



Proposed Budget

Fiscal Year 2020-2021

Joint Legislative Committee on the Budget

February 7, 2020

John Bel Edwards
Governor

Then and Now



Then (JBE First Term)

- \$2B state general fund shortfall based primarily on the Jindal administration's use of one-time money to fund recurring expenses.
- Response: Four regular sessions and seven special sessions to stabilize and balance budgets over the four-year period.
- Result: Budget reductions
Increased revenue



Now (2020)

- \$534M surplus from FY19
- \$170M-\$236M anticipated excess in FY20 based on current REC forecasts (these funds are traditionally appropriated during a legislative session in the Supplemental bill or Funds bill)
- \$103M-\$161M increased state general fund for FY21 according to state economists' forecasts
- Unlike last term when cuts were potentially offset by new revenue measures, the Governor will not call a special session to raise any general fund revenue in 2020.

Why Things Are Better

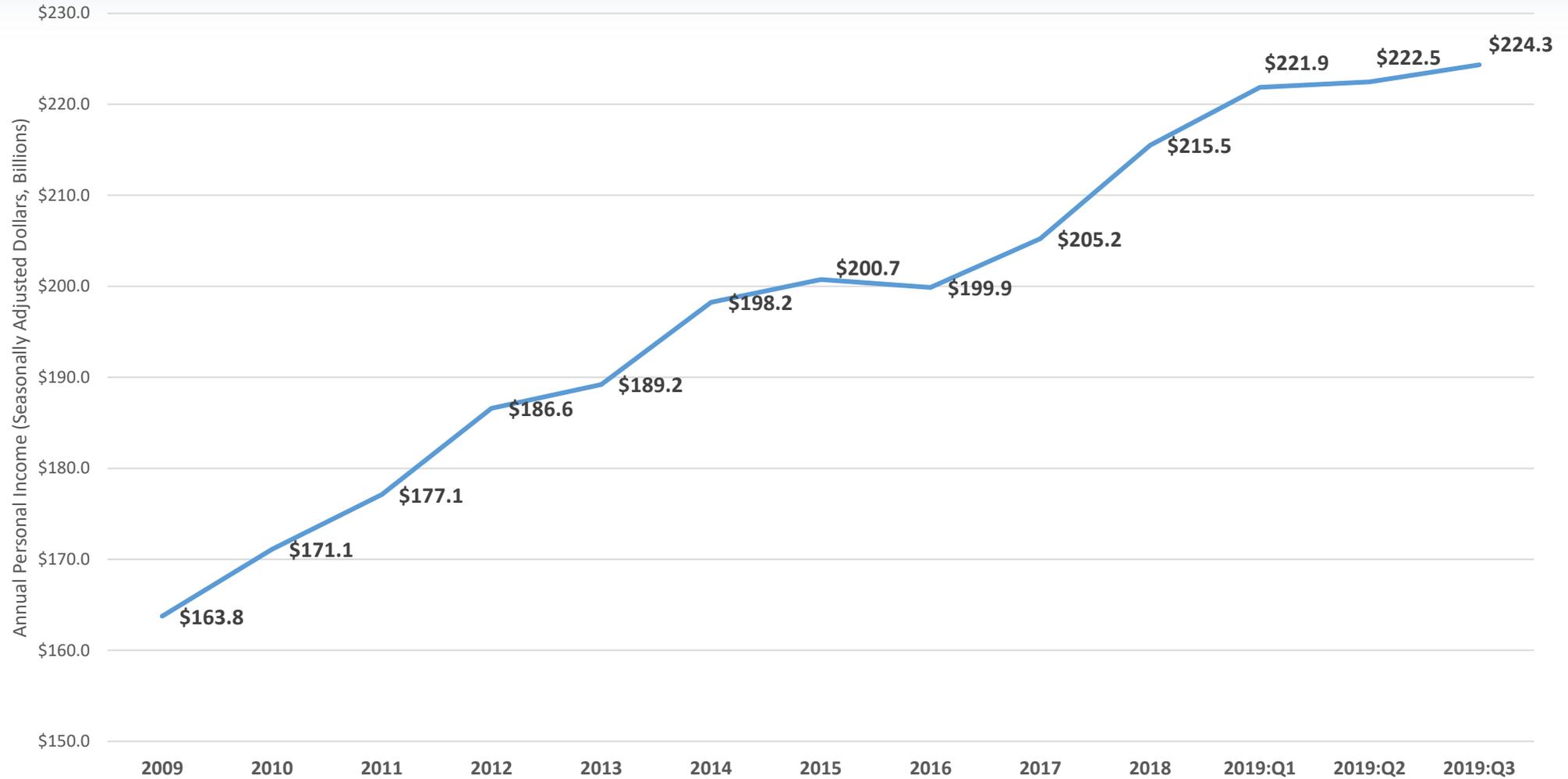
New Economic Activity and Investment



Year	Number of Project Wins	Capital Investment	New Jobs	Retained Jobs
2016	36	\$22.15 billion	6,908	4,807
2017	45	\$4.64 billion	13,964	7,987
2018	47	\$6.73 billion	7,188	8,095
2019	83	\$8.45 billion	12,331	15,581
Total	211	\$41.97 billion	40,391	36,470

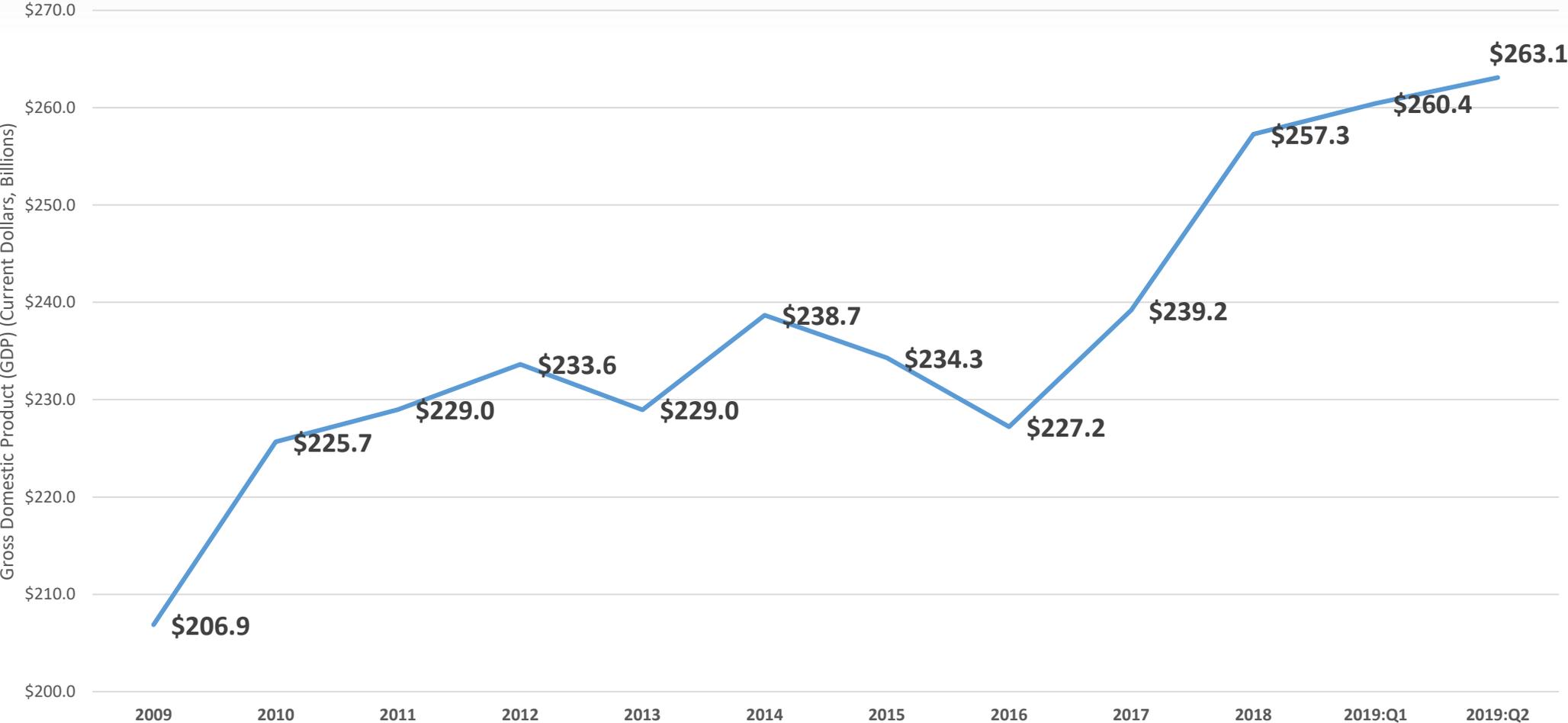


Louisiana Annual Personal Income: 2009-2019





Louisiana Annual Gross Domestic Product (GDP): 2009-2019



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

Department of Transportation & Development



- **January 2016 through December 2019**

- Number of projects let: 1,267
- Total Cost: \$2,978,280,638.62
- Miles of road affected: 3,928.47

