr>
<tr>
<td>Higher Education</td>
<td>$180 million</td>
</tr>
<tr>
<td>HCSD</td>
<td>$6.5 million</td>
</tr>
</tbody>
</table>
2016-2017 Executive Budget

Agencies reduced 63%:

- Executive Branch: $78 million
- Veterans’ Affairs: $3.5 million
- Elected Officials: $28 million
- Economic Development: $12.4 million
- CRT: $24 million
- Juvenile Justice: $76 million
- DCFS: $93 million
- DNR: $5 million
- Revenue: $29 million
- DEQ: $275,000
- Workforce Development: $5 million
- Civil Service: $3 million
- Special Schools: $25 million
- Dept. of Education: $82 million
- Other Requirements: $153 million