

# State of Louisiana

## Executive Budget Fiscal Year 2008-2009

Joint Legislative Committee  
on the Budget  
February 29, 2008



**Bobby Jindal**  
**Governor**



# PHILOSOPHY: Fiscal Reform and Government Accountability

Control growth in government

Maximize efficiency and effectiveness

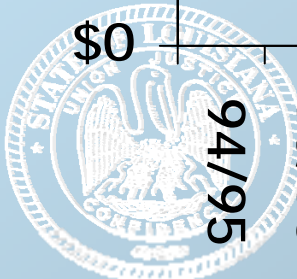
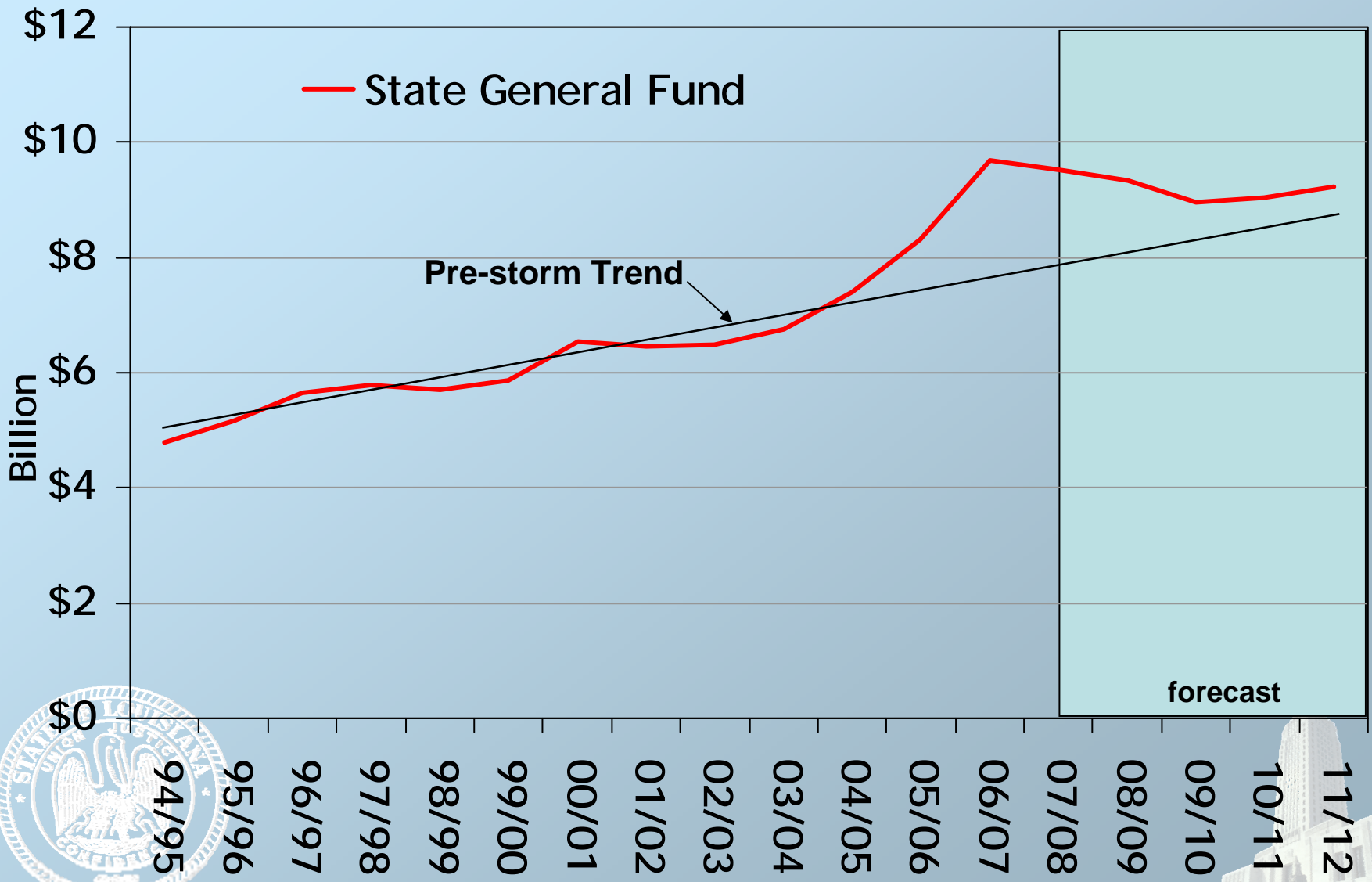
Target strategic investments to critical needs

Serve as a good steward of taxpayer dollars,  
to provide return on investment and  
to achieve measurable results

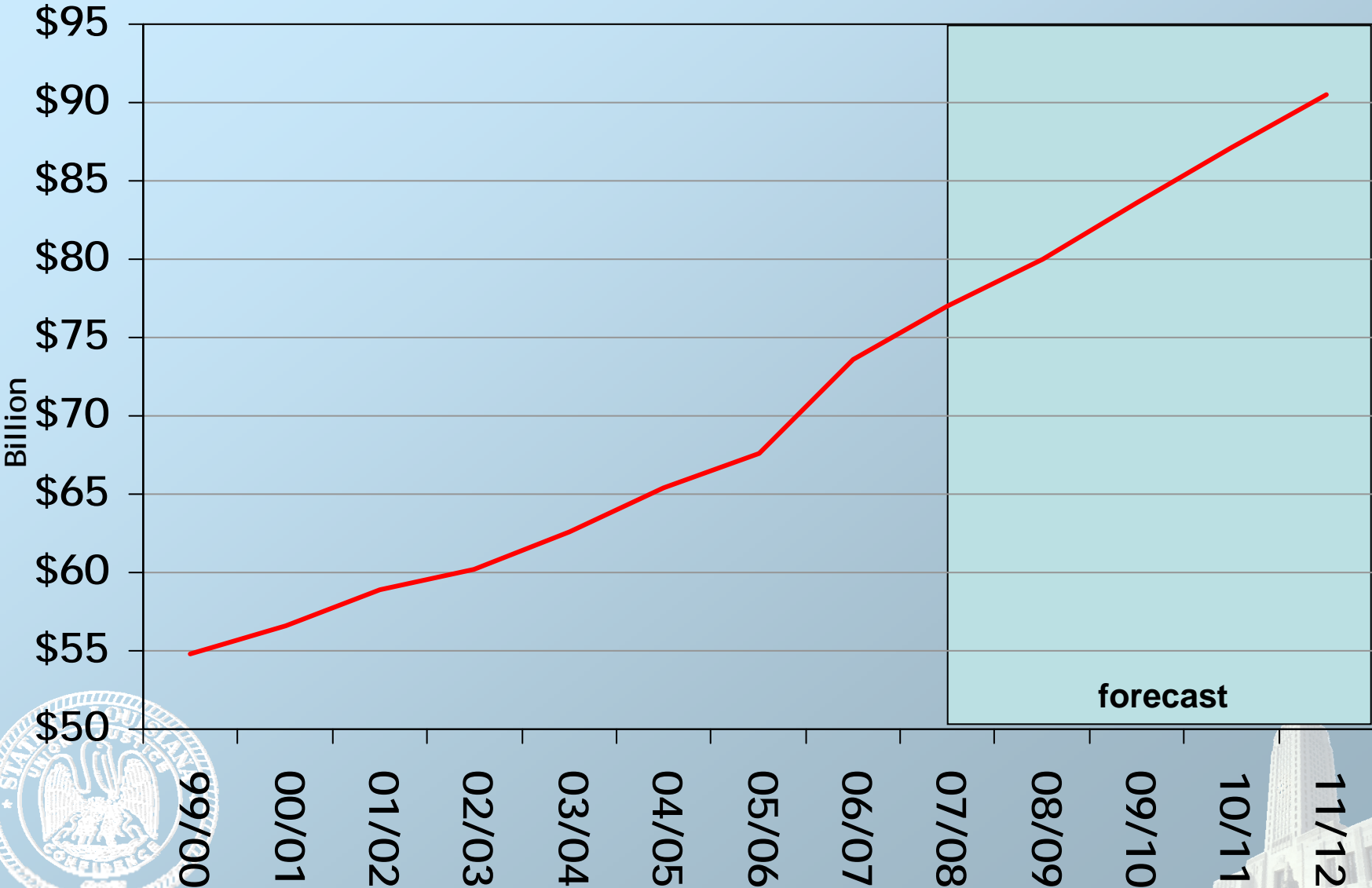
Transparency leads to accountability leads to  
performance leads to responsible spending