- **Multimodal Commerce projects in FY 2019**

- 115 airport projects
- 12 port projects completed, 10 under construction, and 36 in design
- 5 ongoing waterway/channel deepening projects

Department of Transportation & Development



- **Major highway projects receiving bids in FY 2019**

- I-220/1-20 Barksdale Interchange in Bossier Parish @ \$71.8 million.
- I-10, LA 108 to I-210 Interchange, bridge replacement and pavement rehab in Calcasieu Parish @ \$45.5 million.
- LA 12 Bridge Replacements in Calcasieu Parish @ \$24.2 million.
- US 80: Red River Texas Street Rehab (HBI) in Bossier Parish @ \$15.6 million.
- I-10: Oak Harbor Lighting and Cable Barrier in St. Tammany Parish @ \$14.8 million.
- US 167: Access Management (Left Turn Lanes) in Lafayette and Vermilion Parishes @ \$14.1 million.
- Pecue Lane/I-10 Interchange Phase II in East Baton Rouge Parish @ \$13.6 million.
- US 90: Atchafalaya River Bridge Rehab in St. Mary Parish @ \$11.9 million.

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
- Belle Chasse Bridge and Tunnel Replacement in Plaquemines Parish

2019 Highlights:

- 33 projects completed or in construction (record number)
- Completed 3 dredging projects that used 10M CY of sediment to create or nourish >2,000 acres of marsh
- \$80M announced for Bayou Chene floodgate
- Agreement signed with USACE to begin work on \$760M West Shore-Lake Pontchartrain project- 18.5 mi. protection system for 60,000 residents
- Agreement signed with LDEQ for use of GOMESA funds to construct new pumps to triple freshwater input to Bayou Lafourche



FY19 Surplus
\$534M



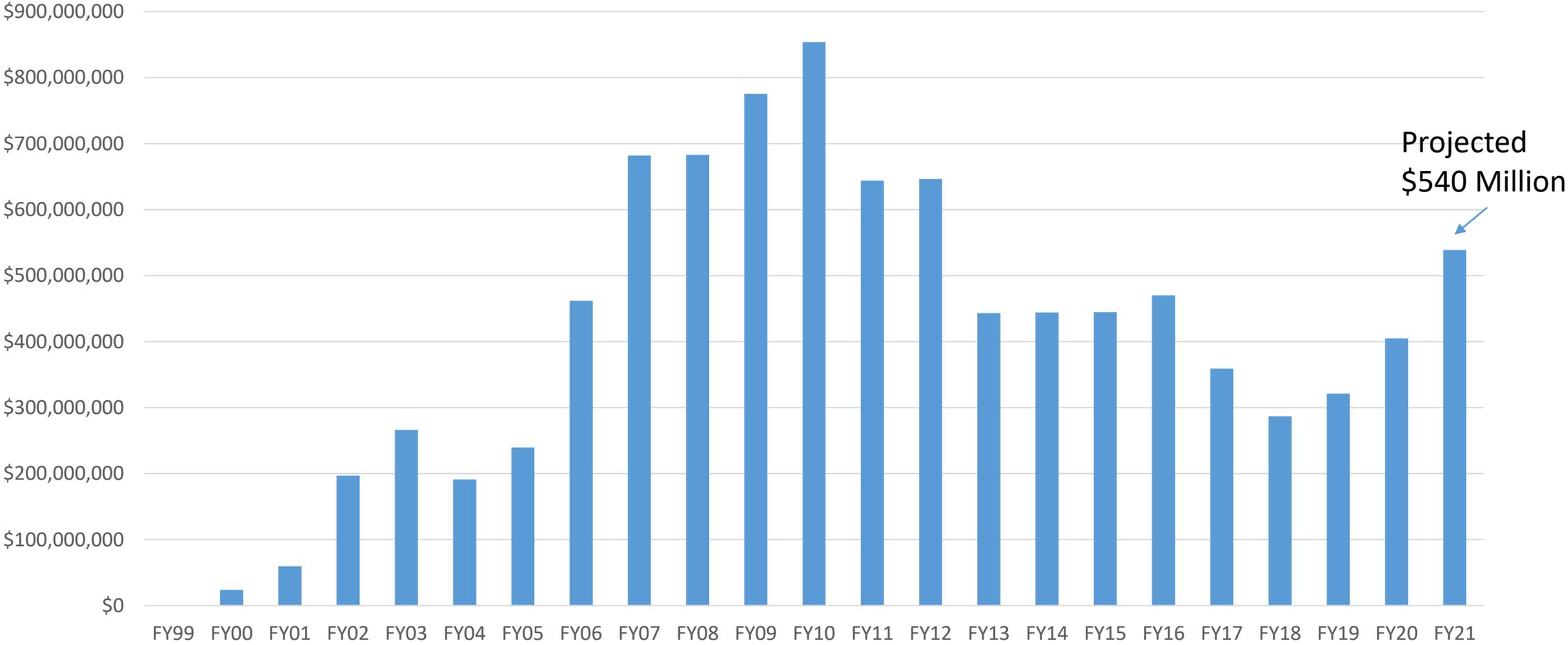
Use of Non-Recurring State Funds

Article VII, Section 10 appropriation of money in the official forecast designated as nonrecurring shall be made only for:

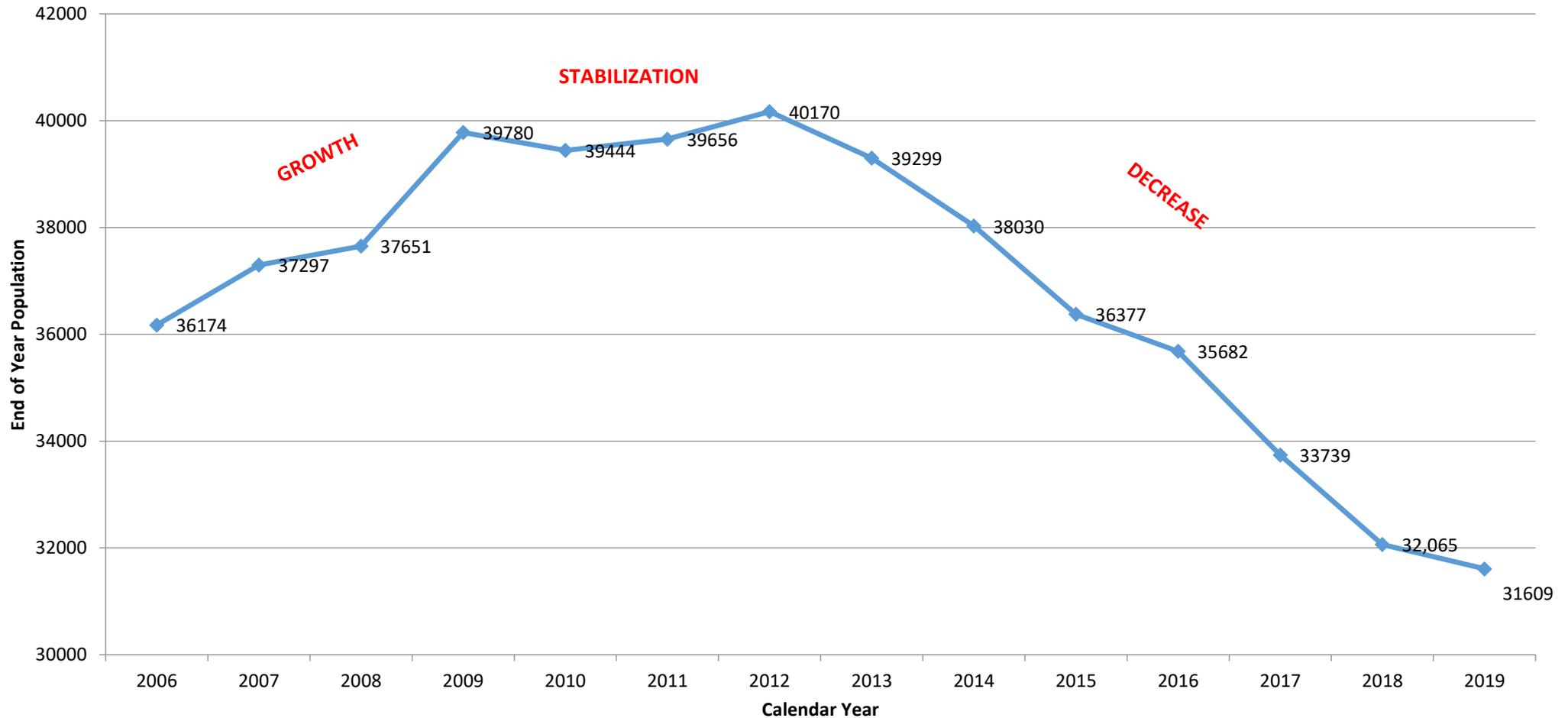
- Deposits into the Budget Stabilization Fund (25% shall be deposited into the fund)
- Payments against the unfunded accrued liability (10% shall be appropriated)
- Retiring or the defeasance of bonds
- Funding for capital outlay projects
- Highway construction for which federal matching funds are available
- Deposit into the Coastal Protection and Restoration Fund

