

# *State of Louisiana*

## **Executive Budget**

**Fiscal Year 2006-2007**

**Joint Legislative Committee  
on the Budget**

**March 6, 2006**

**Kathleen Babineaux Blanco**  
**Governor**



# FY 2006-2007 Budget Development

## The Challenge

- ◆ Uncertainties of post-hurricane fiscal environment
- ◆ Critical state and local needs associated with hurricane recovery and rebuilding
- ◆ Regaining our momentum in programs and initiatives interrupted by hurricanes
- ◆ Realigning expenditures to reflect priorities and new realities



# REVENUES



# State General Fund Revenues

- ❖ February 2006 REC forecast incorporated significantly more post-hurricane information than was available in October. This resulted in significant improvement in projections for FY06 and FY07 combined.
  
- ❖ This growth is largely due to key statutory changes enacted in the November 2005 Special Legislative Session.
  - ◆ Act 34 and 67 to “fill” the Budget Stabilization Fund and allow recurring oil and gas revenue to remain as State General Fund.
  - ◆ Tax exemptions and credits
  
- ❖ The REC also recognized revenue growth in both years, due to stronger sales taxes and other factors.

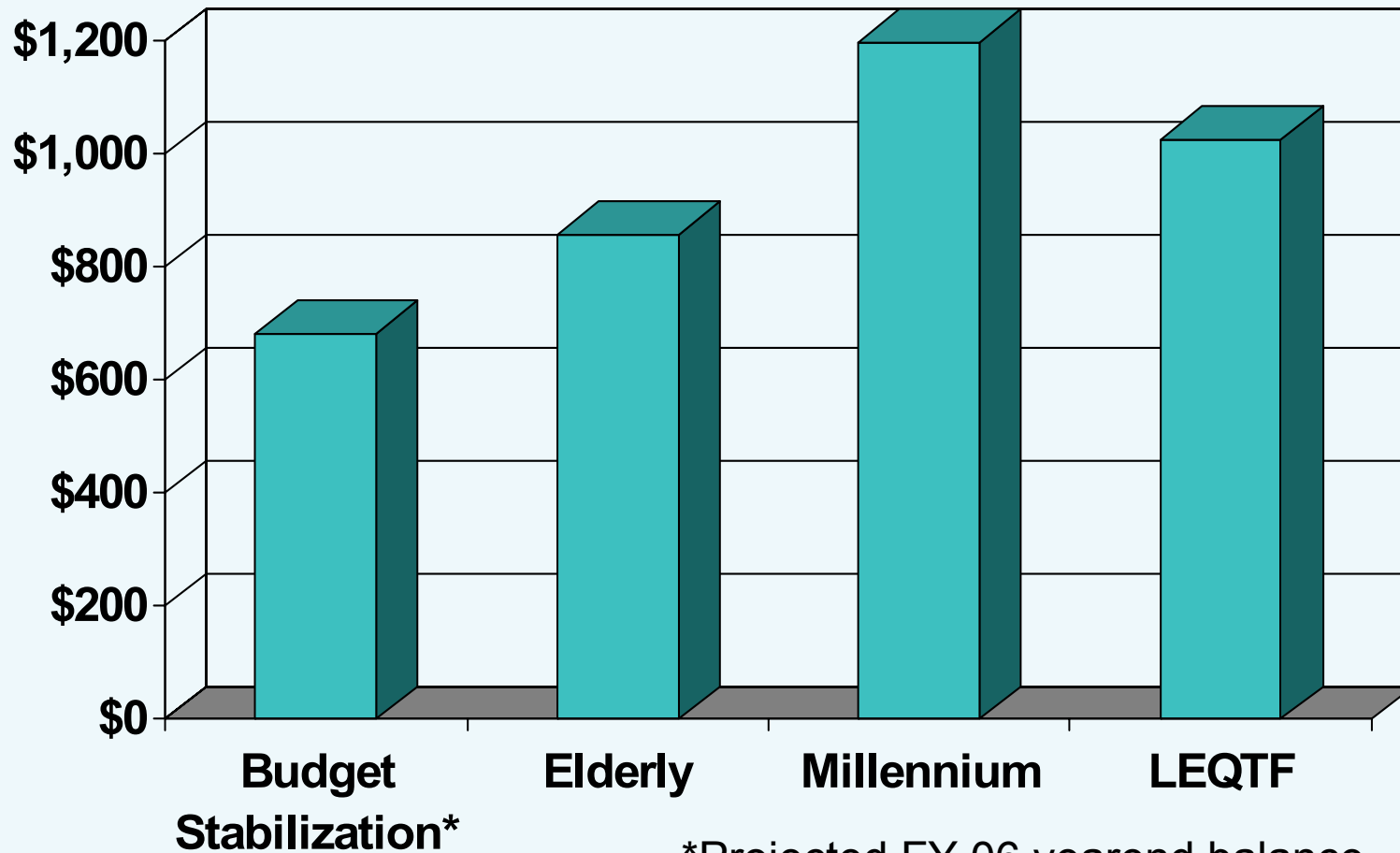
# State General Fund Revenues

	FY06	FY07
REC October 2005	\$6,301M	\$6,628M
Stabilization Fund Effects	\$ 197M	\$ 442M
Tax Cuts	(\$ 46M)	(\$ 54M)
Revenue Growth	<u>\$ 449M</u>	<u>\$ 101M</u>
REC February 2006	\$6,901M	\$7,117M

- ❖ For FY07 budget planning purposes, target dollars did not anticipate the revenue growth.

# Trust Fund Balances = \$3.7 Billion

(In \$ Millions)



\*Projected FY 06 yearend balance



# FY 06-07 BUDGET DEVELOPMENT

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# A New Fiscal Environment

- ❖ State agencies were unable to incorporate hurricane impacts in FY 06-07 budget requests for Nov. 1.
