



Executive Budget

Fiscal Year 2018-2019

Joint Legislative Committee on the Budget

January 22, 2018

John Bel Edwards
Governor

It is the Best of Times



- Finally, a positive REC forecast
- First surplus in three years
- Unemployment rate of 4.7% is the lowest since May 2008
- DXC Technology – State’s largest economic development project in history
- The New Orleans Tri-centennial - The New York Times has named New Orleans as the number one place in the world to visit in 2018
- Funding for America’s Wetland is becoming a reality



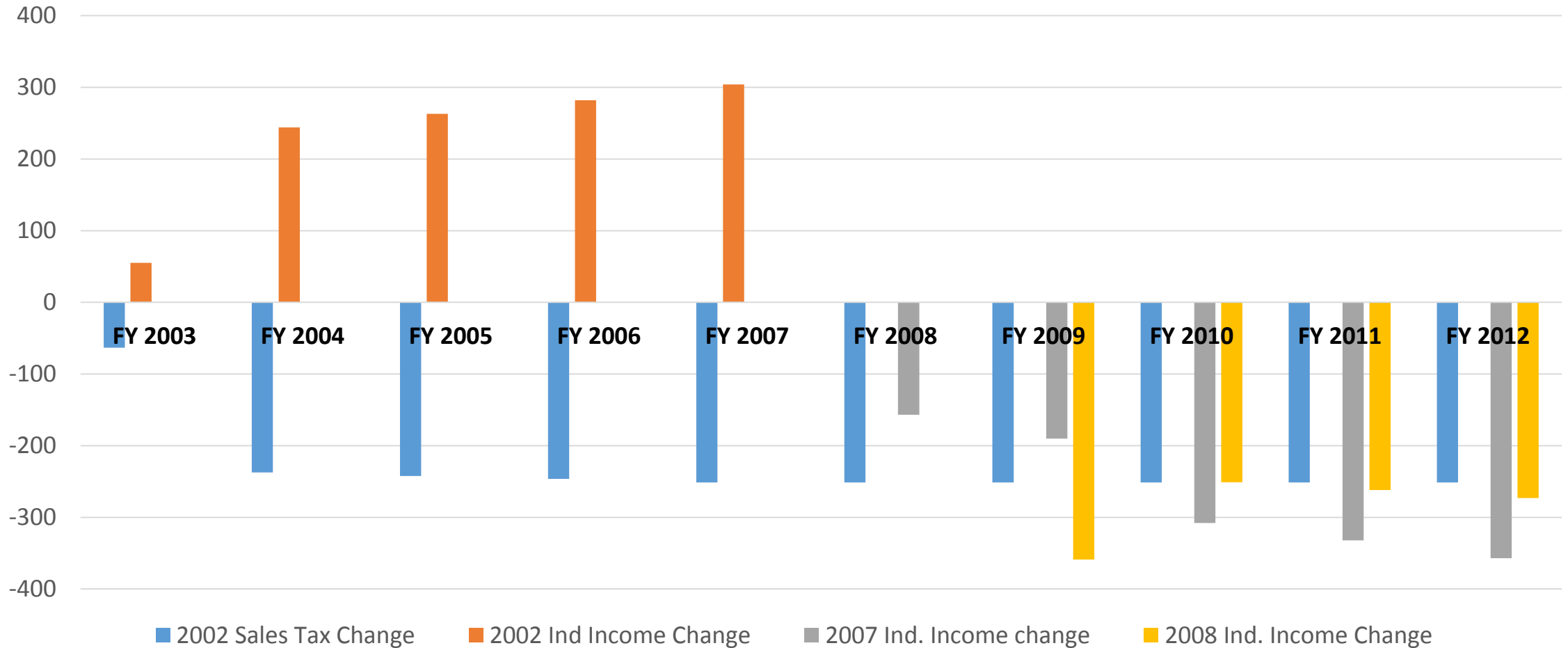
...And the Worst of Times

- No Super Bowl for the Saints
- Negative Watch from Credit Agencies
- Regressive sales tax makes Louisiana the highest combined state and local sales tax in America
- Impasse with the Legislature
- Fiscal Cliff Threatens Stability and Ability to Function