# State General Fund Revenue

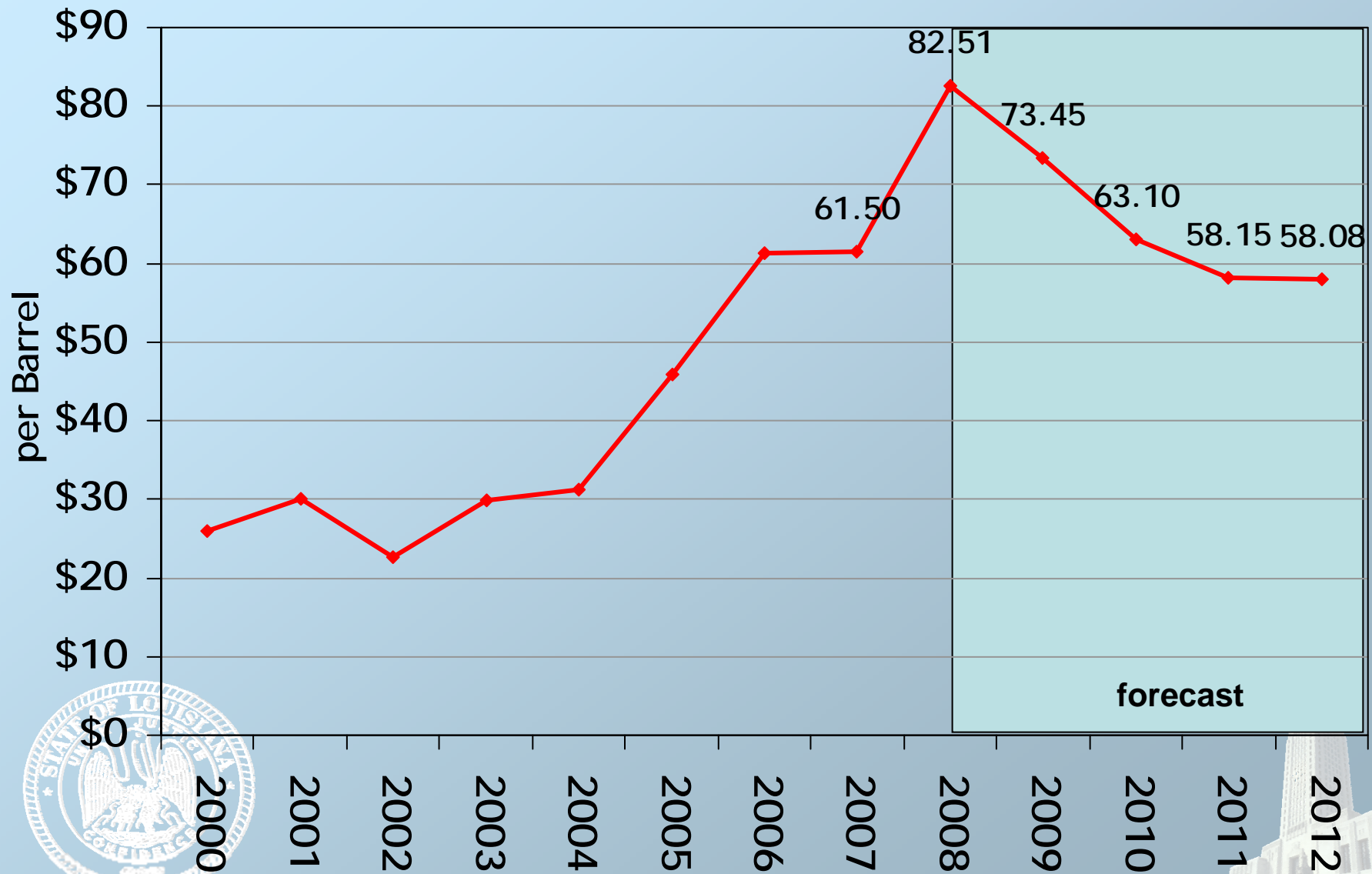


# Louisiana Wages and Salaries

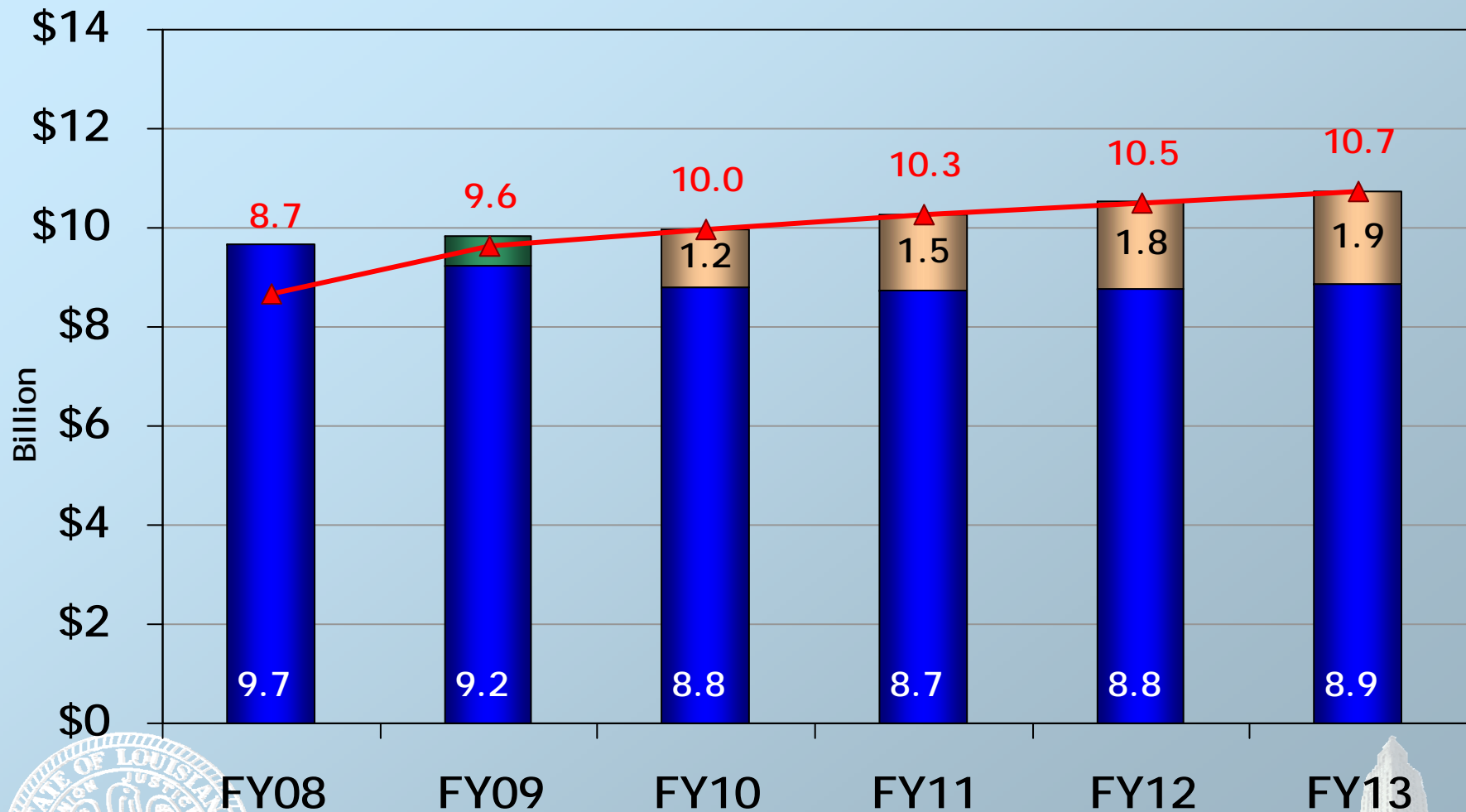


Source: Moody's Economy.com

# Oil Severance Price



# Five-Year Budget Outlook



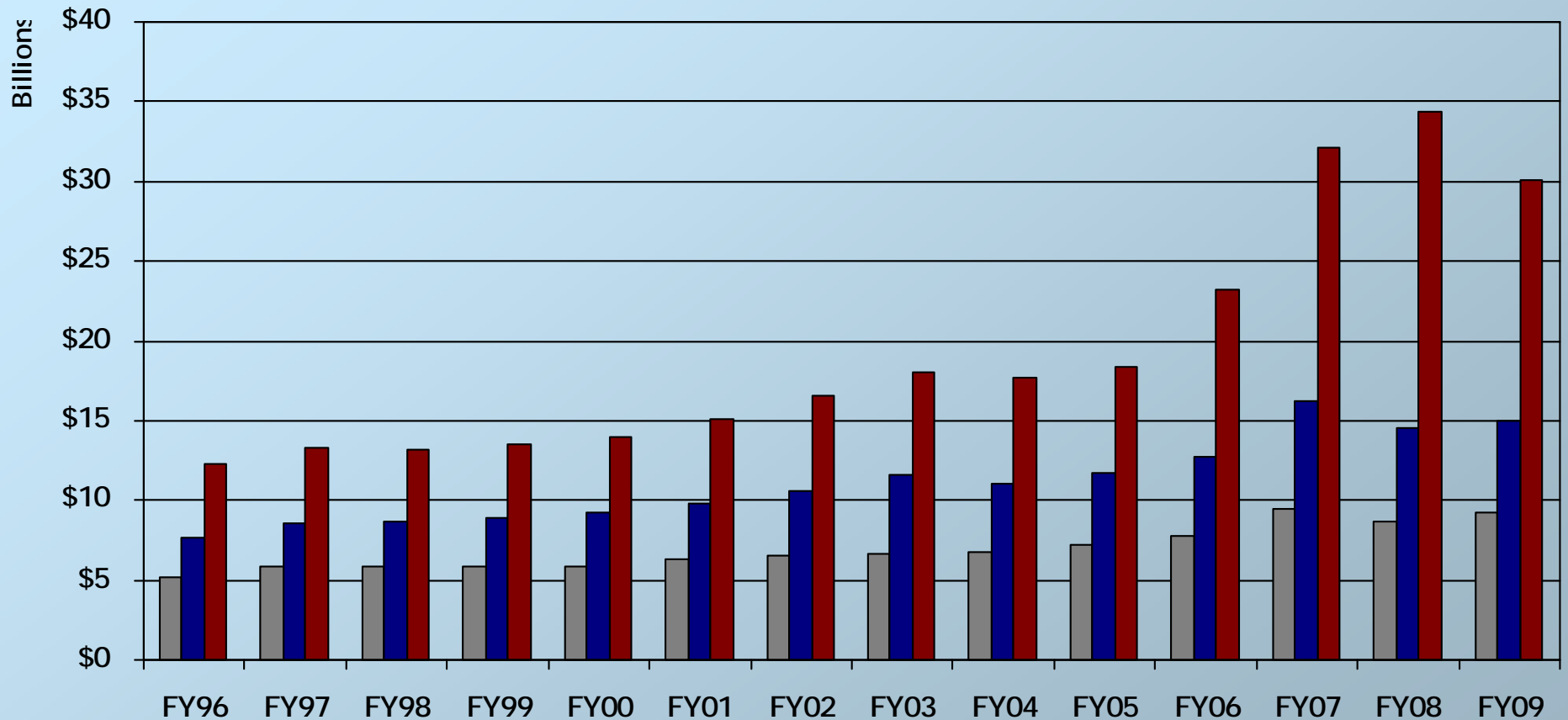
■ Anticipated Revenue  
■ Budget Gap

■ Anticipated Excess Revenue  
▲ Adjusted Expenditures



# Growth in Government Spending

(Excluding Double Counts)



STATE GENERAL FUND (Direct)

TOTAL STATE FUNDS

TOTAL BUDGET



# Exec. Order No. BJ 2008-2

## Executive Department Transparency

- Require transparency to allow public to easily and clearly view spending
- Assess agency compliance with the Louisiana Government Performance and Accountability Act
- Require department-wide survey and audit of spending and performance
- Report to the Governor recommendations for compliance by April 15, 2008





# Exec. Order No. BJ 2008-3

## Limited Hiring Freeze

- Achieve a State General Fund dollar savings of at least \$25 million
- Prohibit filling vacancies in existing or new positions occurring after January 15 through June 30, 2008
- Require departments to file reports reflecting projected savings
- Authorize Commissioner to grant exemptions for critical positions



# SB 37

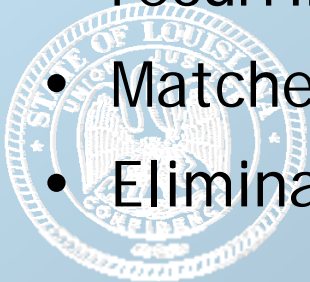
(1<sup>st</sup> Ext. Session, 2008)

- Requires Commissioner to establish and maintain online state spending database by January 1, 2009
- Commissioner will consult with JLCB in developing specifications for the database
- The transparency and accountability portal will also include nature and amount of appropriations for the executive branch
- Posts the salaries and total compensation of all statewide elected officials and cabinet-level positions
- Updated monthly
- Budgeting, spending, and performance information will all be posted online in an easy-to-use format
- Authorizes Commissioner to collect information and integrate spending data



# Policies to Control Growth

- Ensure that specific information on recipients and purposes is reported online for all line-item appropriations and state grants to non-profits and non-governmental entities
- No new or expanded programs
- Eliminating and consolidating government offices
- Evaluated state programs and policies for future fiscal impact
- Reduced reliance on use of one-time revenues for recurring expenditures by almost half
- Matched one-time revenues for one-time expenditures
- Elimination of 1,465 positions

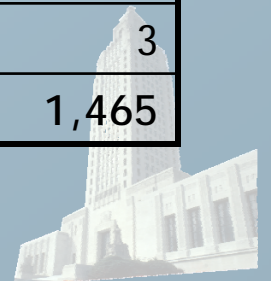


# Eliminations of Authorized Positions

Table of Organization (T.O.)

## Recommended Elimination of a Total 1,465 Positions

Health and Hospitals	476	Corrections Services	184
Youth Development Services	164	Social Services	86
Executive Office	71	Revenue	52
Transportation & Development	51	Public Safety	45
Ancillary Agencies	43	Department of Education	42
Environmental Quality	40	Agriculture & Forestry	32
Other Education	33	Labor	32
Culture, Recreation & Tourism	28	Veterans Affairs	23
Wildlife & Fisheries	18	Attorney General	13
Public Service	11	Insurance	9
Secretary of State	6	Civil Service	3
Treasury	3	<b>TOTAL</b>	<b>1,465</b>



# Newly Created Authorized Positions

Table of Organization (T.O.)

Executive Budget recommendations for strategic investments:

- Ethics Reform - 12 new positions for Ethics Commission and 3 new positions for administrative law
- Public Safety - 55 new positions for new cadet class for “patrol” troopers and gaming enforcement
- Economic Development - 14 new positions for entertainment industry legislation and benchmark/research



# Factors in Position Reductions

- No impact on public safety and direct patient care
- Exempted critical hurricane recovery positions
- Ensured that we did not go below 5.5-year historical average for vacancies for each budget unit
- Maintained ratio of corrections officers to inmates in order to maintain ACA accreditation