- ❖ “Business as usual” approach would not work for FY 06-07 budget development.
- ❖ To build FY 06-07 Executive Budget, we had to face the realities of our post-hurricane fiscal environment.
- ❖ We adopted a cautious approach, based on factors known in November.



# A New Budget Approach



- ❖ Conservative revenue estimate for budget development based on
  - ◆ REC October 2005 forecast
  - ◆ effects of November Special Session
  - ◆ need to be cautious because of unknown impacts
- ❖ Asked state departments/agencies to develop Budget Priority Plans to operate within assigned target dollars
  - ◆ Target dollars assigned at highest organizational level
  - ◆ Budget Priority Plans built activity-by-activity
- ❖ Budget Priority Plans offered flexibility and opportunity for departments to:
  - ◆ Prioritize activities based on core missions and return on investment
  - ◆ Consider hurricane impacts on revenues, utilization/demand for services
- ❖ The result was not just an across-the-board reduction to all agencies.



# EXPENDITURES

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# FY 05-06 Supplemental Needs

- ❖ **Need to address FY 05-06 supplemental needs before building FY 06-07 budget.**

In \$ Millions	FY06 SUPPLEMENTAL NEEDS
\$155.7	Funding match for FEMA invoices
\$10.5	Funding match for other hurricane-related expenses, such as hazard mitigation, accountability audits, and other disaster-related consulting services
\$7.9	Replace hurricane-related revenue losses
\$25.0	Post-hurricane workforce recovery and healthcare relief
\$2.5	Election expenses for New Orleans April 22 election
\$4.9	Increased utility costs for state agencies
\$13.0	Housing of State Inmates
\$137.9	Utilization in FY07 budget for health care
\$45.6	Other Supplemental Needs, including reserve for Judgments
\$403.0	TOTAL