Repeal of Stelly Blew a Hole in the Budget

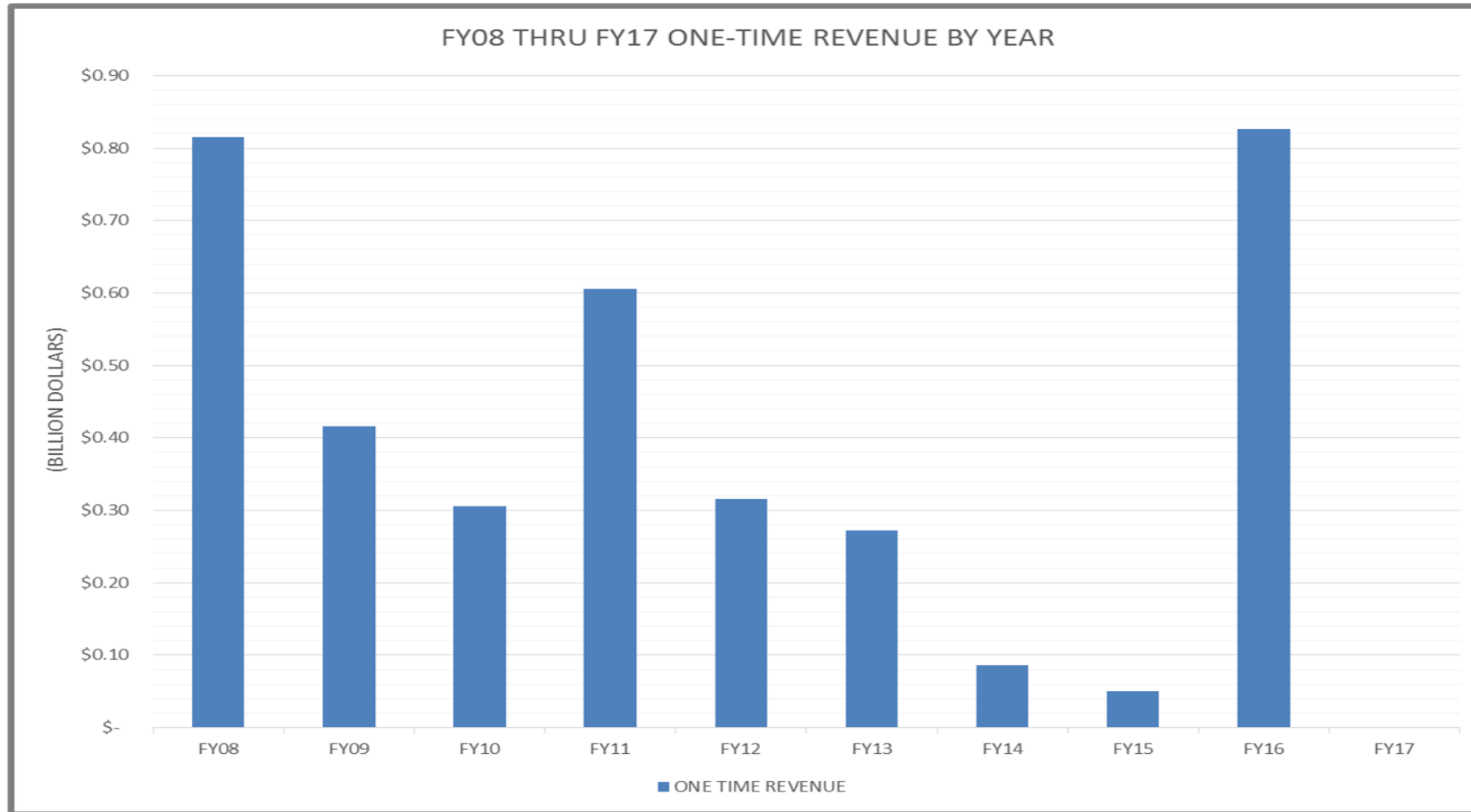


In Millions

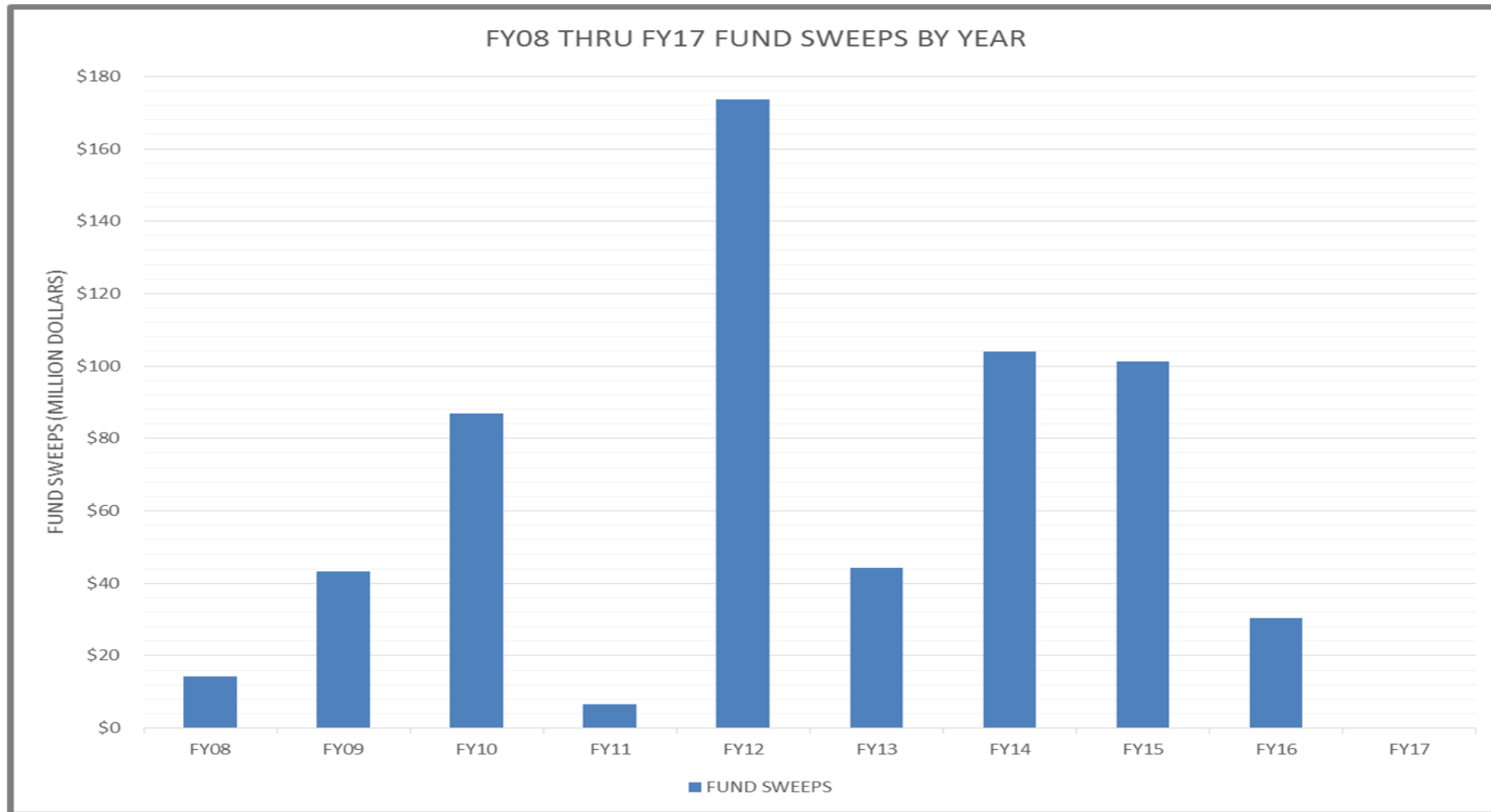


From FY08 to FY16 Balanced Budgets
Were Merely Fiction...

Historic Use of One-time Money



Historic Use of Fund Sweeps





When this Term Began...

FY16 : THE FACTS

- \$860 Million in one-time funds utilized to fund expenditures
- Only Made 11 MCO payments during the year to balance the budget
- Did not fund any increase in Medicaid Utilization in order to appear to balance the budget at the beginning of the fiscal year

These three items amount to over \$1.1 Billion

- In February, revenue declined and the second mid-year deficit occurred
- \$1 billion was raised in temporary taxes, all of which flowed into the general fund and all of which expire on June 30, 2018
- We ended the year with a deficit of over \$300 million

Since then, a “Novel” Idea...
a Budget Based on Reality



FY17 : THE FACTS

- First budget for this administration and this legislature
- \$2 billion budget shortfall
- Bridge to the current fiscal year when the legislature would tackle reform, revision and changes in taxation and budgeting
- Year ended with a surplus and the budget included no one-time money and no fund sweeps for recurring expenses

FY18 : THE FACTS



- No one-time money for recurring expenses
- No fund sweeps
- No mid-year deficit
- Anticipated excess at year end

Use Current Year Excess for One-Time Needs



- Use of Department of Revenue excess fees and self generated funds in the current year to fund multi-year costs for implementing additional agencies in LaGov project and the budget module — total requirement of \$30 Million
- Use of excess funds from the last REC forecast to pay two years of FEMA debt payments – total of \$46 million to pay FY 19 and FY 20



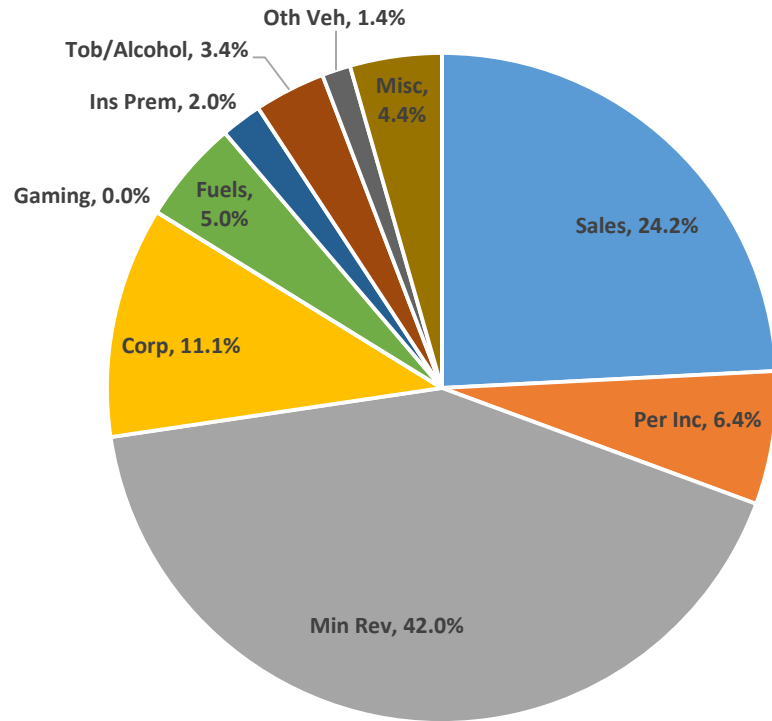
FY19 : THE FACTS

- Temporary taxes expire
- The Governor must submit a balanced budget, which means the state general fund must be reduced by the \$1 billion that rolls off
- The legislature must enact an itemized budget that reflects the \$1 billion reduction in available revenue OR meet in a special session before July 1 to raise the replacement revenue