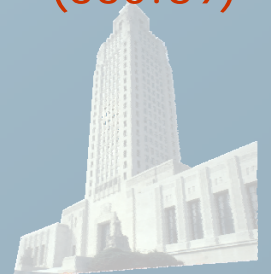


# Budget Development Challenges in FY 2008-2009 (SGF)

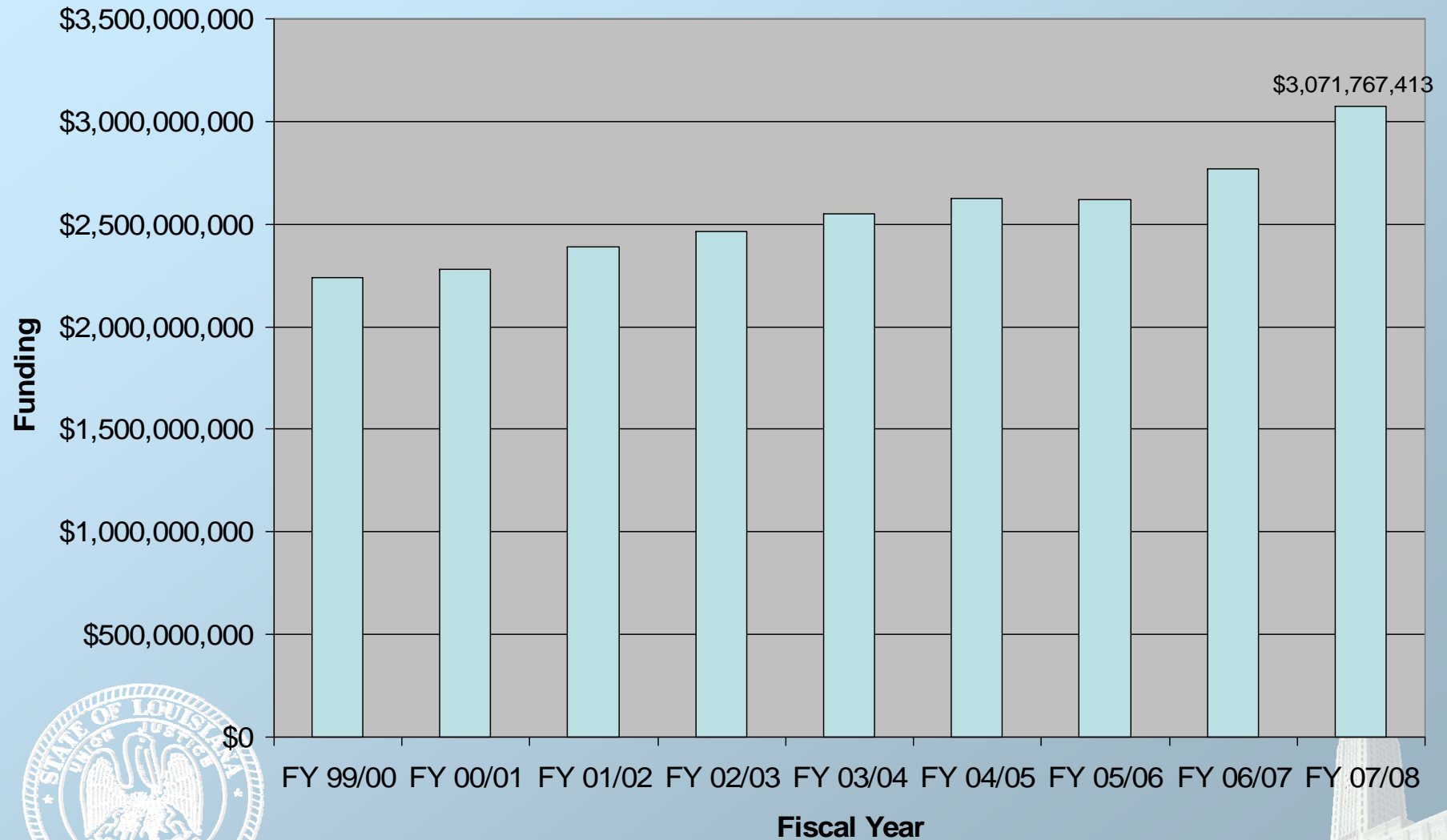
Increased revenue for FY 2008-2009	774.40*
Replacement of One-Time Funding for Recurring Expenditures (including matching funds reduction of services would equate to \$2.4B)	(800.00)
<b>Funding Increased Mandated Costs:</b>	
Constitutional:	
MFP - normal growth	(80.00)
Debt Service requirements	(78.00)
Other Mandated Costs	(177.29)
<b>Total Increased Mandated Costs</b>	<b>(335.29)</b>
<b>Total Increased Costs</b>	<b>(1,135.29)</b>
<b>Increased Funding Challenges More than Increased Revenue</b>	<b>(360.89)</b>