Budget Reforms

Budget Stabilization Fund – Beginning Balances



Louisiana Prison Population CY 2006-2018



Criminal Justice Reinvestment

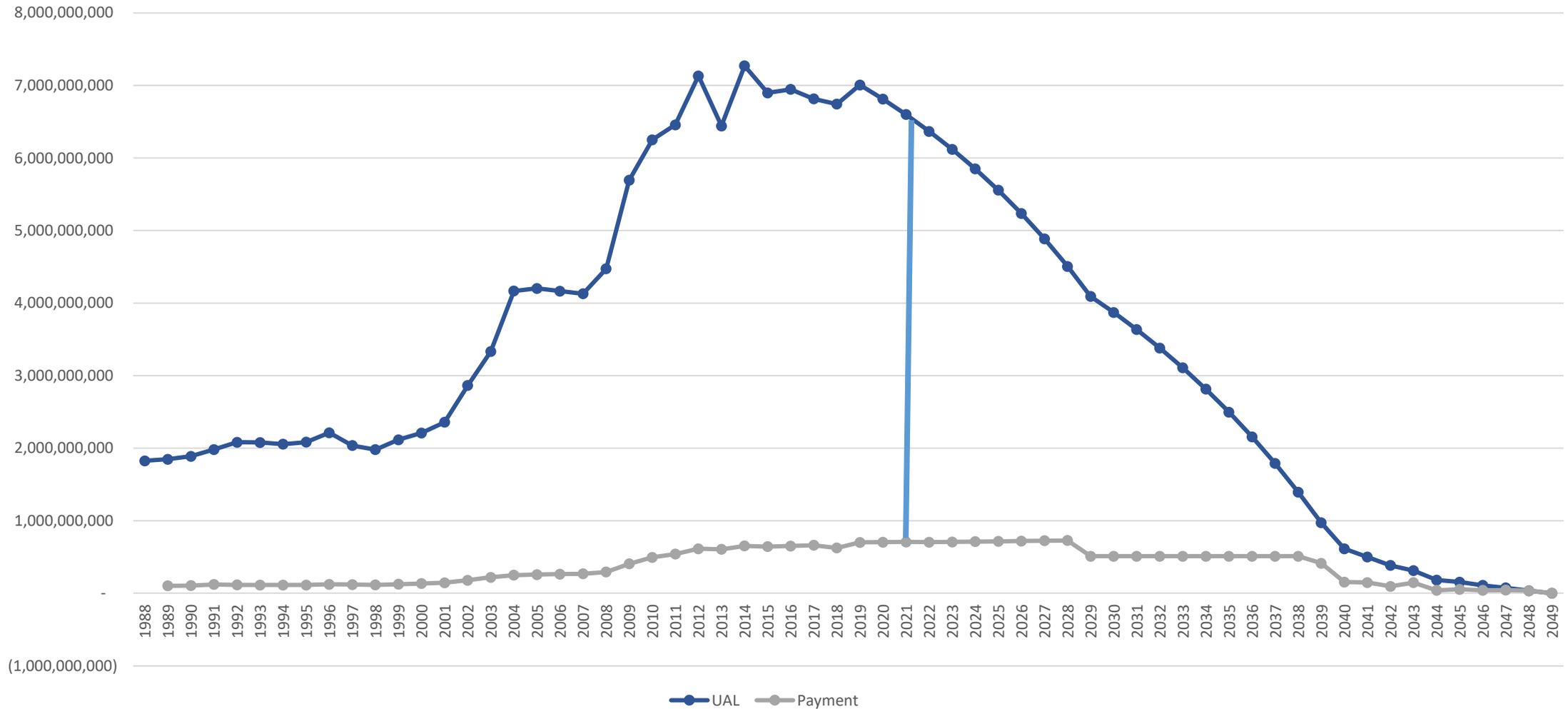


Fiscal Year	Savings	30% State	20% OJJ	30% Grants	20% LCLE Victims	50% DOC
2017-2018	\$12,203,000	\$3,60,900	\$0	\$2,562,630	\$1,708,420	\$4,271,050
2018-2019	\$17,800,333	\$5,340,100	\$3,560,067	\$2,670,050	\$1,780,033	\$4,450,083
Total	\$30,003,333	\$9,001,000	\$3,560,067	\$5,232,680	\$3,488,453	\$8,721,133

Historical and Projected UAL and UAL Payments



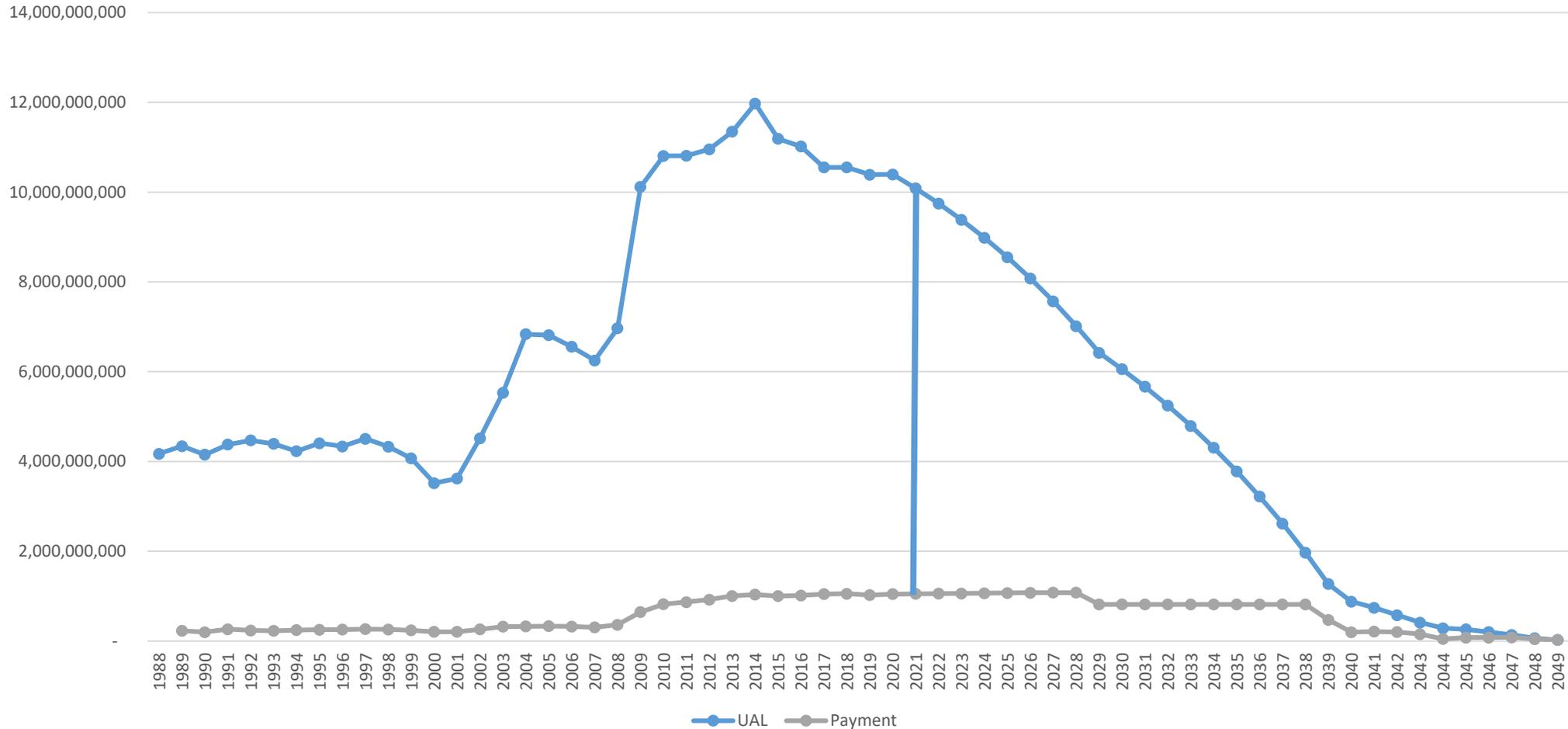
LASERS



Historical and Projected UAL and UAL Payments



TRSL



REC



- The Revenue Estimating Conference estimates revenue. It has nothing to do with expenditures, which are totally within the purview of the Legislature.
- The REC meets at least four times a year in order to raise or lower the forecast based on the most current information provided by the two state economists, whose job it is to make recommendations to the REC.