Some Perspective... Major State Revenues

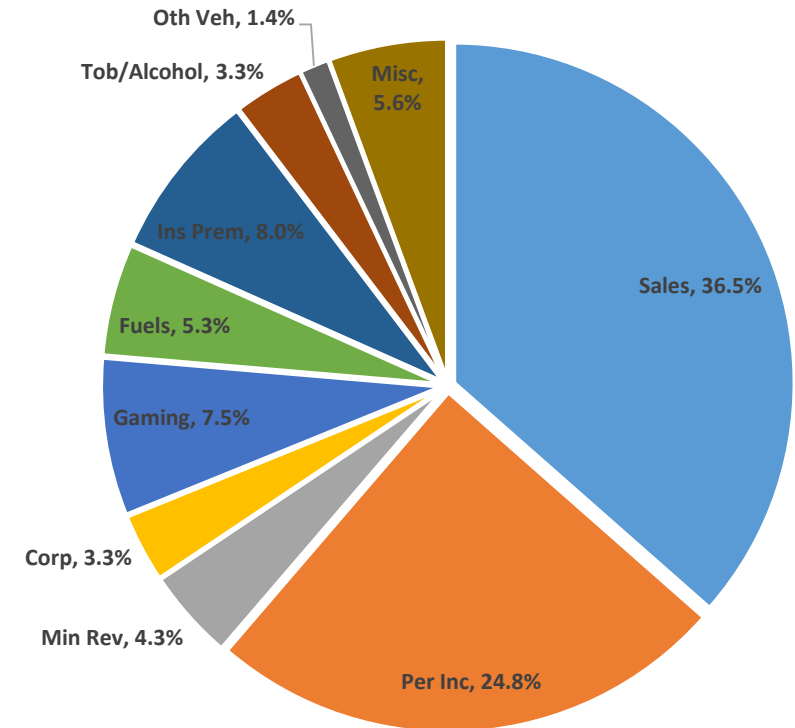


Components of the Major State Revenue Base
FY 1981-82
Oil Peak Year



Components of the State Tax Revenue Base
FY 2016-17
Actual Collections shares

- Sales
- Per Inc
- Min Rev
- Corp
- Gaming
- Fuels
- Ins Prem
- Tob/Alcohol
- Oth Veh
- Misc



More Perspective... Comparison of Sources of Funds

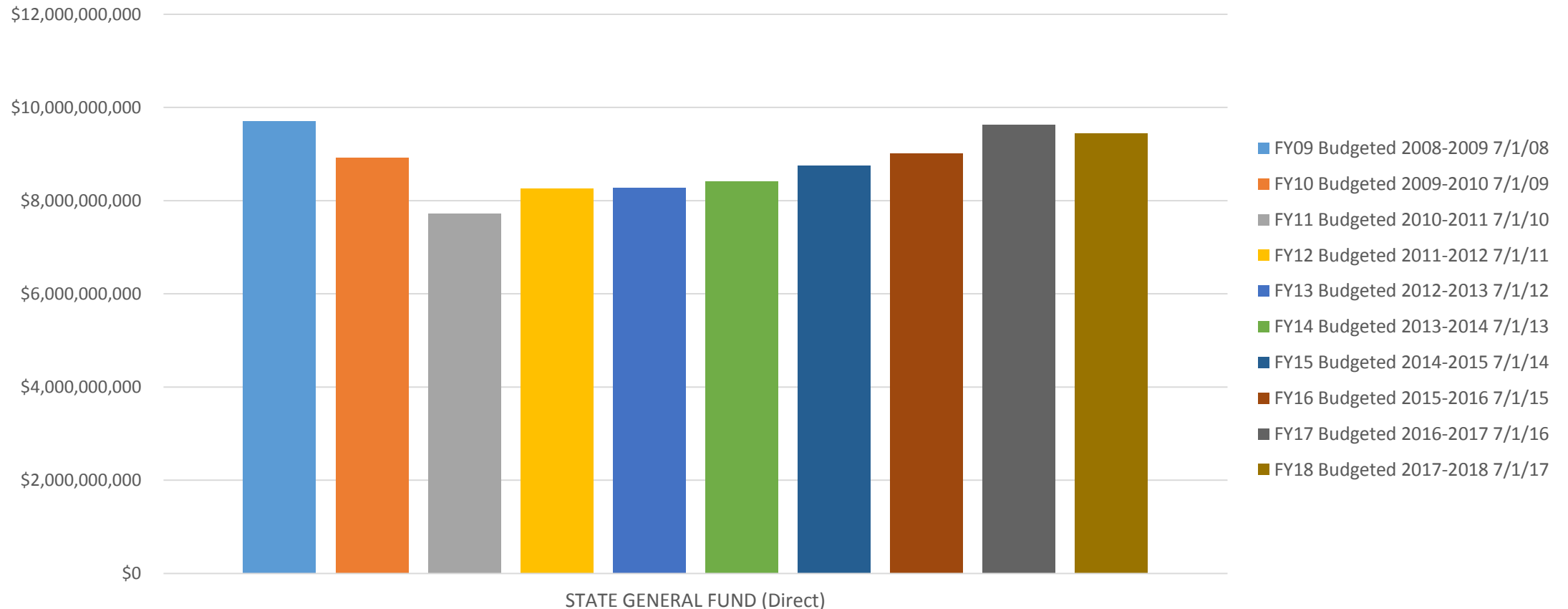


Year	State General Fund	Fees and Self-Generated	Statutory Dedications	Federal
1982	64.3%	0%	8.9%	23%
2008	32.3%	12.9%	7.2%	40.1%
2018	28.9%	13%	12.8%	40.2%
2019	28.3%	12.7%	12.7%	41.3%