\*All figures shown in \$ millions

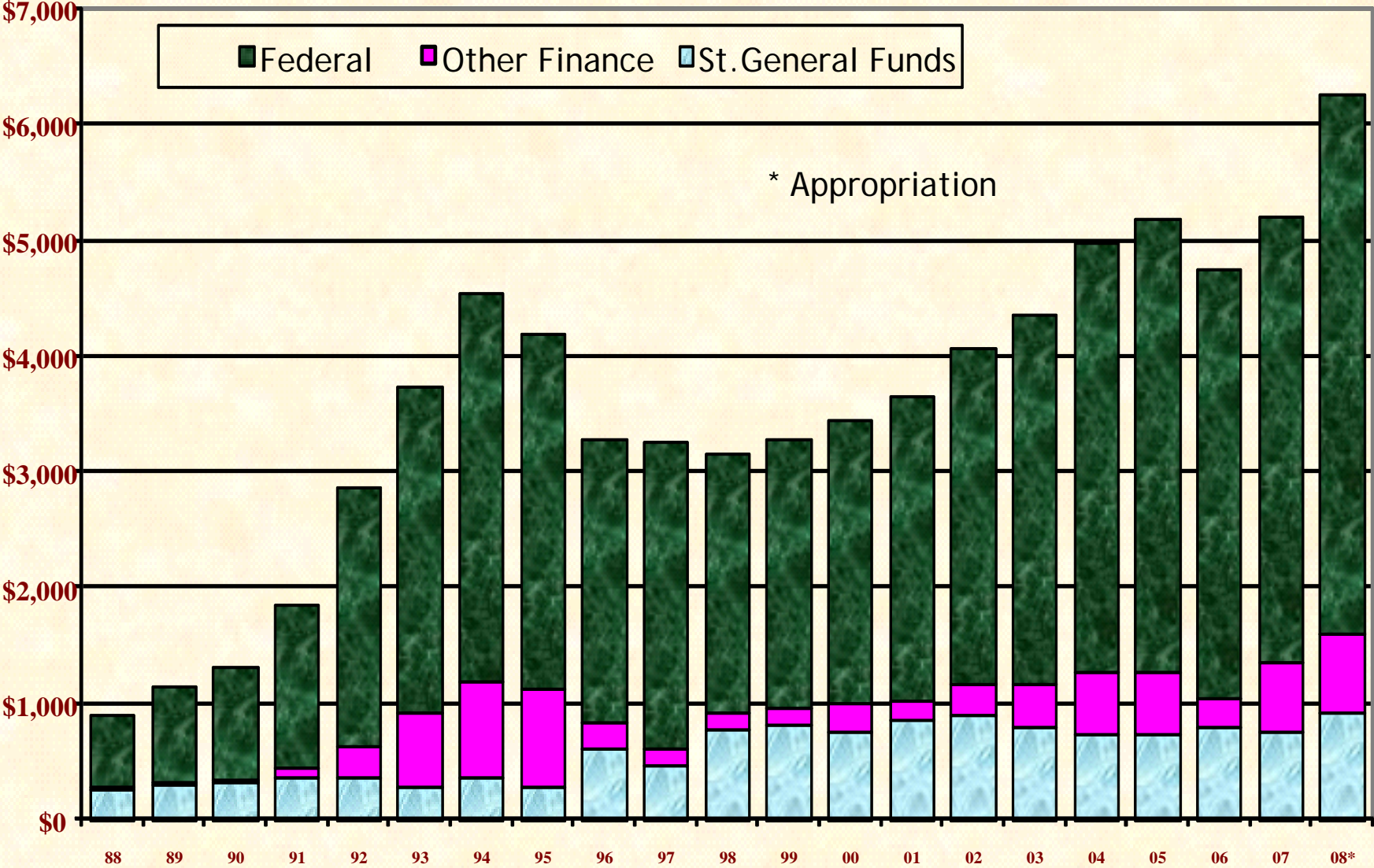


# MFP Appropriation History

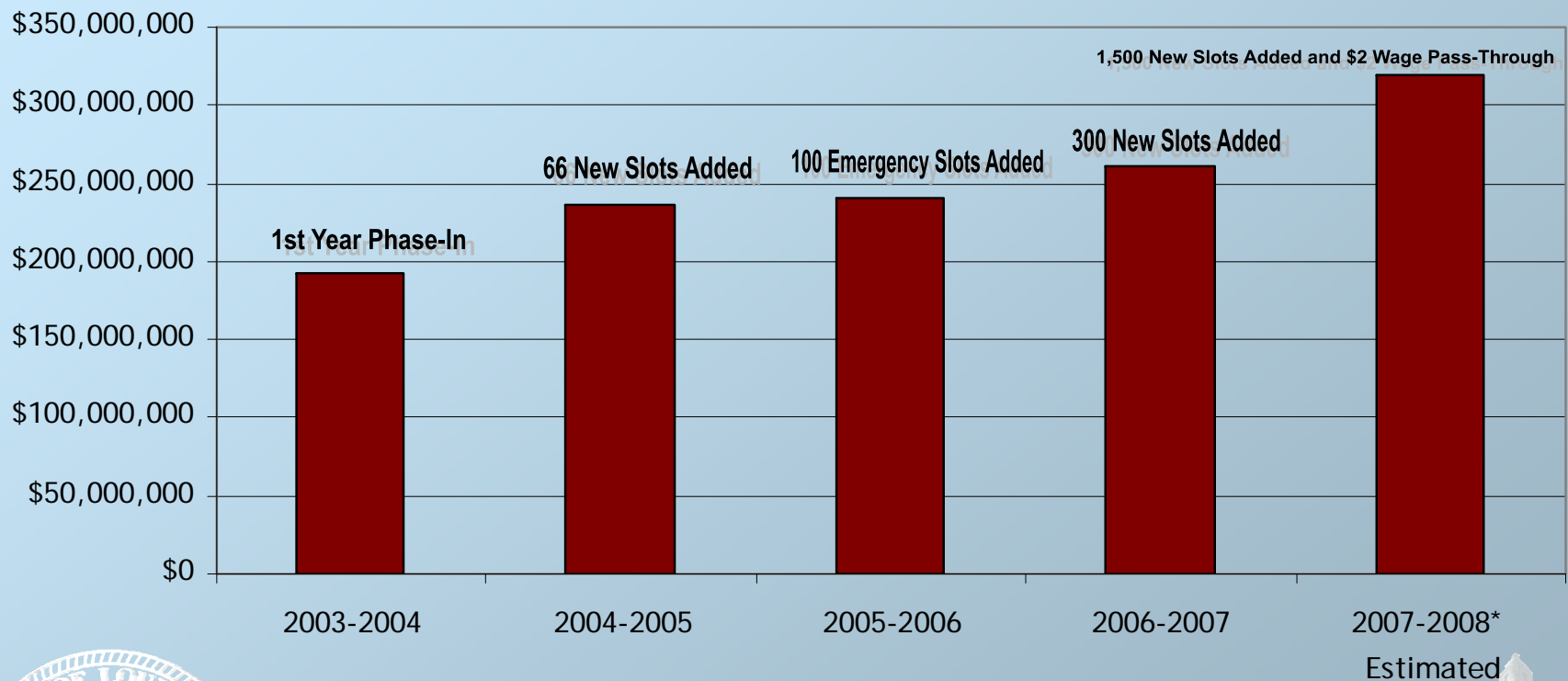




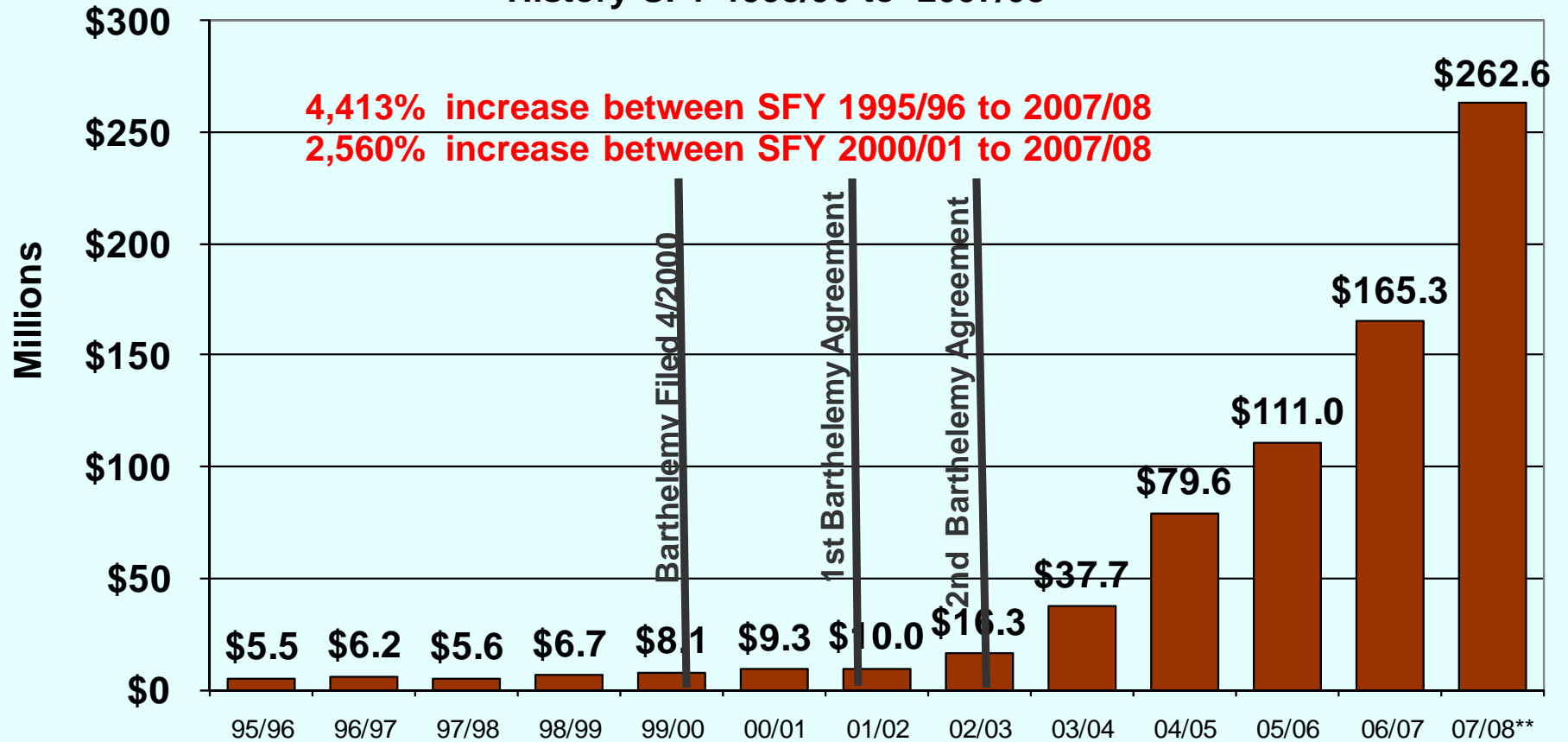