## FY 05-06 EOB, Adjusted EOB, and FY 06-07

### Recommended (In \$ Millions, Exclusive of Double Counts)

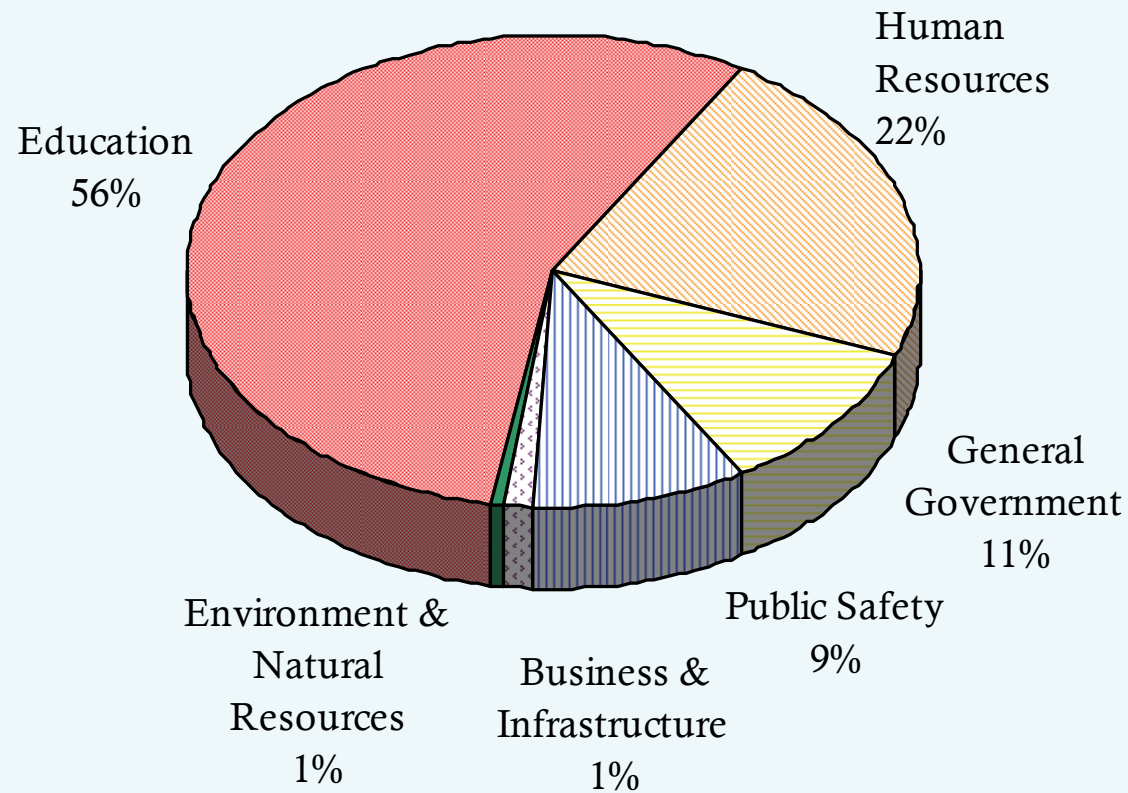
	<b>FY 05-06 EOB As of 12/01/05</b>	<b>KBB 2005-82 and Act 67 Reductions</b>	<b>FY 05-06 Adjusted EOB</b>	<b>FY 06-07 Recommended</b>
<b>General Fund Direct</b>	<b>\$7,297.0</b>	<b>(\$512.4)</b>	<b>\$6,784.6</b>	<b>\$7,117.8</b>
<b>General Fund By:</b>				
<b>Fees &amp; Self Generated</b>	<b>\$1,403.9</b>	<b>(\$1.9)</b>	<b>\$1,402.0</b>	<b>\$1,334.7</b>
<b>Statutory Dedications</b>	<b>\$3,334.1</b>	<b>(\$62.9)</b>	<b>\$3,271.2</b>	<b>\$3,359.5</b>
<b>Interim Emergency Board</b>	<b>\$1.7</b>	<b>\$0.0</b>	<b>\$1.7</b>	<b>\$0.0</b>
<b>TOTAL STATE FUNDS</b>	<b>\$12,036.7</b>	<b>(\$577.2)</b>	<b>\$11,459.5</b>	<b>\$11,812.0</b>
<b>FEDERAL FUNDS</b>	<b>\$8,750.8</b>	<b>(\$431.8)</b>	<b>\$8,319.0</b>	<b>\$8,482.6</b>
<b>GRAND TOTAL</b>	<b>\$20,787.4</b>	<b>(\$1,009.0)</b>	<b>\$19,778.4</b>	<b>\$20,294.5</b>
<b>Positions</b>	<b>46,592</b>	<b>(691)</b>	<b>45,901</b>	<b>45,207</b>