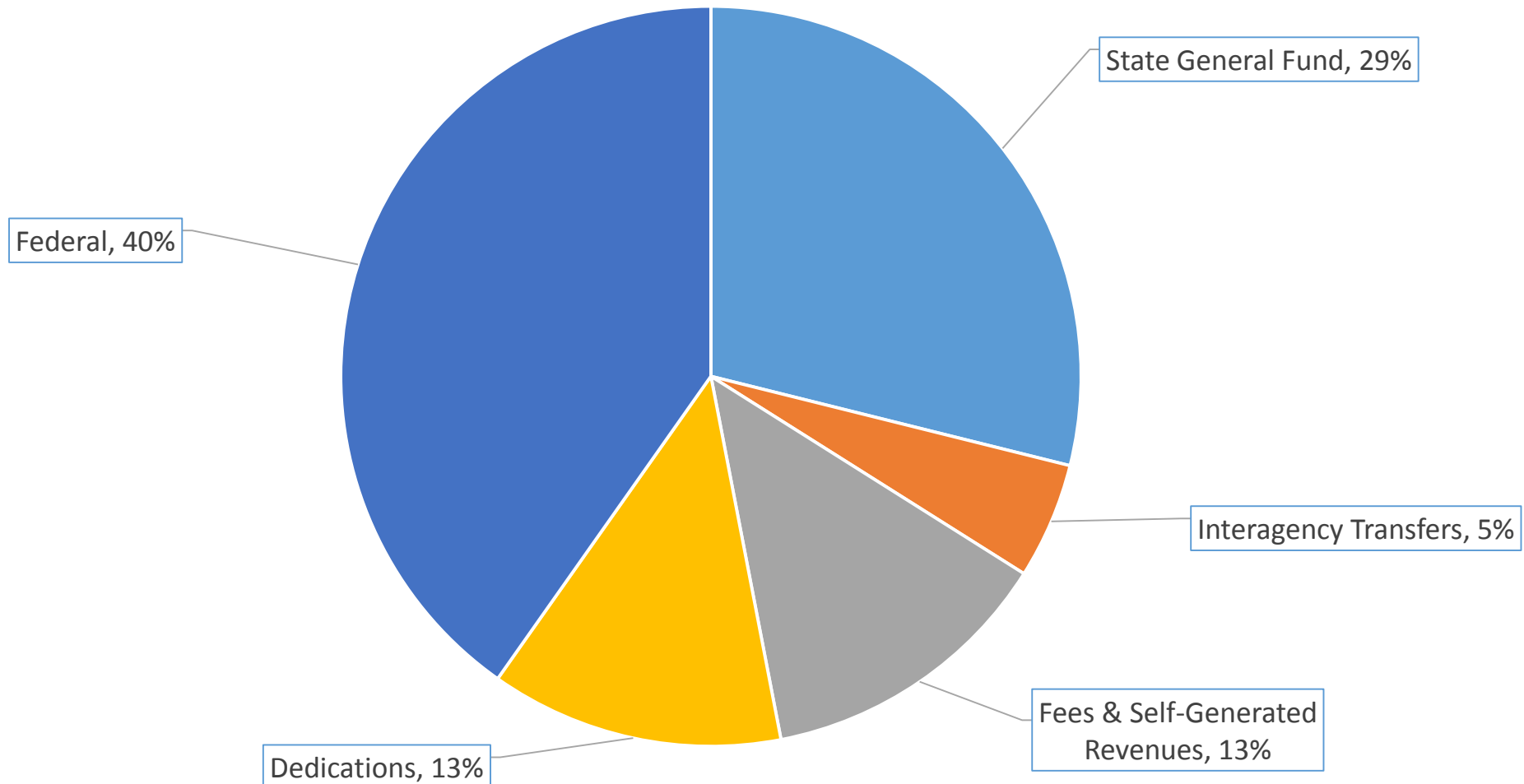


General Fund Budget

The State General Fund gradually increased during the Jindal years at the same time one-time money and fund sweeps were used to avoid budget cuts.



Means of Financing as of July 1, 2017



Reduction in State Workforce



July 1 of FY	No. of Employees
FY 08	100,473
FY 12	83,351
FY 16	66,511
FY 17	68,552
FY18 (through December)	66,099

NOTES: This includes all departments including Higher Education, even though Higher Education was exempt from hiring freezes and employee count totals under the now-expired Grad Act.

This is a “body count” that includes part-time employees, most of whom are in Higher Education. The FTE count would be lower.



Revenue Estimating Forecast

The FY19 budget must be based on the REC estimate, requiring reductions in programs currently funded in FY18 and limiting any new expenditures.

	Fiscal Year 2018	Fiscal Year 2019
General Fund	\$9,594,900,000	\$8,601,300,000
Loss of Revenue		(\$993,600,000)

In FY19, Based on the Current REC Forecast, the State General Fund Drops



- The expiration of temporary taxes drops the General Fund from \$9.6 Billion to \$8.6 Billion
- However, non-discretionary expenditures limit the universe from which cuts can be made

Constitutional Non-Discretionary Expenditures

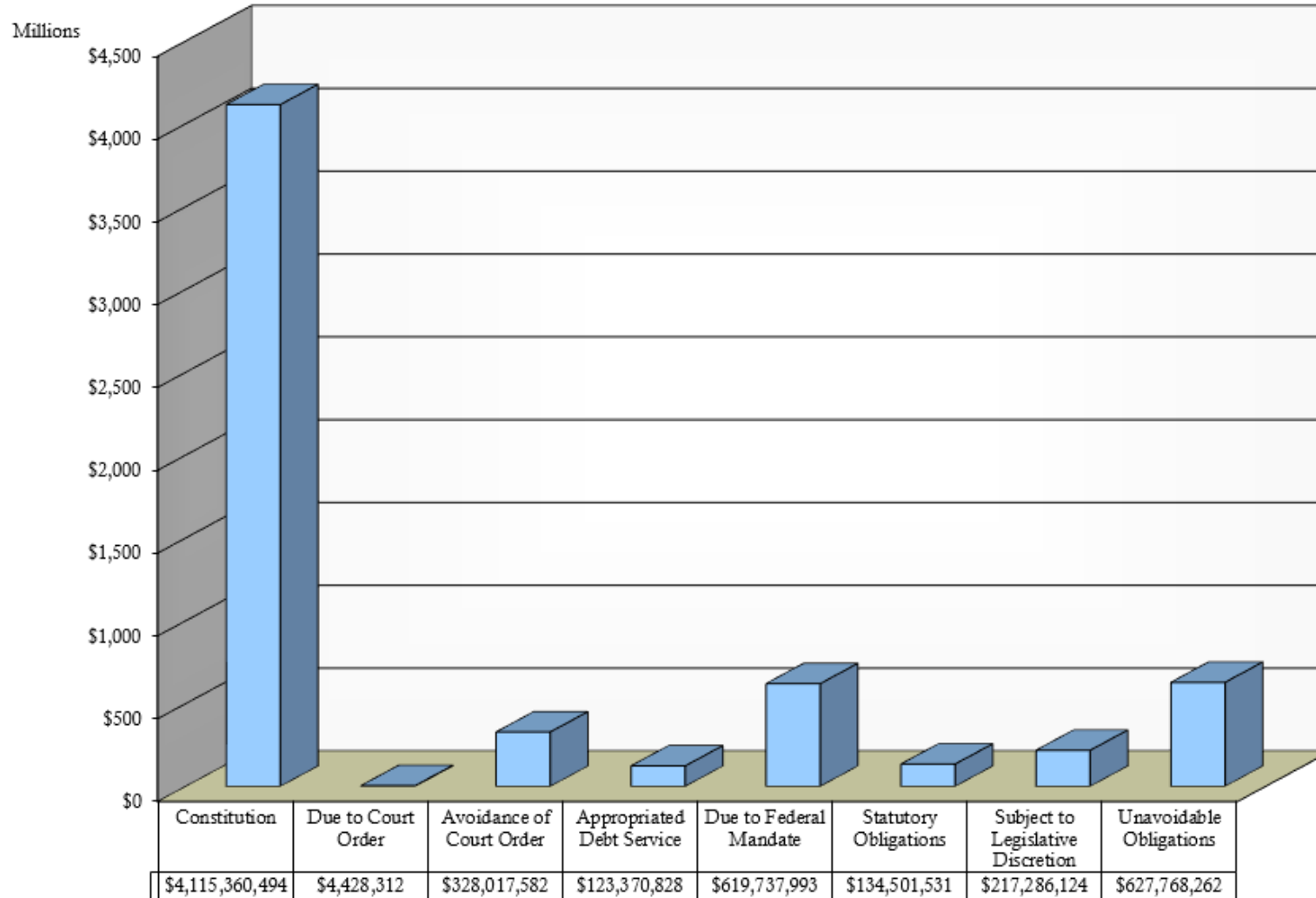


	FY 2008	FY 2018	FY 2019
General Fund	\$10,492,708,192	\$9,442,198,100	\$8,601,300,000
Constitutional:			
MFP	\$2,883,673,021	\$3,458,986,781	\$3,458,294,214
Elections	\$29,355,939	\$15,630,400	\$14,565,870
General Obligation Debt Service	\$281,870,005	\$416,182,719	\$422,650,513
Supplemental pay for law enforcement	\$98,829,000	\$123,012,083	\$123,062,083
Revenue sharing	\$90,000,000	\$90,000,000	\$90,000,000
TOTAL	\$3,383,727,965	\$4,103,811,983	\$4,108,572,680



FY19 Non-Discretionary Expenditures by Category

State General Fund Only
(Totals \$6.17 Billion)





Preparing the FY19 Realistic Budget

First Exercise

- Fund constitutional obligations
- Eliminate agencies
- Consider cuts from prior years and reduction in workforce