REC Timeline



APRIL 2019

- Revised FY20 forecast.
- Revised FY21 forecast only as part of long-range forecast, i.e., a “projection.” Thus, no fees or self-generated revenues were included. Only updated "Page 2" dedications.

DECEMBER 2019

- Voted 3-1 to adopt DOA forecast for FY20, FY21.
- (NO FORECAST ADOPTED)

JANUARY 1

- Deadline for REC to revise “ensuing fiscal year” forecast, i.e., FY21.
- (NOT DONE)

JANUARY 2020

- Voted 3-1 to adopt DOA forecast less \$103M sales tax revenue.
- (NO FORECAST ADOPTED)



- La. R.S. 39:172 provides that the REC is to establish:
 - “1. The **official forecast** for the current year. (NOTE: FY20)
 2. The **official forecast** for the ensuing fiscal year. (NOTE: FY21)
 3. A **projection** of money available for appropriation in each year for the three-year period following the ensuing fiscal year.” (NOTE: FYs 22-23-24)

NOTE: The budget estimate for FY21 in April 2019 was not for the “ensuing year.” In April 2019, the “ensuing year” was FY20. This is the only estimate approved thus far by the REC; therefore, there has been no “official forecast” for FY21, only a “projection.”

The REC has not recognized certain deductions and self-generated revenues for FY 21



- Even if the April 2019 projection were to be considered, there is no FY21 forecast and, thus, no Act 419 dedications or fees and self-generated revenues. This amounts to more than \$4B in revenue that cannot be appropriated.
- Federal funds are not adjusted for the loss of self-generated and statutory dedications to be used as matching funds.
- No adjustment to interagency transfers is included due to the complexity of realigning state-mandated costs as some agencies are not funded.
- The table of organization is not adjusted to reflect the number of layoffs and/or terminations if agencies are not funded.

The following departments would be reduced by the corresponding percentages:

Department of Culture, Recreation and Tourism	22%
Department of Natural Resources	55%
Department of Wildlife and Fisheries	66%
Public Safety Services	72%
Ancillary budget	74%
State Treasurer	79%
Department of Environmental Quality	83%
Department of Insurance	98%
Department of Revenue	99%



- Article VII(10)(B) of the Constitution provides that an “official forecast” shall be prepared by REC consisting of “state general funds and dedicated funds for the current and next fiscal years.”

NOTE: No dedicated funds have been recognized by the REC for FY21.



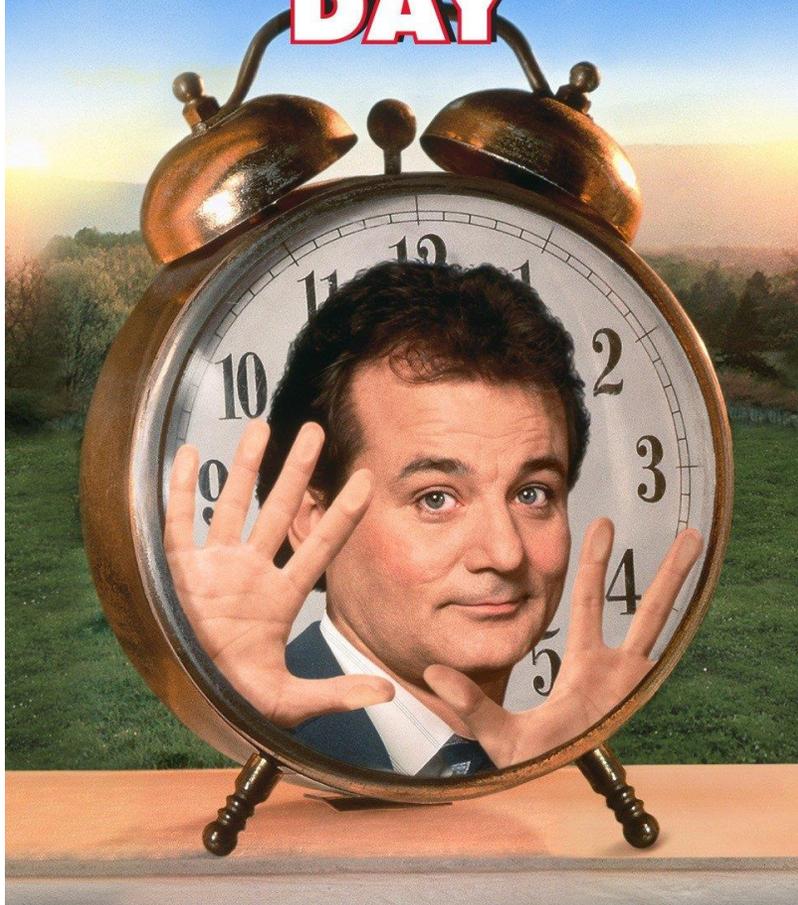
- Article VII(11) of the Constitution provides that the Governor shall submit to the Legislature... “a budget estimate for the next fiscal year...that shall include...a recommendation for appropriations from the state general fund and from dedicated funds which shall not exceed the official forecast.” This article then refers to the submission as an **“operating budget.”**



- La. R.S. 39:26 states that: “By January first, the conference shall revise the official forecast for the ensuing fiscal year which shall be utilized in the preparation of the executive budget.”

NOTE: The conference met in December 2019 but failed to adopt an “official” forecast. We tried again in January 2020 with the same numbers from the state economists. No forecast was adopted. Thus, the Governor cannot submit an “executive budget.” Instead, today we are submitting a proposed operating budget which presumably will be filed not as HB1 but under a different HB number.

BILL MURRAY
**GROUNDHOG
DAY**



Revenue Estimates for FY 2020-2021



	Legislative Fiscal Office	Division of Administration
Taxes, Licenses & Fees	\$12,676.5	\$12,644.4
Dedications	(\$2,471.0)	(\$2,497.1)
State General Fund Direct	\$10,205.5	\$10,147.3

In Millions

REC met on December 12, 2019, and again on January 31, 2020. The forecasts submitted in January are the same as the ones submitted December 2019.

FY 2021 Proposed Budget



FY21: Budget Stability

- No one-time money for recurring expenses
- No fund sweeps
- No mid-year deficit projected

FY 2020-2021 Budget Comparisons



	FY 2019-20 Existing Operating Budget	FY 2020-21 Proposed Budget	Over/Under Budgeted
General Fund	9,812.2	10,147.3	\$335.1
Fees/Self-Generated	3,044.3	3,151.0	\$106.7
Statutory Dedications	4,548.3	4,367.2	(\$181.1)
Federal Funds	14,474.9	14,499.1	24.1
Total	31,879.7	32,164.6	\$284.8

In Millions

Exclusive of double counts

FY 2020-2021 Proposed Budget



Major Increases	General Fund
GO New Bond Sale Debt Service	\$24,750,000
MFP Increase	\$38,987,607
MFP Formula Funding	\$26,634,659
Early Childhood	\$25,135,136
Higher Education	\$34,705,841
TOPS	\$5,565,220
Juvenile Justice	\$3,100,000
Legislatively mandated	\$22,738,362
Total	\$181,616,825