# FY 05-06 Budgeted vs. FY 06-07 Recommended

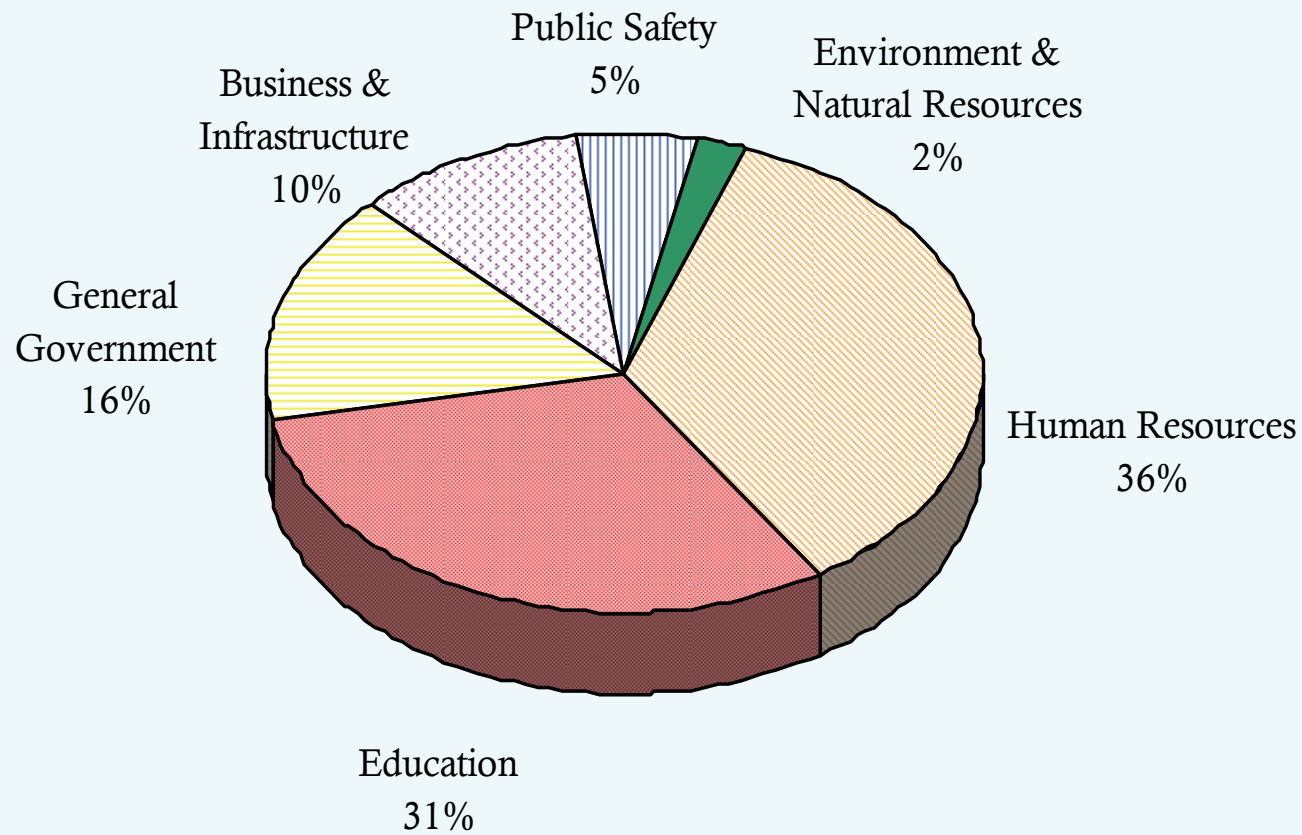
(In \$ Millions, Exclusive of Double Counts)