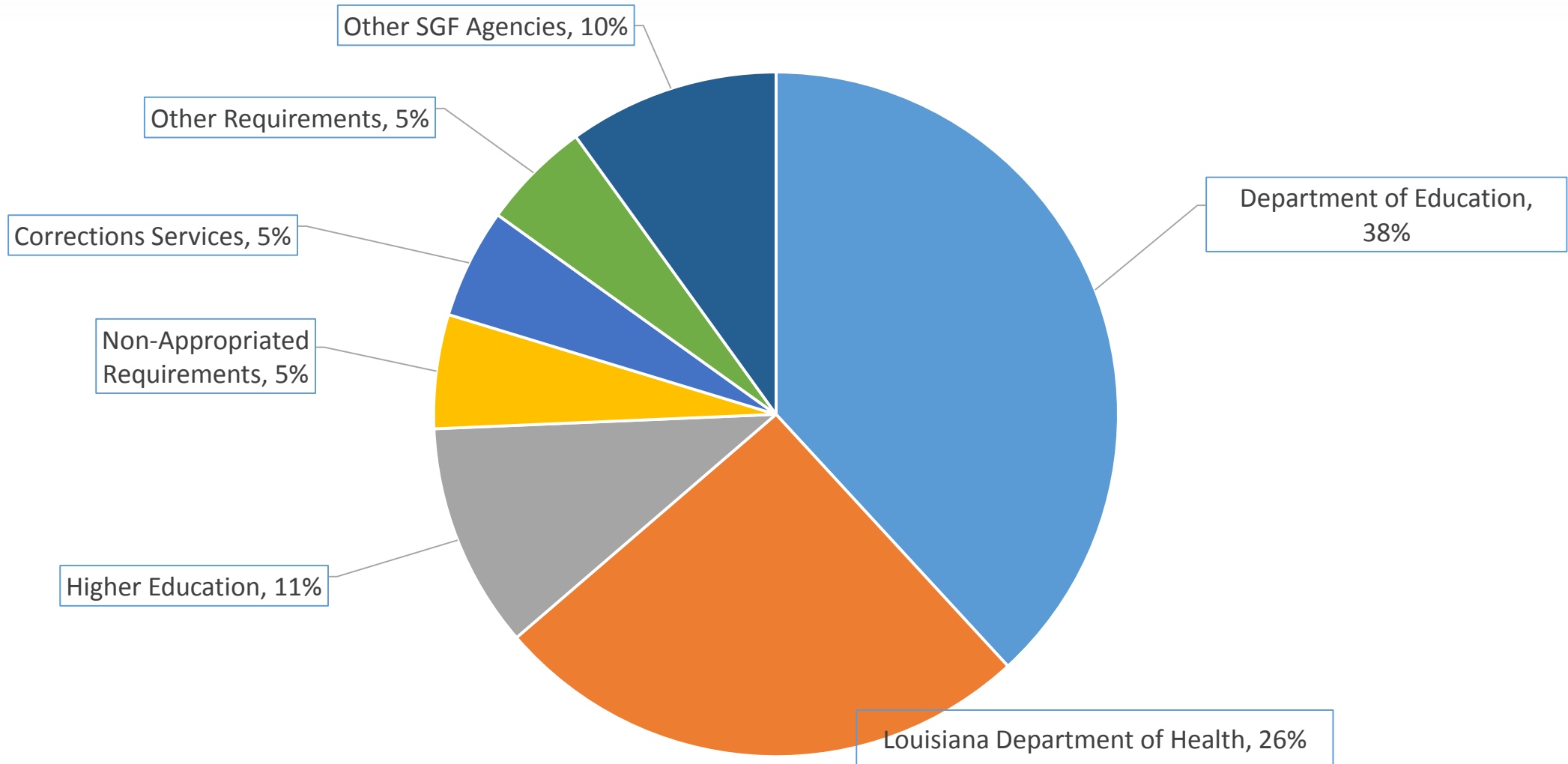
Second Exercise

- Eliminate programs
- Minimize impact on citizens. Protect progress in Higher Education

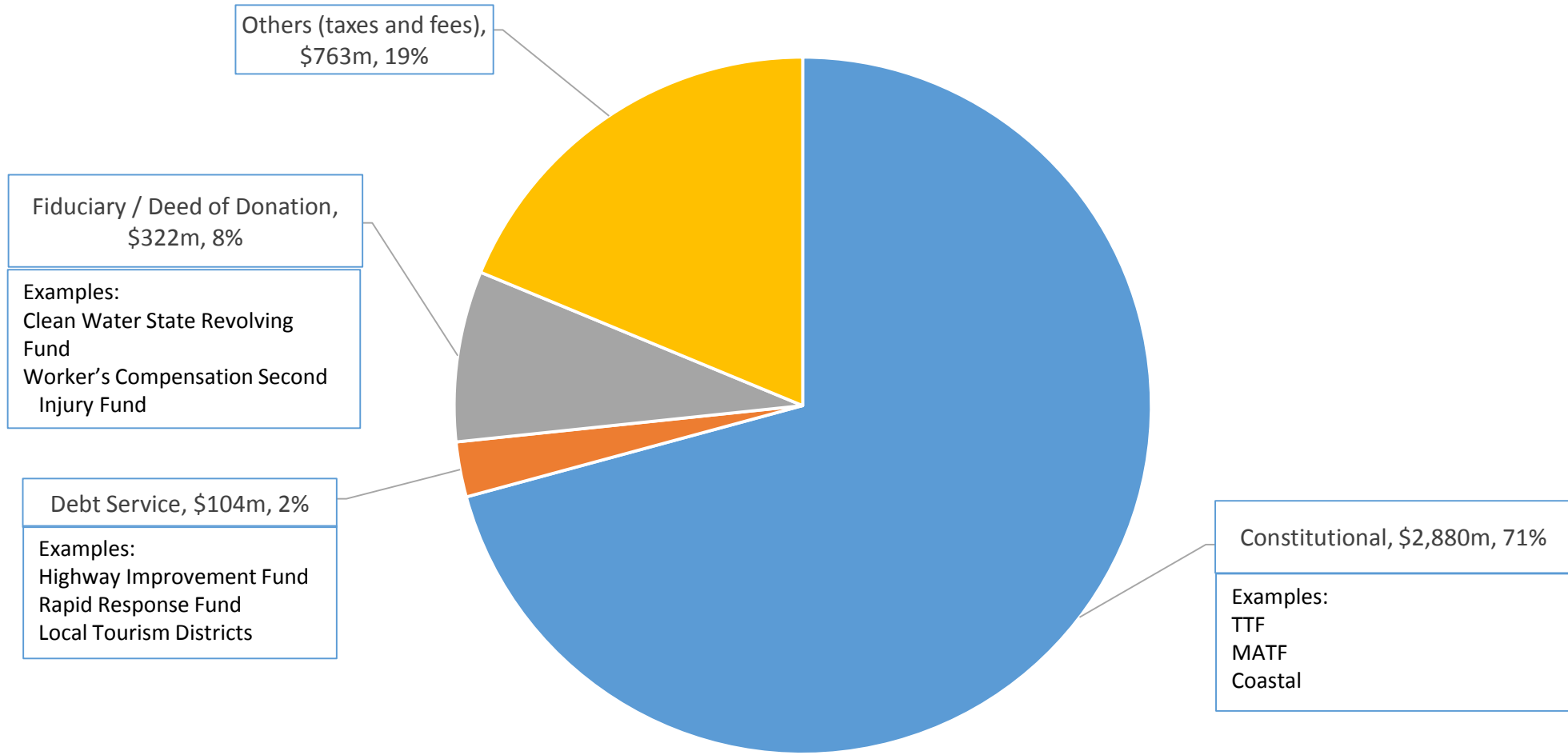
Third Exercise

- Sophie's Choice (William Styron) – A choice where every option has significant negative consequences