FY 2020-2021 Proposed Budget



Major Statewide Increases	General Fund	Total Funds
Market Rate Adjustments	\$24,994,070	\$58,868,339
Unclassified Pay Increase	\$385,704	\$969,826
Retirement Costs	\$1,574,392	(\$1,560,966)
Risk Management	\$2,354,598	\$5,560,013
Technology Services	\$8,199,315	\$20,232,652
Group Benefits	\$5,067,580	\$13,056,783
Total	\$42,575,659	\$97,111,076

FY 2020-2021 Proposed Budget



Targeted Reductions	General Fund
Health Districts	(\$5,650,868)
LDH: contracts, operating services	(\$4,183,170)
LDH: Programmatic reductions	(\$11,680,984)
0.06-2.25% Reductions	(\$24,103,468)
Total	(\$45,618,490)

FY 2020-2021 Proposed Budget



Summary	General Fund
Statewide Adjustments	\$42,575,659
Major Adjustments	\$158,878,463
Attrition Adjustments	(\$25,862,174)
Personnel Reductions	(\$1,446,611)
Department Reductions	(\$45,618,490)
Rent	(\$213,125)
TOTAL	\$128,313,722

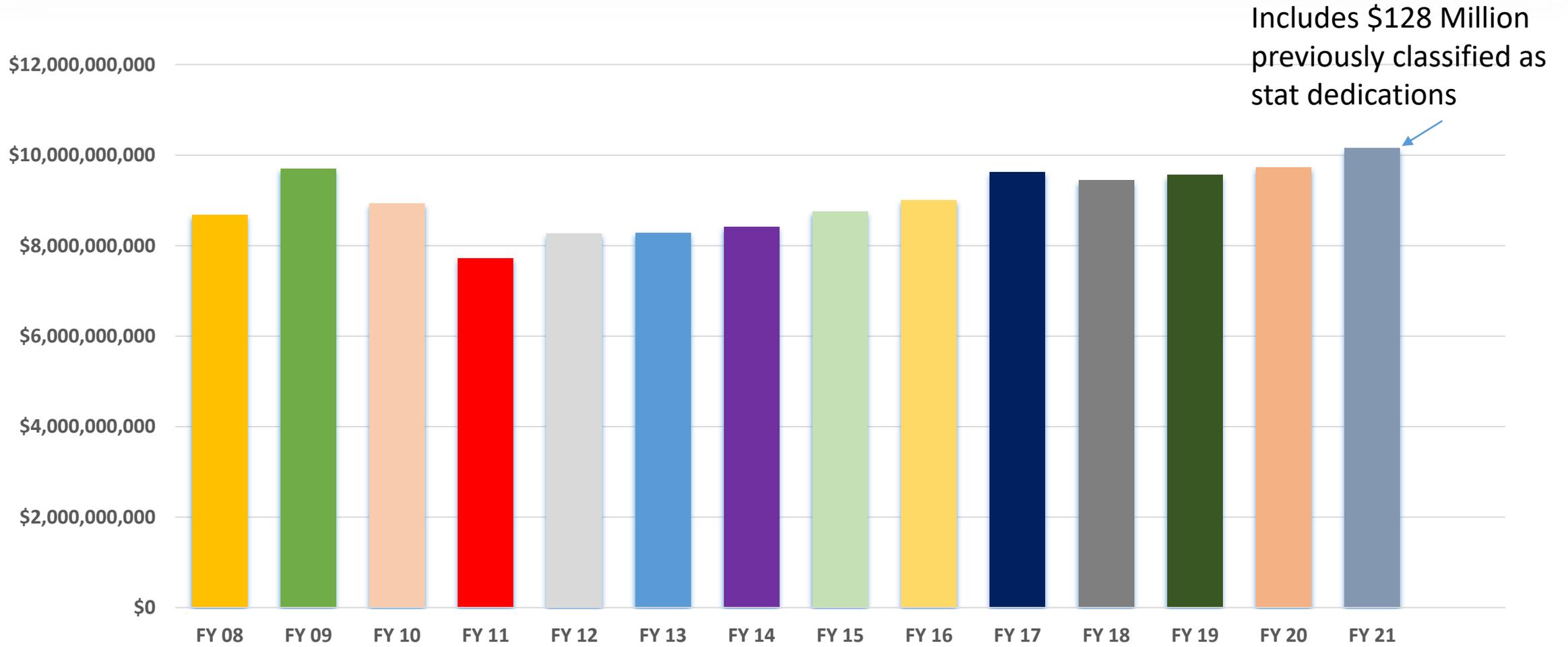
FY 2020-2021 Proposed Budget



- Authorized Positions are increased by 239, primarily due to the conversion of contract positions to authorized positions
- Non-TO and Other Charges positions are increased by a net 62 positions
- Net change in total positions increased by 301