# Louisiana Medicaid Historical Expenditures (\$ in Millions)



# New Opportunities Waiver



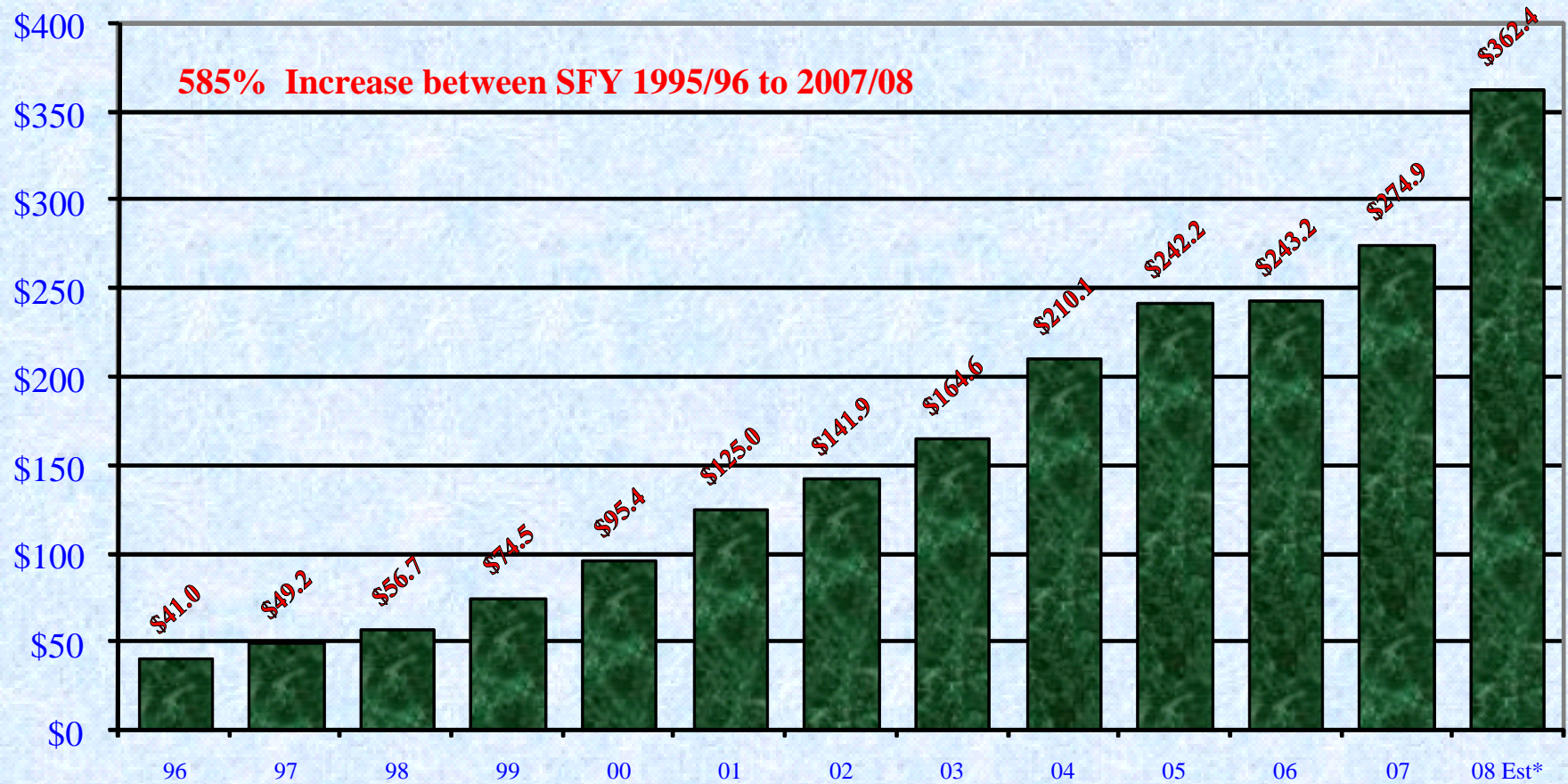
**LOUISIANA MEDICAID PROGRAM  
Elderly Waivers/LT-PCS-Expenditures\*  
History SFY 1995/96 to 2007/08**