State General Fund



FY19 Dedications



Other Dedications



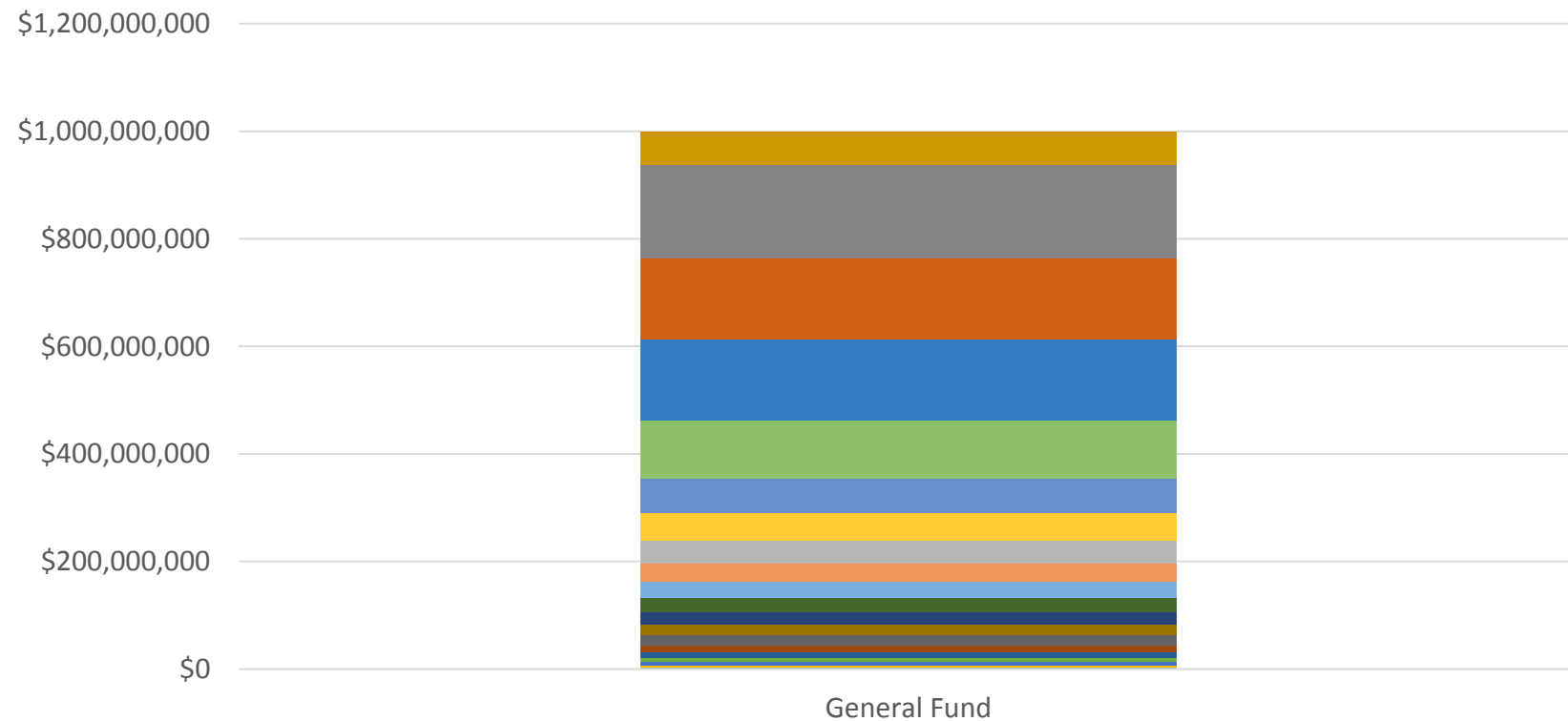
Department	Amount of Dedications
Executive Department	\$96,301,082
Elected Officials	\$60,932,387
Economic Development	\$16,919,588
Culture, Recreation & Tourism	\$10,628,959
DOTD	\$2,250,144
Corrections	\$54,000
Public Safety	\$182,286,209
Youth Services	\$149,022
LDH	\$137,008,467
DCFS	\$477,047
Natural Resources	\$22,775,151

Department	Amount of Dedications
Revenue	\$550,000
Environmental Quality	\$87,248,763
Workforce Commission	\$7,254,029
Wildlife & Fisheries	\$1,854,170
Civil Service	\$2,334,588
Higher Education	\$24,856,157
Special Schools	\$218,780
Other Requirements	\$88,269,696
Judiciary	\$10,240,925
Legislature	\$10,000,000
STATE TOTAL	\$762,609,164

Note: This includes fees that are imposed for the purpose of providing a service.
If the service is eliminated, the fee should be discontinued.

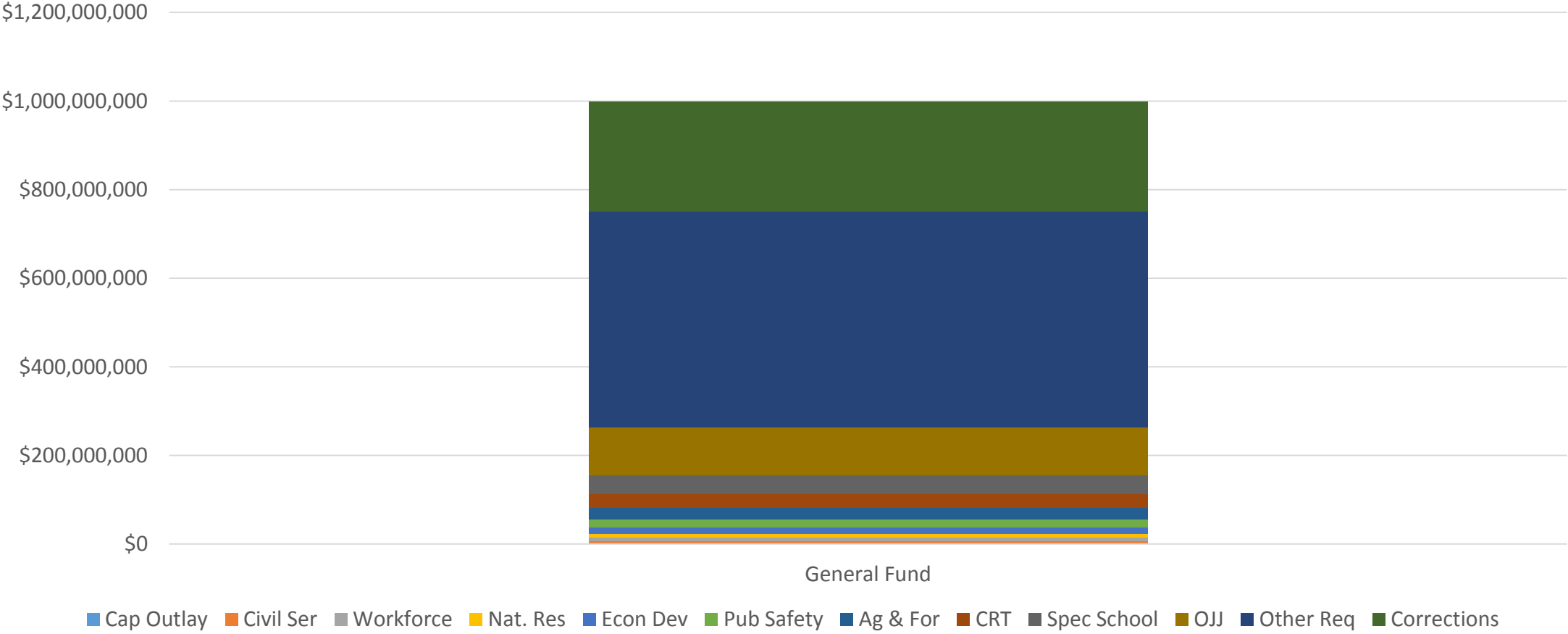
The FY19 Executive Budget which we do not support, do not endorse, and hope will never be enacted

Illustration of a \$1 Billion Reduction



- Pub Ser
- Lt Gov
- Cap Outlay
- Civ Serv
- Vet
- Workforce
- Nat. Res
- Econ Dev
- Atty Gen
- Pub Saf
- HCSD
- Ag & For
- CRT
- Revenue
- Spec. Sch
- SOS
- Leg
- OJJ
- Exec
- Jud
- DCFS
- Other Req