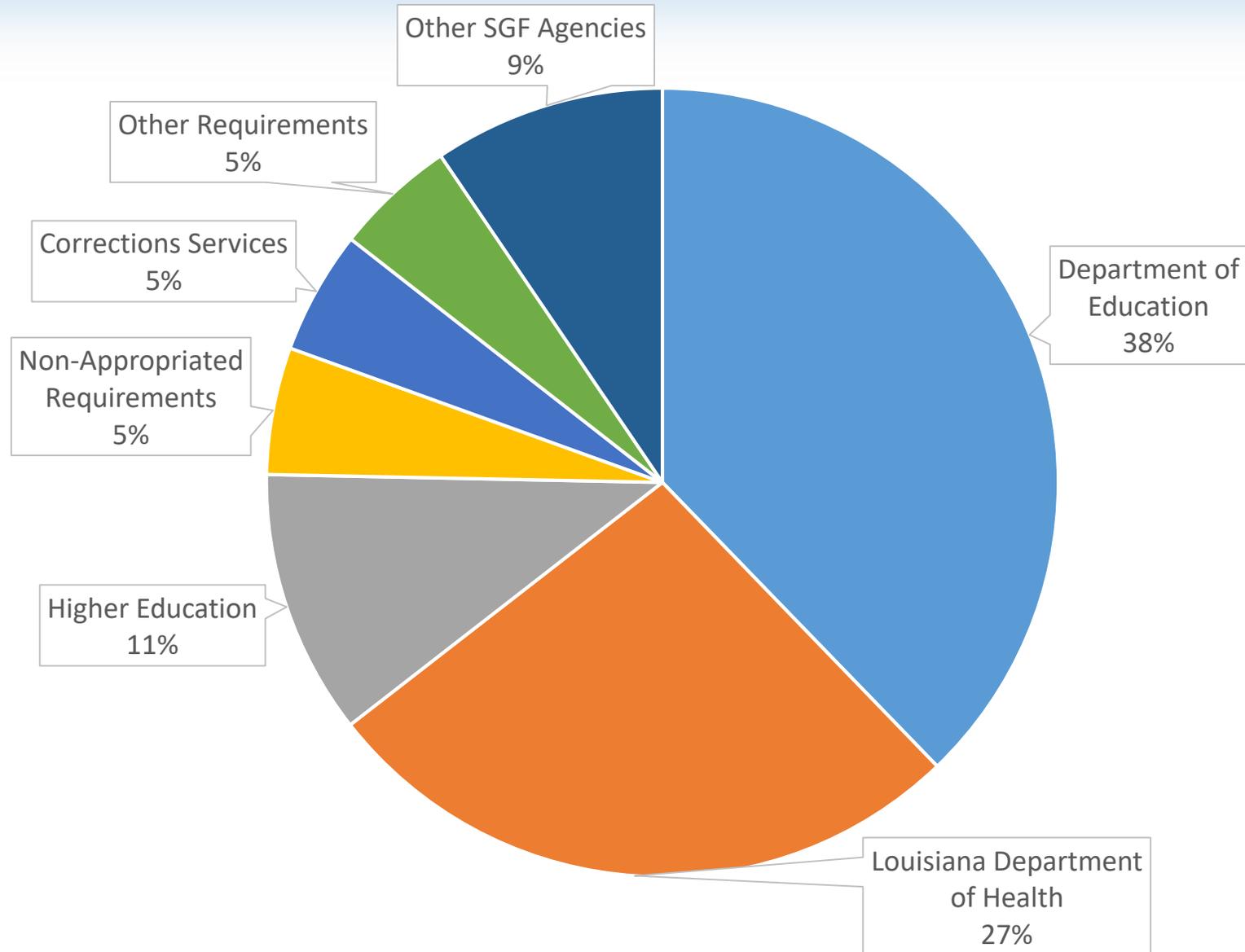


General Fund Budget



General Fund Budgeted July 1

State General Fund



Department of Education



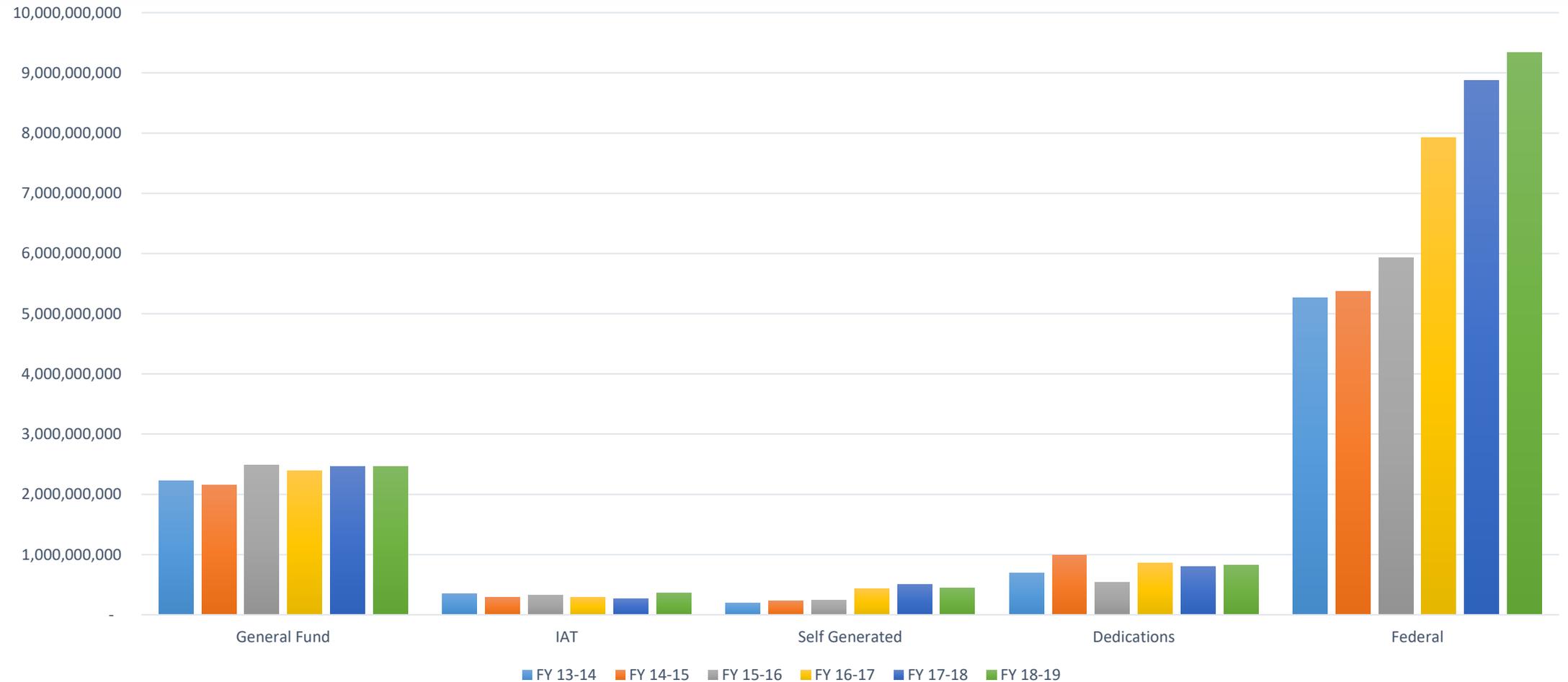
- Adding new funding for Early childhood (birth to 3) by \$25.1 million
- 1.375% increase in the MFP base amount per pupil \$38.9 million
 - Raising the amount from \$4,015 to \$4,070 per pupil. These funds provide the Local Educational Agencies (LEAs) with additional operating funds.
- Increased MFP formula funding by \$26.6 million to reflect increased costs



Department of Health

- After a full year of implementation, in FY 2018 Medicaid expansion leveraged an infusion of \$1.7 billion in federal funds into sustaining \$3.57 billion of economic activity
- Also in FY 2018, 14,000 jobs were created/retained which supports \$889 million in personal earnings.
- Currently, it provides 482,806 low-income people with 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 income, disability, citizenship and lawful presence in the U.S. — in real time.
- In FY 2020, LDH implemented a Managed Care Incentive Program financed with self-generated revenues generating an additional \$350 million in federal funds

Medical Vendor Payments





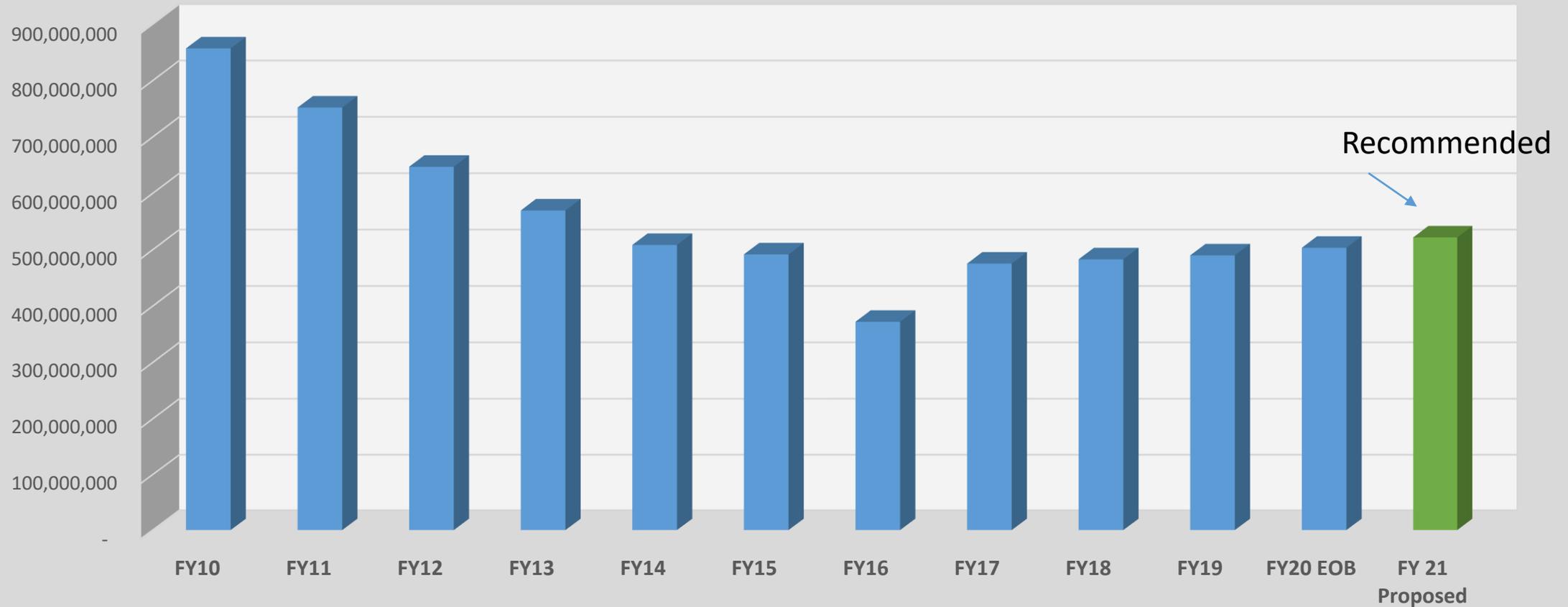
Higher Education Budgets

- TOPS increased by \$5.56 million in General Fund
- Formula funding increased by \$10M
- Specialized units increased by \$10M
- Statewide Adjustments by \$10.9M to partially fund mandated costs
- \$1M increase in Go Grants – from \$28M to \$29M
- \$1M increase for START Savings Plan
- \$750,000 increase for LOUIS for open source documents
- \$1M LUMCON

Higher Education



2YR/4YR Institutions (Actuals)