\* Includes ADHC, ARC, EDA, PCA & LT-PCS, \*\* Forecast November 2007

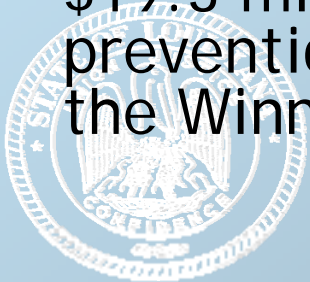


# LOUISIANA MEDICAID PROGRAM: HCBS DD Waivers Expenditures (\$ in millions) SFY 1995/96 to 2007/08



# One-Time Revenues Utilized in FY 2007-2008

- \$617.1 million recurring expenditures for Medicaid match
- \$100.3 million replace Health Care Redesign funds which were used primarily for the following:
  - Mental health services
  - Access to care - provider rate increases
  - Addictive Disorders
- \$15 million Higher Education for dual enrollment, faculty recruitment and retention, the community and technical college pool
- \$19.3 million for DNA sampling, Youth Development prevention and diversion programs, and debt service for the Winn, Allen, and Avoyelles Correctional Centers



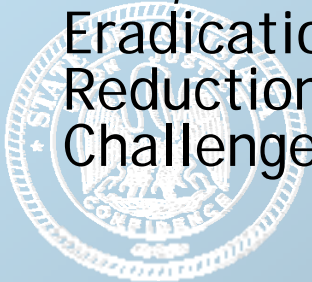
# Uses of FY 2007-2008 Excess

## Utilized in Fiscal Year 2008-2009

- \$420.1 million for FY 2008-2009 recurring expenditures in DHH (down from the \$800 million utilized in the current year)
- \$174.2 million for FY 2008-2009 one-time expenditures, such as technology enhancements, one extra Medicaid payment, student scholarships, endowed chairs, and acquisitions
- \$307.1 million for deposit into the Economic Development Mega-Fund

## Utilized in Fiscal Year 2007-2008

- \$98.2 million in current year supplemental needs, such as the MFP, Local Housing for Adults and Juveniles, Boll Weevil Eradication, DSS' shortage because of the Federal Deficit Reduction Act, and increased match and utilities for the Youth Challenge Program



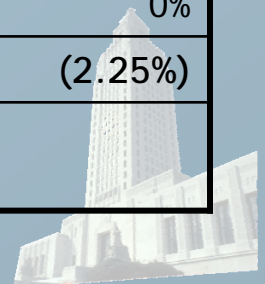
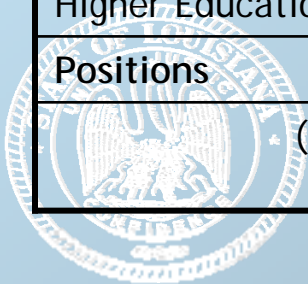


# FY 07-08 Budgeted vs. FY 08-09 Recommended

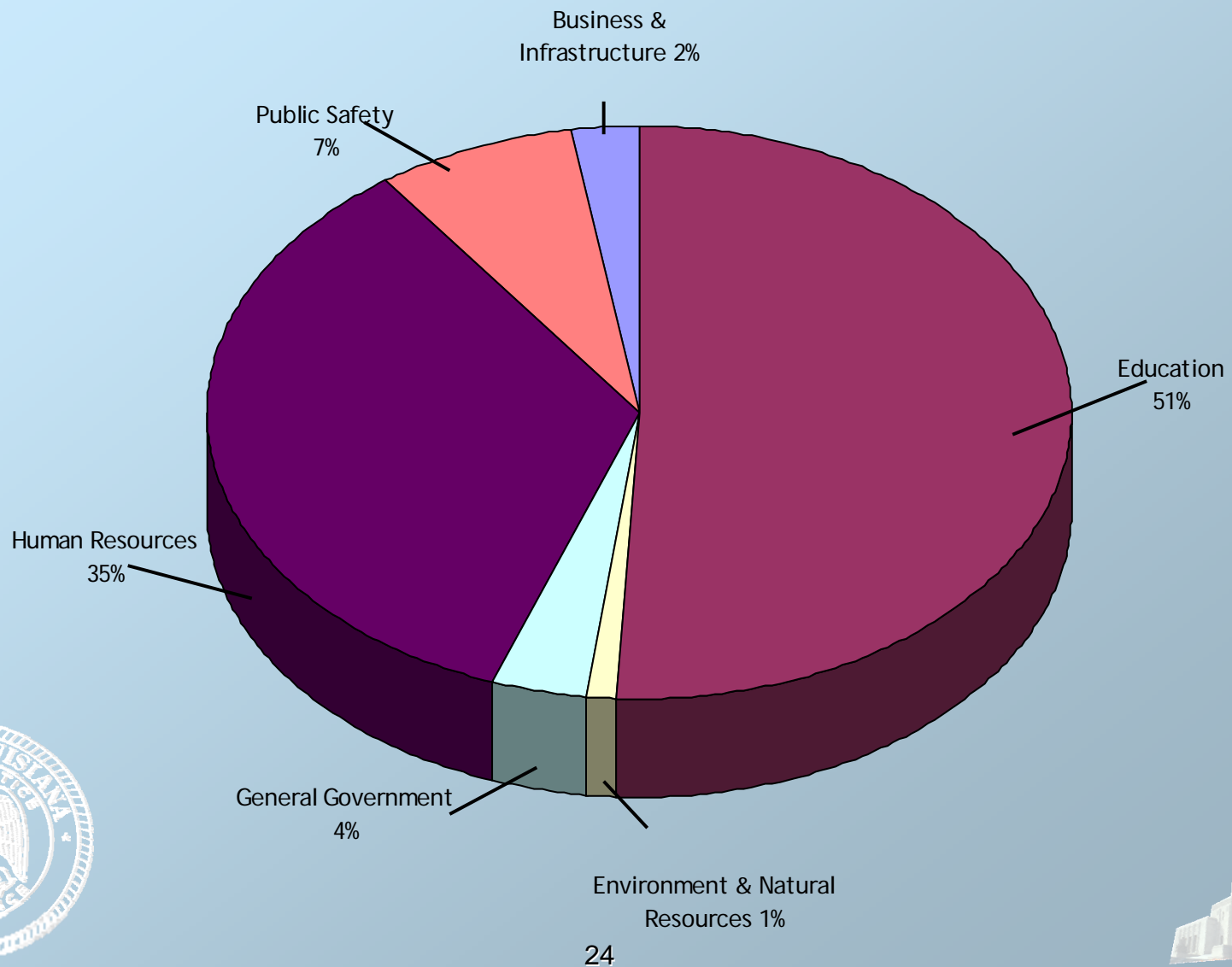
(In \$ Millions, Inclusive of Contingencies and Exclusive of Double Counts)