	Budgeted FY 05/06 As of 12/01/05	Recommended FY 06-07	Over/(Under) Budgeted	% Change
<b>General Fund Direct</b>	\$7,297.0	\$7,117.8	(\$179.2)	-2.46%
<b>General Fund By:</b>				
<b>Fees &amp; Self Generated</b>	\$1,403.9	\$1,334.7	(\$69.2)	-4.93%
<b>Statutory Dedications</b>	\$3,334.1	\$3,359.5	\$25.4	0.76%
<b>Interim Emergency Board</b>	\$1.7	\$0.0	(\$1.7)	--
<b>TOTAL STATE FUNDS</b>	\$12,036.7	\$11,812.0	(\$224.7)	-1.87%
<b>FEDERAL FUNDS</b>	\$8,750.8	\$8,482.6	(\$268.2)	-3.06%
<b>GRAND TOTAL</b>	\$20,787.4	\$20,294.5	(\$492.9)	-2.37%
<b>Positions</b>	46,592	45,207	(1,385)	-2.97%

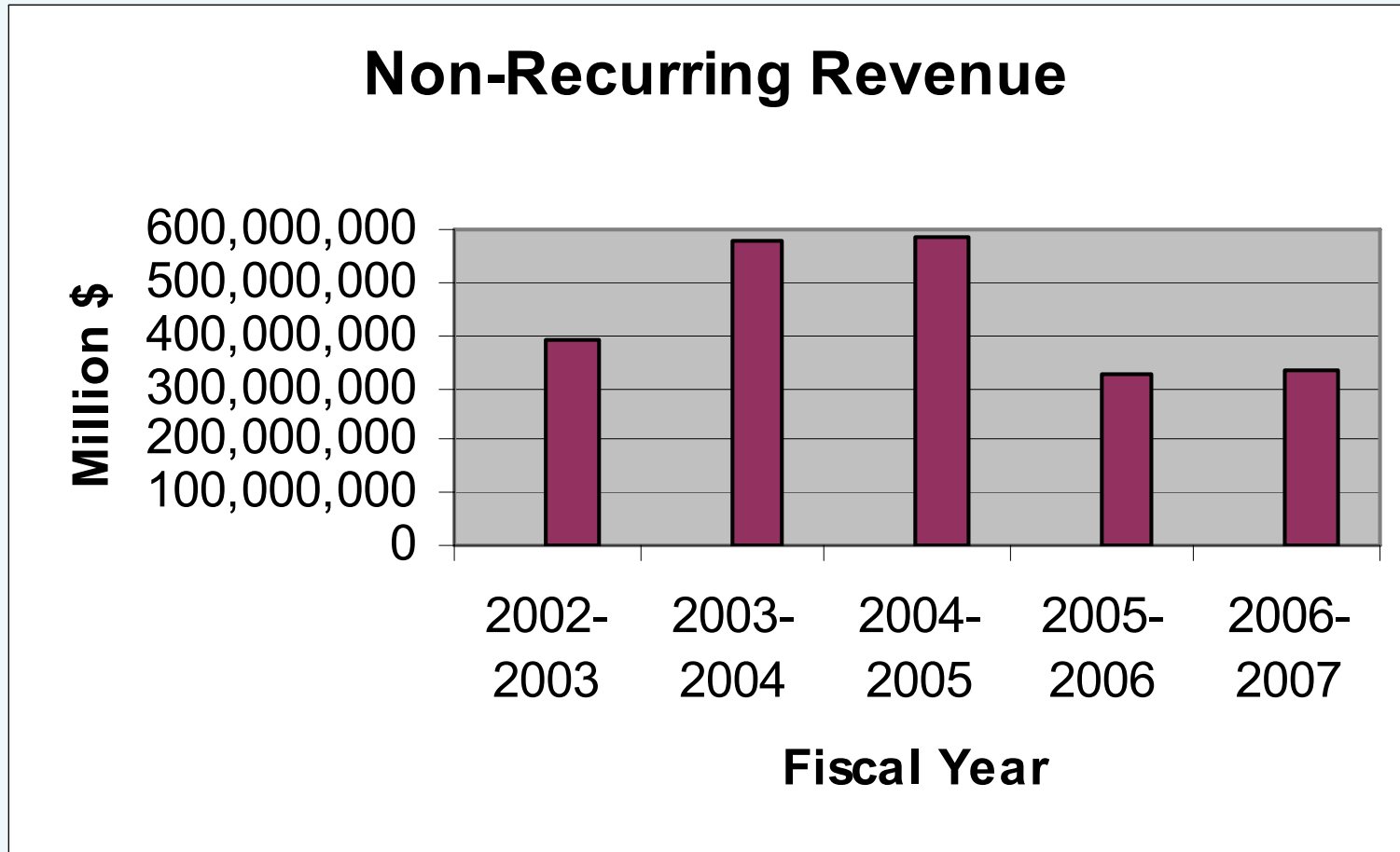
# FY 06-07 State General Fund Expenditures, by Functional Area