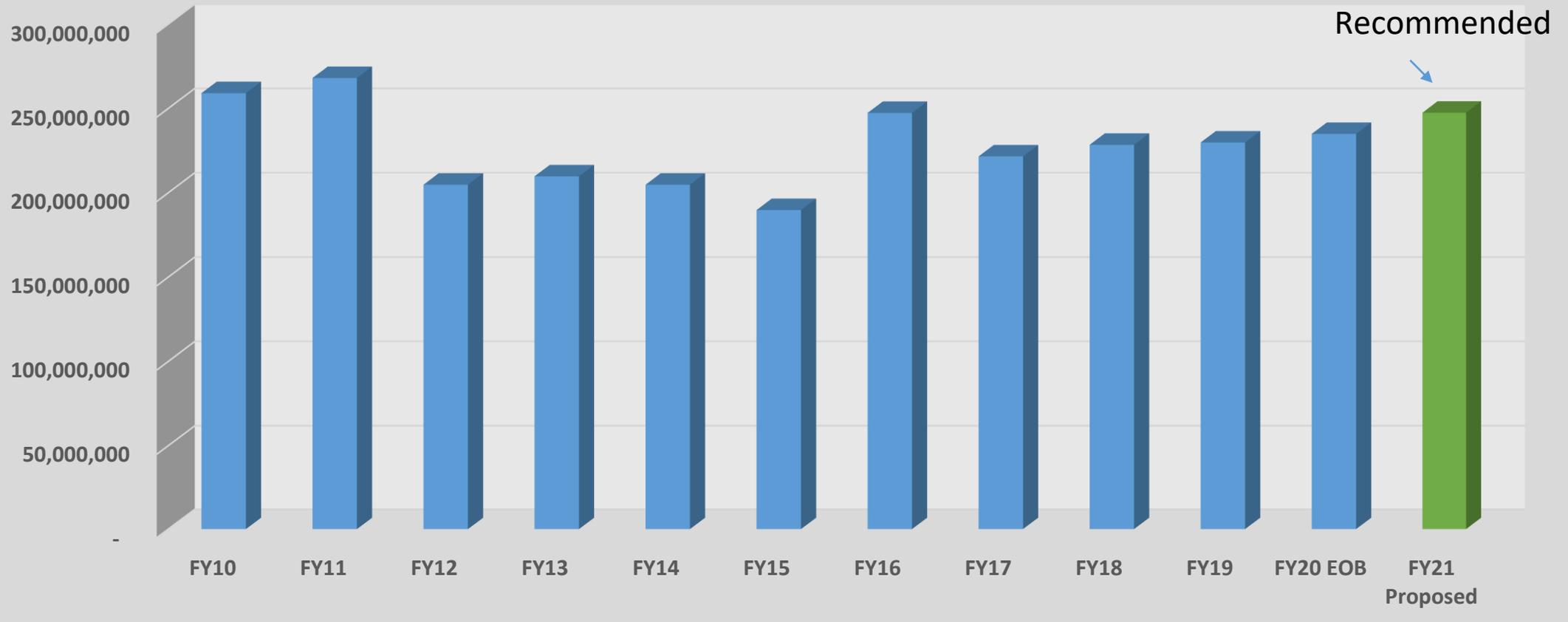


Higher Education



Specialized (Actuals)

Recommended



Office of Juvenile Justice



- Increased OJJ \$3.1M for anticipated increase of 67 violent youth who will enter secure care facilities as a result of Raise the Age



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 about \$1 billion
- Value of current projects is \$387 million – leaving a remaining legacy replacement cost of about \$573 million



Current Modernization Projects

- LDH: LaMeds Medicaid Eligibility and Enrollment System Phase 2 complete (system transitioning to maintenance and enhancement support)
- DCFS: Integrated Eligibility and Benefit Management for SNAP & TANF in production pilot phase
- DCFS: Child Welfare System in development phase
- DOA: LaGov ERP and Budget Development completing Wave 2 of agency implementation
- DPS State Police: Computer Aided Dispatch/Records Management System in implementation phase
- Corrections/OJJ: Offender Management System in development phase
- DOE: Education Management Link in contracting phase



LaGov Implementation Timeline

Completed

Active

To Do

2010-2018

2019

2020

2021

Converted to LaGov

Department

- Transportation and Development
- Environmental Quality
- Wildlife and Fisheries
- Natural Resources
- Coastal Protection and Restoration Authority
- Facility Planning and Control
- Attorney General
- Culture, Recreation & Tourism
- Public Service Commission
- Economic Development
- Civil Service
- Commission on Law Enforcement
- Veterans Affairs
- State Racing Commission

Statewide

- Human Resources/Payroll
- Procurement

Converted to LaGov Group 1

Department

- Public Safety
- Military Affairs
- Corrections
- Revenue
- Special School District
- Louisiana School for the Deaf and Visually Impaired
- Louisiana School for Math Science and Arts
- New Orleans Center for Creative Arts
- Thrive
- Louisiana Educational Television Authority
- Budget Development (6 agencies)

IN PROGRESS Group 2

Department

- Gov-Office of Elderly Affairs
- Secretary of State
- Agriculture & Forestry
- Insurance
- Workforce Support/Training
- Office of Juvenile Justice
- Bd Supervisors U of La Sys
- BESE
- Education
- Board of Regents
- Governor's Office of Homeland Security
- State Police Commission
- Budget Development (8 agencies)

PLANNED Group 3

Department

- Division of Administration and Relateds
- Health
- Children and Family Services
- Treasury
- Budget Development (12 agencies)

2022

PLANNED Budget

Department

- Budget Development for remaining State Agencies
- Capital Outlay



Current Modernization Projects

- DPS Office of Motor Vehicles
 - Initial components scheduled for operations by June 30, 2020, include:
 - Business Entity Management – security provisions between locations and 3rd party vendors
 - Miscellaneous sales — includes inspection stickers
 - Commercial Drivers License 3rd party Testing
 - Taxing jurisdiction tax rate management
 - Currently in design phase: Inventory management
 - Scheduled for design in summer 2020: Driver’s License Management
 - Post 2020: Vehicle Registration and Driver’s Management Bureau