	Budgeted FY 07-08 As of 12/01/2007	Recommended FY 08-09	Recommended Over/(Under) Budgeted	% Change
General Fund Direct	\$ 8,680.2	\$ 9,230.7	\$ 550.5	6.34%
General Fund By:				
Fees & Self Generated	\$ 1,412.4	\$ 1,479.2	\$ 66.8	4.73%
Statutory Dedications	\$ 4,465.4	\$ 4310.4	(\$ 155.0)	(3.47%)
Interim Emergency Board	\$ 1.5	\$ 0	(\$ 1.5)	(100.00%)
<b>TOTAL STATE FUNDS</b>	<b>\$ 14,559.5</b>	<b>\$ 15,020.4</b>	<b>\$ 460.9</b>	<b>3.17%</b>
<b>FEDERAL FUNDS</b>	<b>\$ 19,767.3</b>	<b>\$ 15,099.4</b>	<b>(\$ 4,667.9)</b>	<b>(23.61%)</b>
<b>GRAND TOTAL</b>	<b>\$ 34,326.8</b>	<b>\$ 30,119.8</b>	<b>(\$ 4,207.1)</b>	<b>(12.26%)</b>
Total Positions	46,936	45,620	(1,316)	(2.80%)
Higher Education (1)	0	259	259	0%
<b>Positions</b>	<b>46,936</b>	<b>45,876</b>	<b>(1,057)</b>	<b>(2.25%)</b>

(1) Reestablish Higher Education positions for Board of Regents and four management boards to authorized position (T.O.) count



# Discretionary State General Fund Expenditures by Functional Area Enacted for FY 2008-2009 (Total \$4,316,529,576)





# Expenditure Limit

Expenditure Limit for FY 2007/08	\$11,599,764,443
Growth Factor	5.99%
Expenditure Limit for FY 2008/09	\$12,294,590,334
Appropriations Acts and Other Requirements	\$12,178,133,969
Over/(Under) Expenditure Limit	(\$116,456,365)



# Strategic Investments for FY 2008-2009

- Workforce Development
- Education K-12
- Higher Education
- Economic Development
- Health Care
- Emergency Preparedness and Public Safety
- Transparency and Technology
- Ethics Enforcement



# Workforce Development

“The overwhelming finding that emerges is the importance of workforce issues in location decisions. The availability of skilled labor, labor productivity, and labor costs all rate as the most important considerations in business location decisions.”

—Louisiana Business Image Survey

Sponsored by the Committee of 100 for Economic Development  
Conducted by the LSU Public Policy Research Lab

“Louisiana has serious workforce problems. A CABL survey of Louisiana employers in late 2004 showed that more than 70% were having a difficult time finding qualified workers and nearly half said the skill needs for entry-level jobs is rising. That was before the storms.”

—2007 Fact book

Council for a Better Louisiana

“Louisiana is not creating a capable workforce that can compete.”

—Andrew Shapiro, site consultant

“Ethics change is only a start,”

*The Advocate*, 2/10/08



# Workforce Development

- \$10 million new funding for workforce training and increasing capacity for high-demand fields such as construction and allied health
- \$4.5 million new funding for Career Technical Education
- \$3 million new funding for Quickstart Training Program
- \$47.6 million continued funding for the Incumbent Worker Training Program



# Education K-12

Percentage of Louisiana adults with high school equivalent is 79.4% compared to U.S. 84.1% — Rank: 49

—2006 American Community Survey

Louisiana has the highest high school dropout rate for teens

—The Annie E. Casey Foundation, 2006

Percent of Students Above Basic Grade 4 Reading — 53% (Rank: 43)

Percent of Students Above Proficient Grade 4 Reading —14% (Rank:44)

Scale Score Grade 8 Math (Rank: 46)

—National Center for Educational Statistics  
(latest available)



# Education K-12

- \$70.1 million for Teacher Pay Raise to maintain Southern Regional Educational Board Average
- \$20.0 million new funding for Teacher Flexible Pay
- \$14.0 million new funding for Ensuring LA Literacy and Numeracy for All in an effort to target every fourth grader to master literacy and numeracy in school
- \$4.5 million new funding for Alternative School/Options
- \$10.0 million new funding for School Scholarship Program
- \$2.5 million additional funding for Expansion of Pre-K Program for a total of \$84.5 million
- \$80 million for 2.75% normal MFP growth for a total of \$3.3 billion dollars in funding



# Education K-12

- \$500,000 additional funding for Teach for America for a total of \$968,000
- \$1.0 million additional funding for Jobs for America's Graduates LA for a total of \$1.9 million
- \$1.0 million additional funding for Virtual Schools for a total of \$1.9 million
- \$2.5 million new funding for LA Leadership Excellence Program
- \$8.5 million Recovery School District Extended Day Program



# Higher Education

Percentage of Louisiana adults with bachelor's degree is 20.3% compared to U.S. 27% —  
Rank: 47

Louisiana ranks:

- 31 in number of U.S. patents granted to its colleges and universities
- 37 in number of dollars per capita in federal research dollars awarded to its colleges and universities



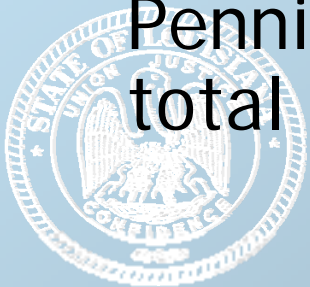
—2006 American Community Survey





# Higher Education

- \$34.7 million additional funding to fully fund the Higher Education Formula at \$1.3 billion
- \$15 million new funding for a performance-based incentive funding pool
- \$8 million one-time funding for Endowed Chairs and Professorships for a total investment of \$13.88 million
- \$3 million new funding for research at the Pennington Biomedical Research Center for a total investment of \$20.2 million



# Higher Education

- Fully funded TOPS awards at \$122.3 million
- An additional \$9.2 million to fully fund the Go Grants (need-based financial aid) at \$24.2 million
- \$4 million in recurring funding for Dual Enrollment, replacing one-time funding provided in FY 2007-2008



# Economic Development

2007-2008 Assets and Opportunities Scorecard

Overall Grade: F

—Corporation for Economic Development, [cfed.org](http://cfed.org)

Louisiana ranks 36<sup>th</sup> in GDP per capita

—Bureau of Economic Analysis



# Economic Development

- \$7.9 million more for Rapid Response Fund for securing economic development opportunities for a total investment of \$17.9 million
- \$2.5 million new funding for Economic Competitiveness Benchmarking, Planning, and Research initiative
- \$2 million new funding for Project Specific Site Preparation and Evaluation
- \$400,000 new funding for a Business Retention/Expansion Team
- \$5.6 million continuing funds for Economic Development Regional Awards and Matching Grants program
- \$300,000 new funding for Marketing Fund for advertising, promotion, and marketing for a total investment of \$5.8 million



# Health Care

America's Health Rankings (Overall)  
Rank: 50 – “Least Healthy State”

- Prevention of Obesity (48)
- Infant Mortality (49)
- Cancer Fatality (48)
- Premature Deaths (49)
- Overall Health Care Outcomes (50)

—United Health Foundation, 2006

Grading the States on Mental Health

- Louisiana Overall Grade: D-
- \$51.34 per capita to national average \$73.43 per capita — National Rank: 41

—National Alliance on Mental Illness, 2006



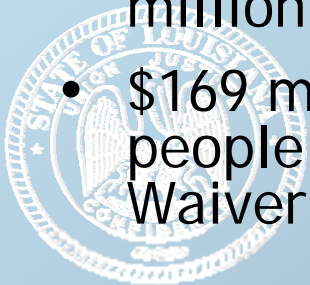
# Health Care

- \$29M additional funding to continue Louisiana's Plan for Mental Health Care - \$13.8 million pilot Mental Health Improvement Plan for New Orleans and \$15M to annualize 100 in-patient beds and 5 MHEREs statewide, for a total of \$48.4M
- \$3.6 million new funding for Community Based Mental Health to enhance Medicaid-funded, multi-systemic mental health therapy for children
- \$2.5 million new funding for Disease Management to strengthen disease management strategies for chronic illness
- \$3.1 million new funding for Pay for Performance to introduce accountability and structure into system
- \$10.2 million more for LaCHIP to expand eligibility up to 250% FPL for a total investment of \$145.7 million



# Health Care

- Strengthening Providers:
  - Nursing Homes (\$60 million additional funding for \$717.2 million total)
  - Private Hospitals (\$120 million Community Hospital Pool - \$87 million UCC and \$33 million Private Providers)
  - Federally Qualified Health Centers and Rural Health Clinics (\$1.9 million additional funding for \$69.2 million total)
- Electronic Medical Records - La Rural Hospital Exchange phase II (\$11.1 million) and La Regional Information Exchange phase I (\$7.5 million)
- \$1 million more funding for Nurse Family Partnership to expand coverage statewide for a total investment of \$7.1 million
- \$169 million more funding for Community Based Services for people with disabilities to create 2,025 New Opportunities Waiver slots for a total investment of \$335.3 million



# Emergency Preparedness and Public Safety

## 5th in Violent Crime

- Violent crime is composed of four offenses: murder and nonnegligent manslaughter, forcible rape, robbery, and aggravated assault. Violent crimes are defined in the Uniform Crime Reporting (UCR) Program as those offenses which involve force or threat of force.