Second Illustration of a \$1Billion Reduction



NO CUTS



- Department of Children and Family Services
- Workforce Commission (Louisiana Rehabilitation Services)
- Department of Veterans Affairs
- Department of Military Affairs
- Department of Transportation and Development
- Department of Wildlife and Fisheries
- Department of Environmental Quality
- Department of Insurance
- Inspector General
- Public Defender Board
- Mental Health Advocacy
- Coastal Protection and Restoration Authority
- LA Stadium and Exposition District
- Racing Commission
- Office of Financial Institutions
- Division of Administrative Law
- Department of Civil Service (including Board of Ethics)

New Major Expenditures Requiring Cuts Elsewhere



Civil Service Pay Plans	\$36.1 Million
DOS - New Election system hardware and software	\$3.0 Million
DOS - Election expenses	\$1.6 Million
DOS - ROV personnel increase (additional 6 ROVs based on parish growth)	\$0.2 Million
Allen Correctional Facility - Annualization of funding an 150 authorized table of organization needed in FY19 to operate as a state-owned facility. Total cost for this facility is \$14.3m of state general fund, \$15.6m total funds.	\$0.8 Million
LDH - MCO adjustment (PMPM payment for the eligible population)	\$156.5 Million
LDH - ELMHS - implementation of phase 2 of the Cooper/Jackson settlement at ELMHS; \$2/hr prem pay for therapeutic guards and nurses; additional positions due to being cited by CMS)	\$10.1 Million
DCFS - Integrated Eligibility IT Project - Phase 2	\$13.6 Million
DCFS - CCWIS IT Project - Phase 2 (Child Welfare Reporting System)	\$6.9 Million
DCFS - State Central Registry regarding reported child abuse or child neglect offenders appeal process (Act 348 of 2017 RLS)	\$6.0 Million
MFP - October 2017 student count adjustment	\$9.8 Million
LED Debt Service Commitments	\$16.3 Million
Total	\$260.9 Million

Items Not Funded



	FY19
Acadiana Juvenile Justice Facility	\$14 Million
Debt Service for new bond sale	\$6 Million
No General Fund Acquisitions/Major Repairs	\$30 Million

Statewide



	Reduction (In Millions)
Statewide – Acquisitions and Major Repairs	(\$6.98)

01 - Executive



	Reduction (In Millions)
Executive – Reductions of funding for student workers and attrition from vacancies in the community services program	(\$0.34)
Tax Commission – Reduction of funding for vacant positions of tax assessment support and auditing services	(\$0.11)
Division of Administration – Reduction of IT services, state office building maintenance and attrition from vacancies	(\$2.13)
Commission on Law Enforcement – Reduction on Drug Abuse Resistance Education Program. (The reduction is half of the FY18 state general fund amount.)	(\$0.41)
Elderly Affairs – Elimination of supplemental funding to senior centers. Possibly some closures in Orleans and Jefferson parishes.	(\$1.52)

04A - State



	Reduction (In Millions)
No additional funding for ROV's step increases for salaries	(\$0.48)

04B – Attorney General



	Reduction (In Millions)
Reduction of 5% to state general fund	(\$0.87)

04D - Treasurer



	Reduction (In Millions)
Reduction of 5% to Fees and Self-Generated Revenue	(\$0.47)

04F – Agriculture and Forestry



	Reduction (In Millions)
Means of Finance swap replacing General Fund with LAFA Fund	(\$2.00)

05 – Economic Development



	Reduction (In Millions)
Eliminate funding for the Economic Development Grants Match Program, which provide assistance in marketing and recruitment plans for towns, cities, parishes and regions for economic development	(\$1.36)

06 – Culture, Recreation and Tourism



	Reduction (In Millions)
Reduction of 5% to whole department	(\$1.65)

08A - Corrections



	Reduction (In Millions)
Eliminates funding provided for replacement acquisitions, major repairs and replacement vehicles funded through LEAF	(\$21.69)
Reduction of 5% to the per diem rate paid to the operators of Winn Correctional Facility	(\$2.74)
Eliminates funding provided for replacement acquisitions (\$514K) and major repairs (\$508K) at Allen Correctional Facility	(\$1.02)

08B – Public Safety Services



	Reduction (In Millions)
Eliminates additional Fees and Self Generated Revenue (title fees) provided for CAD/RMS	(\$7.00)
Eliminates additional Fees and Self Generated Revenue (title fees) provided for replacement LIGHTS gaming system	(\$1.74)
Eliminates additional Fees and Self Generated Revenue (title fees) for replacement vehicles	(\$2.50)
Reduction in funding provided for overtime expenditures	(\$7.16)
Eliminates additional Fees and Self General Revenue (title fees) for replacement of OMV legacy system (OMV Re-engineering Project)	(\$1.60)

08C – Youth Services, Juvenile Justice



	Reduction (In Millions)
Reduction in funding for LEAF payments, and in Community-Based Supervision (Non-Custody) Services, resulting in the closure of 5 regional offices statewide and the elimination of 114 field office positions	(\$10.75)
Eliminates major repairs funding for facilities in Bridge City, Swanson and Columbia	(\$0.80)

09 - Health



	State General Fund	Interagency Transfers	Federal	Self Generated	Statutory Dedications	Total
Medical Vendor Administration	(\$1,300,000)		(\$12,200,000)			(\$13,500,000)
Eliminate Nursing Home Bed Holds	(\$1,050,292)		(\$1,922,513)			(\$2,972,805)
Eliminate Nursing Home Rebase in FY19	(\$3,690,066)		(\$36,875,057)			(\$57,020,345)
Reduce UPL/FMP payments	(\$4,049,647)		(\$58,252,615)			(\$62,302,262)
Eliminate DSH payments	(\$189,449,826)	(\$16,549,692)	(\$499,971,346)	(\$51,060,614)	(\$12,155,208)	(\$769,186,686)
Reallocate Stat Ded associated with this reduction	(\$12,155,208)				\$12,155,208	\$0
Eliminate Pediatric Day Healthcare (PDHC) Services	(\$10,877,713)		(\$19,448,299)			(\$30,326,012)

09 - Health



	State General Fund	Interagency Transfers	Federal	Self Generated	Statutory Dedications	Total
Near Elimination of Mental Health Rehabilitation Services	(\$17,618,668)		\$32,415,805			(\$50,034,473)
Substance Abuse Services	(\$26,044,341)		(\$47,677,422)			(\$73,721,753)
Office of Behavioral Health Staff Reduction	(\$172,009)		(\$172,009)			(\$344,018)
Eliminate Provisional Medicaid	(\$38,229,293)		(\$68,350,280)			(\$106,579,573)
Eliminate Long Term Care Special Income Level Program	(\$231,079,104)		(\$628,390,017)		(\$112,217,931)	(\$971,687,052)
Reallocate Stat Ded associated with LTC Special Income Level elimination	(\$29,481,557)				\$29,481,557	\$0

09 - Health



	State General Fund	Interagency Transfers	Federal	Self Generated	Statutory Dedications	Total
Ambulatory Surgical Center	(\$3,669,732)		(\$11,619,725)	(\$77,672)	(\$273,995)	(\$15,641,124)
Medically Needy Regular	(\$10,508,763)		(\$18,788,652)			(\$29,297,415)
Medically Needy Spenddown	(\$1,231,569)		(\$2,201,924)			(\$3,433,493)
DSH – OBVH PPP – Community Care and Northlake payments	(\$5,141,791)		(\$9,549,040)			(\$14,690,831)
OBH PPP Reduction	(\$134,271)		(\$134,271)			(\$268,542)
Eliminate Long Term Personal Care Services Program	(\$55,962,600)		(\$104,021,109)	(\$24,322)	(\$85,799)	\$160,093,830)
OAAS LT-PCS Staff Reduction	(\$406,351)	(\$233,379)				(\$639,730)
Eliminate Supports Waiver	(\$4,754,892)		(\$8,703,619)			(\$13,458,511)