# FY 06-07 Total Expenditures, by Functional Area



# Use of Non-recurring Revenue







# MAJOR BUDGET CHANGES

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# Major Changes

## ❖ K-12 Education

- ◆ \$104.5M – Pay raise for certificated personnel
- ◆ TOPS - Down \$1.2M from EOB (recognizing decrease in student enrollment) but anticipated growth in FY 06-07 is funded
- ◆ MFP - Down approximately \$99M (recognizing decrease in student enrollment) but anticipated FY 06-07 growth is funded

## ❖ Higher Education

- ◆ \$37.1M SGF for mandated costs (\$44.4M total MOF)
- ◆ \$31M for faculty pay raise
- ◆ \$15M for workforce development
- ◆ \$10M to help with uncertain enrollment levels
- ◆ \$2M for Dual Enrollment
- ◆ \$1M for ULM Pharmacy School

# Major Changes

## ❖ Hospitals & Medical Schools

- ◆ LSU HSCS - UCC and Medicaid - \$205.9M Total Budget (1.76% over EOB)
- ◆ E. A. Conway Med.Center, UCC and Medicaid - \$65.5M Total Budget (3.06% over EOB).
- ◆ HCSD - \$69.4M Total SGF in budget (6.5% decrease from adjusted EOB.) SGF covers costs that do not qualify for federally matched UCC.
- ◆ HCSD - \$102.4M Total Medicaid payments (equal to current level of Medicaid reimbursed costs).
- ◆ HCSD - \$416.1M Total UCC (5% increase over projected FY06 allowable cost).
- ◆ \$4M for faculty recruitment - LSU Health Science Center New Orleans
- ◆ \$4M for equipment – LSU Health Science Center Shreveport

# Major Changes

## ❖ Health & Hospitals / Medicaid

- ◆ DHH is utilizing \$411M in FY07 as a direct result of the federal relief package
- ◆ Increased funding:
  - ▶ \$10.2M in OCDD to transition to community-based services
  - ▶ \$9.5M in Medicaid for a community hospital funding pool
  - ▶ \$8.8M in OMH for mental health programs
  - ▶ \$5.3M in OPH for personal health programs, including immunizations
  - ▶ \$3.5M in OPH for environmental health services, including safe drinking water
- ◆ Implementing long-term care reform
  - ▶ Closing Metropolitan and Northwest Developmental Centers
  - ▶ Downsizing Villa Feliciano and John J. Hainkel Home and Rehab Center

# Major Changes

## ❖ Social Services:

- ◆ Maximizes federal funds, due primarily to one-time waiver of state match requirements
- ◆ Federal funds are increased by \$56.4M
- ◆ \$3M TANF funds for Community Response Initiative to reduce poverty and address hurricane recovery needs