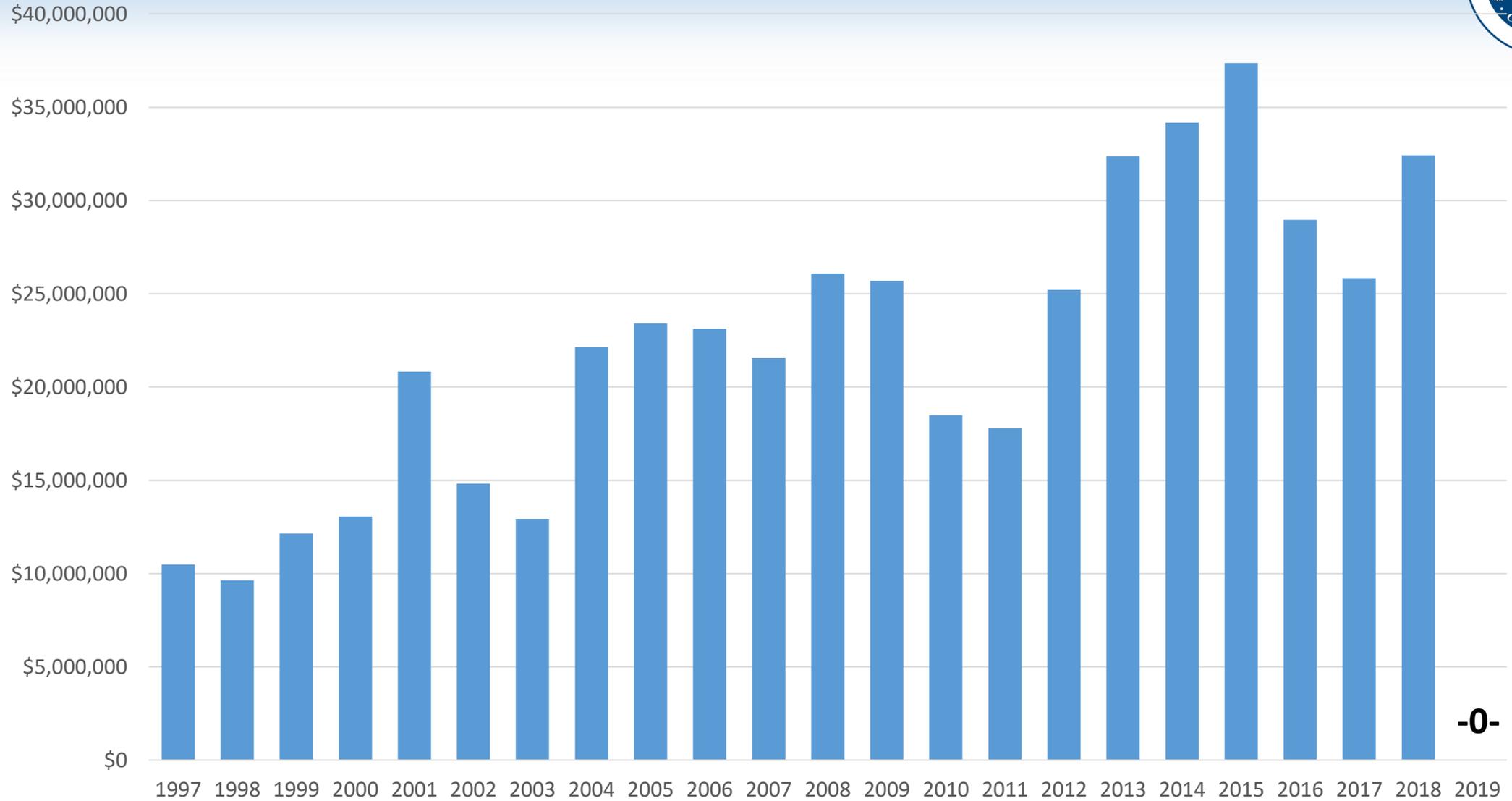
Two Looming Issues



Unclaimed Property

- The Treasurer refused to transfer the unclaimed property fund balance to the general fund in FY19. This has resulted in \$12M less being identified in the FY19 surplus. He is holding these funds in his escrow account.
- The Treasurer has written a letter to REC members indicating he will not transfer the fund balance in FY20 or any other subsequent year.
- The Treasurer's action is usurping the authority of the Legislature as the sole appropriator of state money and has contravened the REC's inclusion of this fund balance as part of the official forecast for FY21.
- The Governor has filed suit against the Treasurer seeking a writ of mandamus compelling the Treasurer to transfer the excess unclaimed property fund receipts to the general fund for FY19, FY20 and all future fiscal years.

Unclaimed Property Deposits to General Fund





Speaker's/President's Proposed Revenue Reductions

- At the January 31, 2020, REC meeting, the Speaker and President proposed removing \$103M from the economist's sales tax recommendation. If this reduction were to be included in the operating budget, the Legislature would have to reduce an additional \$103 Million from the proposed budget.

What would this look like?



- The following **ARE NOT** recommendations from the administration but are merely illustrative of the scope and challenge of arbitrarily reducing the sales tax estimate by \$103M.

Potential Budget Reductions that would be necessitated by the Speaker's and the President's Position at REC



Reduce sales tax estimate by \$103M Menu of Options

Column A	Column B	Column C	Column D
Taken all from LDH	No new investments in education	5% additional cut to everything except LDH and education (includes Legislative and Judiciary)	Take something from Column A, Column B and Column C or craft your own cuts



Column A: Taken All from LDH

LDH	In Millions
TEFRA expansion	\$4.5
Rural hospital supplemental payment	5.0
3% reduction to partner hospitals	6.1
Eliminate the following optional services:	
LAHIPP	.7
Ambulatory surgery	1.4
Inpatient Graduate Medical Education	7.7
Personal assistant services	.2
Clinic services	2.0
OBH Public/private partnerships	6.3
PT and OT for Adults	.3
Coordinated System of Care	3.4
PACE	6.6
UCC/DSH LINCCA	8.9
Hemodialysis	18.9
Hospice	32.2
TOTAL	\$102.2



Column B: No New Investments in Education

MFP 1.375%	(\$38,987,607)
Early Childhood	(\$25,135,136)
HIED - Formula	(\$10,000,000)
HIED - Specialized Units	(\$10,000,000)
HIED - LUMCON	(\$400,000)
HIED - LOUIS	(\$750,000)
Go Grant	(\$1,000,000)
Remaining cuts to departments	\$15,327,257
TOTAL	(\$101,600,000)

Column C: \$101.6M Reduction State General Fund 5% Cut Everywhere Except LDH and HIED

DEPARTMENT		STATE GENERAL FUND	EXCLUDED AMOUNT	REDUCTION AMOUNT	% SGF REDUCTION
01A_EXEC	Executive Department	142,889,309	-	(7,238,874)	-5.07%
01_100	Executive Office	7,337,013	-	(371,698)	-5.07%
01_101	Office of Indian Affairs	-	-	-	-
01_102	Office of the State Inspector General	2,317,741	-	(117,418)	-5.07%
01_103	Mental Health Advocacy Service	4,781,664	-	(242,243)	-5.07%
01_106	Louisiana Tax Commission	2,375,234	-	(120,331)	-5.07%
01_107	Division of Administration	52,120,026	-	(2,640,438)	-5.07%
01_109	Coastal Protection and Restoration Authority	-	-	-	-
01_111	Office of Homeland Security & Emergency Prep	2,503,128	-	(126,810)	-5.07%
01_112	Department of Military Affairs	37,349,026	-	(1,892,128)	-5.07%
01_116	Louisiana Public Defender Board	979,680	-	(49,631)	-5.07%
01_124	Louisiana Stadium and Exposition District	-	-	-	-
01_129	Louisiana Commission on Law Enforcement	3,662,678	-	(185,554)	-5.07%
01_133	Office of Elderly Affairs	29,463,119	-	(1,492,623)	-5.07%
01_254	Louisiana State Racing Commission	-	-	-	-
01_255	Office of Financial Institutions	-	-	-	-
03A_VETS	Department of Veterans Affairs	8,993,420	-	(455,613)	-5.07%
04_139	Secretary of State	55,092,517	52,144,329	(149,357)	-0.27%
04_141	Office of the Attorney General	16,494,397	-	(835,618)	-5.07%
04_146	Lieutenant Governor	1,124,810	-	(56,984)	-5.07%
04_147	State Treasurer	-	-	-	-
04_158	Public Service Commission	-	-	-	-
04_160	Agriculture and Forestry	18,802,786	-	(952,563)	-5.07%
04_165	Commissioner of Insurance	-	-	-	-
05A_LED	Department of Economic Development	33,486,331	-	(1,696,442)	-5.07%
06A_CRT	Department of Culture Recreation and Tourism	32,798,095	-	(1,661,575)	-5.07%
07A_DOTD	Department of Transportation and Development	-	-	-	-
08A_CORR	Corrections Services	513,060,584	-	(25,992,017)	-5.07%
08B_PSAF	Public Safety Services	-	-	-	-
08C_YSER	Youth Services	128,335,494	-	(6,501,568)	-5.07%
09A_LDH	Louisiana Department of Health	2,705,962,784	2,705,962,784	-	-
10A_DCFS	Department of Children and Family Services	209,862,876	-	(10,631,804)	-5.07%
11A_DNR	Department of Natural Resources	8,211,691	-	(416,010)	-5.07%
12A_LDR	Department of Revenue	-	-	-	-
13A_DEQ	Department of Environmental Quality	-	-	-	-
14A_LWC	Louisiana Workforce Commission	8,595,933	-	(435,476)	-5.07%
16A_WLF	Department of Wildlife and Fisheries	-	-	-	-
17A_CSER	Department of Civil Service	5,942,975	-	(301,075)	-5.07%
18A_RETM	Retirement Systems	-	-	-	-
19A_HIED	Higher Education	1,102,320,008	1,102,320,008	-	-
19B_OTED	Special Schools and Commissions	47,220,367	-	(2,392,218)	-5.07%
19D_LDOE	Department of Education	3,834,712,474	3,649,471,785	(9,384,426)	-0.24%
19E_HCSD	LSU Health Care Services Division	24,766,943	-	(1,254,711)	-5.07%
20A_OREQ	Other Requirements	502,441,514	103,301,825	(20,220,701)	-4.02%
21A_ANCIL	Ancillary Appropriations	-	-	-	-
22A_NON	Non-Appropriated Requirements	528,600,644	528,600,644	-	-
23A_JUDI	Judicial Expense	155,111,092	-	(7,858,039)	-5.07%
24A_LEGI	Legislative Expense	62,472,956	-	(3,164,929)	-5.07%
26A_CAPI	Capital Outlay	-	-	-	-
Total Expenditures & Request		10,147,300,000	8,141,801,375	(101,600,000)	

Column D: Pick Your Poison



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Challenges on the Horizon

- Corps of Engineers payment
- Families First Act
- Medicaid rule changes
- Conservation Fund



Use of Current Year Excess (FY 2020)

- Continue funding various technology projects as they move through design and implementation
- Pay FEMA debt
- Complete current year funding of mandated costs for Higher Education
- Deposits into Higher Education Initiatives Fund for Master Plan attainment goals
- Payment of federal tax required by managed care company contracts
- Cybersecurity
- LCTCS mobile labs

New Initiatives – Training will Travel

Career Fair



Virtual Welding