09 - Health



	State General Fund	Interagency Transfers	Federal	Self Generated	Statutory Dedications	Total
OCDD Supports Waiver Staff Reduction	(\$42,807)					(\$42,807)
Eliminate Children's Choice Waiver	(\$4,687,388)		(\$8,748,044)			(\$13,435,432)
OCDD Children's Choice Waiver Staff Reduction	(\$50,070)					(\$50,070)
Reduce NOW Waiver Services	(\$4,824,862)		(\$8,663,709)			(\$13,488,571)
TOTAL REDUCTIONS	(\$656,612,820)	(\$16,783,071)	(\$51,162,608)	(\$51,162,608)	(\$99,551,390)	(\$2,402,215,345)

11 – Natural Resources



	Reduction (In Millions)
Eliminates the Public Information Office and Atchafalaya Basin Program	(\$0.28)
Eliminates the Legacy Site Remediation Program and 2 positions which implements the oilfield site evaluation and remediation plan review.	(\$0.28)

12 – Revenue



	Reduction (In Millions)
Reduction to the Tax Collection Program including eliminating wage personnel, reduced funding for non-tax debt collection tools such as the State Reciprocal Program and skip tracing tool for locating delinquent debtors, and reducing audit consulting services and legal representation	(\$2.28)

19A – Higher Education



	Reduction (In Millions)
Decreases resources to all systems and institutions in accordance with a distribution plan approved by the Board of Regents	(\$25.68)
Decreases 100% of the state general fund for TOPS	(\$233.34)
Decreases Go Grants funding by 50%	(\$13.00)

19B – Special Schools and Commissions



	Reduction (In Millions)
LA School for the Deaf and Visually Impaired – Eliminates funding for acquisitions and repairs	(\$1.04)
LA School for Math, Science and the Arts – Reduces funding for one vacant authorized T.O. position and for building maintenance	(\$0.19)
THRIVE – Eliminates funding to add an additional grade level	(\$0.86)
LA Educational Television Authority – Reduces funding for broadcast operations	(\$0.27)
Board of Elementary and Secondary Education – Eliminates funding for one vacant administrative position	(\$0.05)
New Orleans Center for Creative Arts – Reduces funding for operating services and building maintenance	(\$0.29)

19D - Education



	Reduction (In Millions)
Non-Public Educational Assistance – Eliminates the Non-Public Required Services Program	(\$8.36)
Non-Public Educational Assistance – Eliminates the Non-Public School Lunch Salary Supplement Program	(\$7.53)

20 – Other Requirements



	Reduction (In Millions)
Eliminates funding provided to local sheriffs for parole holds	(\$10.00)
Reduction of \$5 to the per diem rate paid to sheriffs and operators of transitional work programs	(\$34.11)
Eliminates funding provided to the district attorneys and assistant district attorneys	(\$25.81)
Reduce unobligated Rapid Response Fund budgeted to LED Debt Service to \$5M rather than \$10M	(\$5.00)
Paying the remaining obligation of the Northrup Grumman commitment in FY18 will free up obligations in FY19 and future years	(\$3.27)
Eliminates funding provided to the constables and justices of the peace	(\$0.98)

21 - Ancillary



	Reduction (In Millions)
Office of Risk Management – Reduction of premium allocation statewide. Including Higher Education, the total premium reduction is \$13.7M with state general fund reduction of \$9M.	(\$7.81)

22 – Non-Appropriated



	Reduction (In Millions)
Non-Appropriated – Eliminates funding for a FY19 bond sale	(\$6.00)

23 - Judicial



	Reduction (In Millions)
Judicial – Reduction of 5% to GF	(\$7.58)

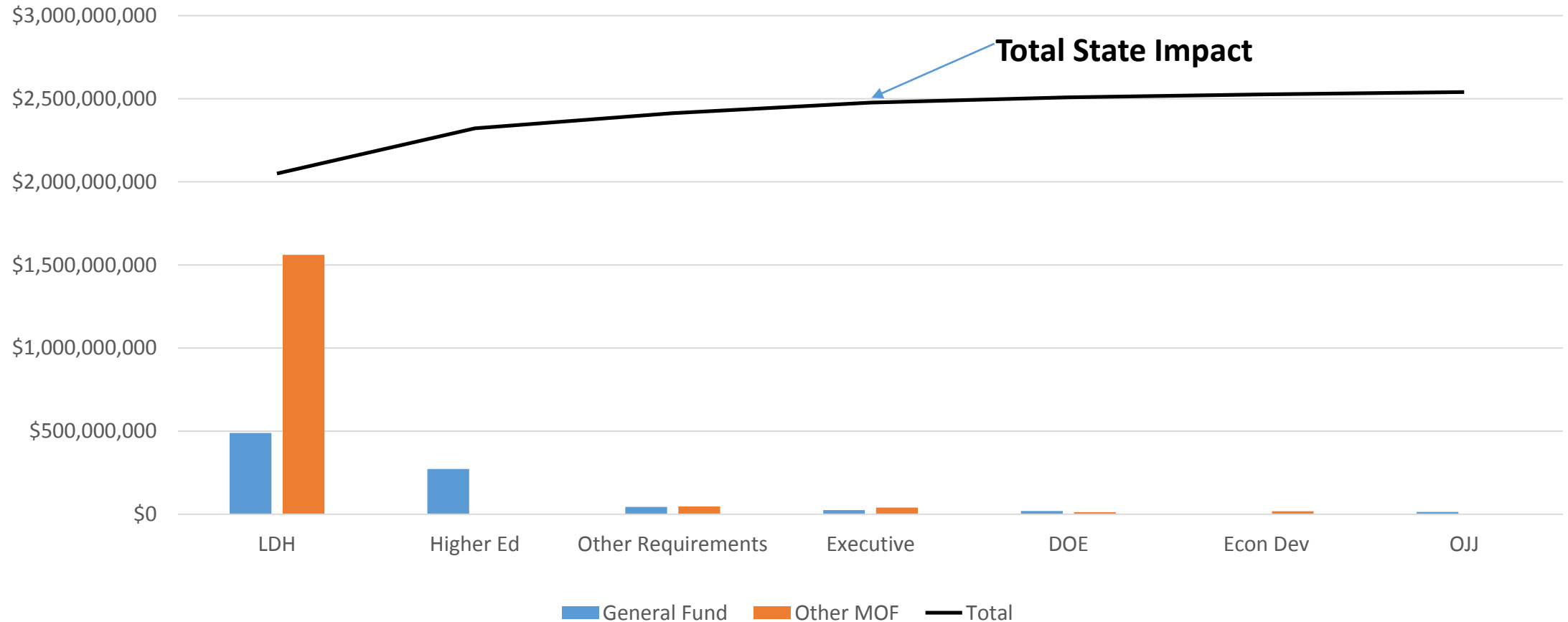
24 - Legislative



	Reduction (In Millions)
Legislative – Reduction of 5% to GF	(\$3.12)



Major Reductions to State Agencies





Economic Impact

- Significant budget reductions in programs and services would impact the following:
 - Employment loss in both the private and public sector
 - State gross domestic product would decrease
 - Personal income would decrease
 - Population loss
 - Increased utilization of Unemployment Compensation Fund



What Now...

- Kick the can
- Sweep it under the rug
- Bury our heads in the sand
- Poof! Use same deception as the past administration
- Maintain temporary taxes that repeat the same mistake we made for twenty years

OR...



- Face the music
- Solve the problem
- Stop the inherent unfairness of making Louisianans lurch from year to year not knowing what will be funded and what will not be funded
- Tell us what you want to restore and tell us what specifically will be cut in order to do so
- Our Sophie's Choice now becomes your "Hobson's Choice," which is the necessity of accepting one of two or more equally objectionable options