## ❖ Elderly Services:

- ◆ \$1.4M SGF to fully fund Senior Center formula statewide

## ❖ Women's Services:

- ◆ \$1.5M increase from TANF funds to address domestic violence

# Major Changes

## ❖ Juvenile Justice:

### ◆ In the Office of Youth Development

- ▶ Overall budget increase of \$6.6M or 4.74% from EOB
- ▶ \$5.5M increase in Title IV-E funding for community-based services
- ▶ \$3M SGF to establish the Youth Services Grant Pool

## ❖ Environment and Natural Resources

- ◆ \$1.7M SGF to restore Department of Agriculture to 40-hour work week
- ◆ \$3.1M SGF for means of financing substitution to maintain core mission activities of Department of Environmental Quality

# Major Changes

## ❖ Economic Development

- ◆ \$6M SGF to establish the Economic Development Matching Grant Program
- ◆ \$10M continues for Rapid Response Fund
- ◆ \$5.5M continues for advertising, promotion and marketing
- ◆ \$4.57M SGF for land acquisition and site planning for a Megasite for a major project (funded in Capital Outlay budget)

## ❖ Culture, Recreation & Tourism

- ◆ State parks and museums funded to remain open
- ◆ \$2.2M for additional state park cabins and campsites
- ◆ \$1.5M for Hodges Garden transition to state operations
- ◆ \$2.2M increase for marketing from tourism dedication
- ◆ CODOFIL and bowl game funding transferred to CRT
- ◆ \$738K for rural tourism from tourism dedication

# Major Changes

## ❖ Capital Outlay

- ◆ \$10M SGF to supplement existing CDBG program for local infrastructure needs.
- ◆ \$25.2M in TTF-Regular for Non-Federal Aid eligible state highways—up by \$10.2M from FY06 EOB of \$15M

## ❖ Parish Transportation Program

- ◆ Additional TTF funding of \$8.8M for total \$40M parish road maintenance
  - ▶ \$2.8M increase for distribution to parishes on a per capita basis
  - ▶ \$6M increase for distribution to parishes on a per mile basis



# Major Changes

## ❖ Indigent Defense and Civil Representation

- ◆ \$10M SGF increase for Louisiana Indigent Defense Assistance Board; brings total to \$20M
- ◆ \$500K Total SGF for Legal Services Corporations for civil representation

## ❖ Elections Support

- ◆ \$1.7M SGF added for elections database
- ◆ \$2.5 SGF added for a total of \$17.4M for 2 statewide and 4 local elections

## ❖ Veterans Affairs

- ◆ Two new war veterans homes scheduled to open November 2006
  - ▶ Northwest War Veterans Home in Bossier City
  - ▶ Southeast War Veterans Home in Reserve.

# Major Changes

## ❖ Corrections – SGF added for:

- ◆ \$2.4M for skilled nursing facility at Forcht-Wade Unit of David Wade Correctional Center
- ◆ \$2.9M for new death row cell block at Louisiana State Penitentiary
- ◆ \$17.2M for mandated personnel costs
- ◆ \$4.5M for increases in utilities in the institutions.

## ❖ Public Safety Services

- ◆ \$4.5M SGF for increases in State Police Retirement rate calculations.
- ◆ \$1.4M Statutory Dedication from the Riverboat Enforcement Fund for costs associated with two cadet classes (25 members each).
- ◆ \$5M Federal Funds increase in Louisiana Highway Safety Commission for hazard elimination projects.

# Major Changes

## ❖ General Government:

- ◆ \$118.7M SGF- Debt Service increase
- ◆ \$17M SGF – replaces lost self-generated revenues in Office of Revenue
- ◆ \$5.1M SGF for increased utility costs in state buildings
- ◆ Implements legislation from 1st Special Legislative Session of 2006 establishing the Louisiana Recovery Authority and the Governor's Office of Homeland Security and Emergency Preparedness