## 9th in property Crime

- In the Uniform Crime Reporting (UCR) Program, property crime includes the offenses of burglary, larceny-theft, motor vehicle theft, and arson.

—FBI Uniform Crime Rankings 2006

Crashes Involving Alcohol-Impaired Driver as Percentage of Traffic Fatalities — Rank: Upper 3rd (32.9% or greater)

—National Center for Statistics and Analysis, August 2007





# Emergency Preparedness and Public Safety

- \$22.8 million more funding for interoperability system for a total investment of \$34.3 million
- \$6.5 million more funding to fund new 50-member Manpower Cadet Class for a total investment of \$12.5 million
- \$1.5 million new funding for State match to receive \$4.5 million of federal funds via the Community Oriented Policing Services (COPS) Technology grant
- \$4.9 million new funding for Information Technology Enhancements
- \$1.8 million new one-time funding for State Police Crime Lab



# Transparency and Technology

## Delivering E-Service

- Louisiana Rank: 37
- Usability Rating: Low
- Transparency Rating: Not Adequate

—Indiana University-Bloomington

## Citizen Access Project

- Computer Records Rating: 2 of 7 (with 7 being the best)
- Hardware and Software Rating: 3 of 7

—University of Florida



# Transparency and Technology

- \$1.27 million additional funding for Dept. of Revenue for the expansion of electronic services
- \$597,000 new funding for Secretary of State to modernize Commercial Division operations
- \$1.0 million new funding for Division of Administration to create accountability portal, including online state spending database
- \$500,000 new funding for DHH to fund a Uniform Provider Reporting System – “Consumers’ Right to Know”



# Ethics Enforcement

- \$1.6 million new funding for the Ethics Commission for implementation of ethics reforms
- \$267,000 for the Division of Administrative Law to administer hearings from the LA Board of Ethics



# Constitutional Uses of Surplus (Non-Recurring Revenue)

- Budget Stabilization Fund
- Retiring or Defeasance of Bonds
- Payments against the Unfunded Accrued Liability
- Capital Outlay projects
- Deposit into the Wetlands Conservation and Restoration Fund
- New highway construction for which federal matching funds are available



# Investment Uses Considered for FY 2006-2007 Surplus (Non-Recurring Revenues)

- Highway and Port Improvements
- Coastal Restoration
- Unfunded Accrued Liability / Retirement
- Deferred Maintenance for Higher Education
- Pennington - Capital Outlay



# Business Tax Cuts and Dedications

## BUSINESS TAX CUTS

- Elimination of the permanent penny on business utilities sales tax
- One-year acceleration of full phase-in for:
  - ◆ Manufacturing Machinery and Equipment sales tax exemption
  - ◆ Exclusion of business debt from corporate franchise taxable base

## TRANSPORTATION TRUST FUND DEDICATIONS

- Dedication of remaining vehicle-related licenses, fees, and sales tax to Transportation Trust Fund



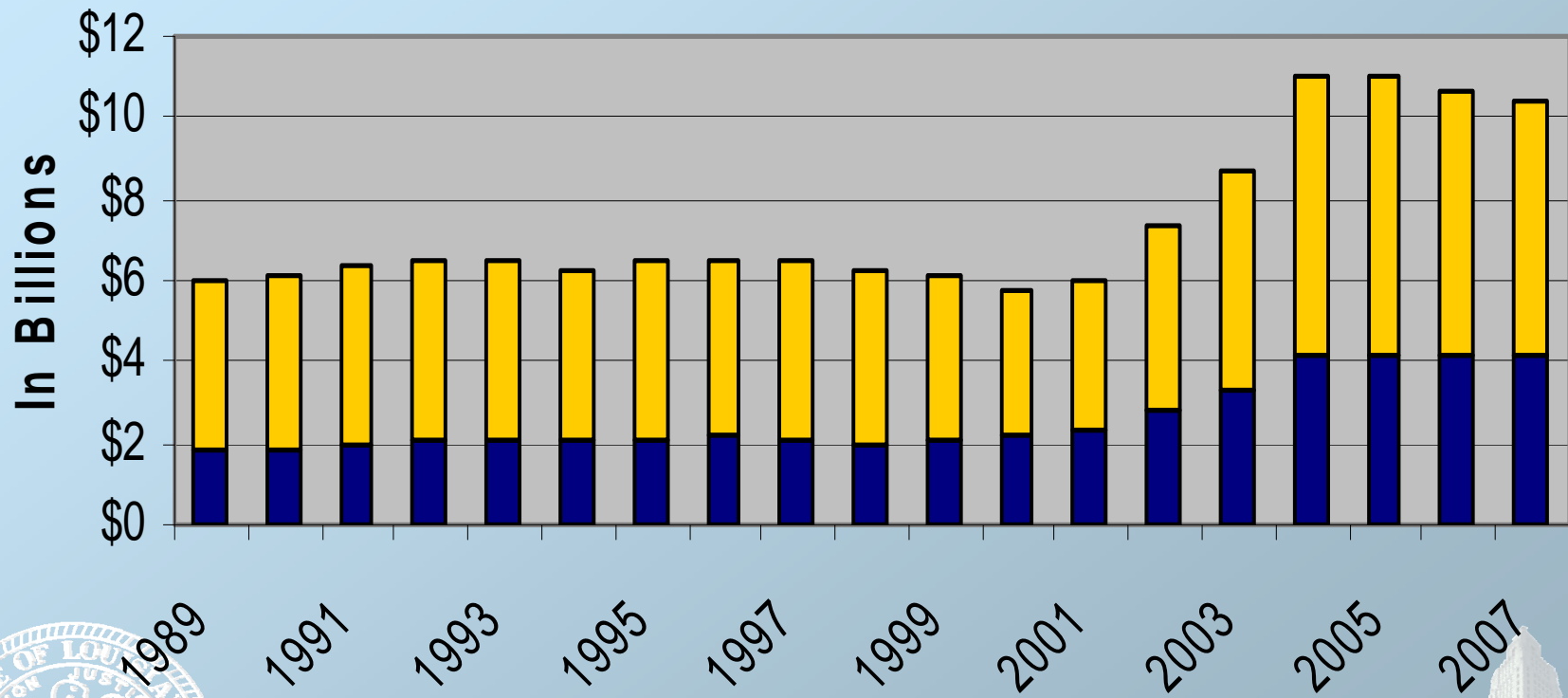
# Liabilities and Horizon Issues

- \$10 billion for the Unfunded Accrued Liability
- \$10-\$12 billion for Other Post Employment Benefits (OPEB)  
– Retirees' Group Insurance Benefits
- \$1.2 billion for the Office of Risk Management
- Cash flow shortfall for Louisiana Stadium and Exposition District
- \$847 million in Conservation/Restoration projects
- \$15.8 billion in Capital Outlay projects for transportation infrastructure and Higher Ed deferred maintenance
- \$4.7 billion in outstanding General Obligation Debt





# LASERS & TRSL Combined UAL Balance 1989-2007



■ LASERS ■ TRSL



# FY 2008-2009 Retirement Systems' State Employer Contributions\*\* (In Millions)

SYSTEM	NORMAL COSTS	UAL*	TOTAL
State Employees	\$172.2	\$263.1	\$435.3
Teachers	\$69.5	\$85.5	\$155.0
State Police	\$10.3	\$8.1	\$18.4
<b>TOTAL</b>	<b>\$252.0</b>	<b>\$356.7</b>	<b>\$608.7</b>

\* UAL = Unfunded Accrued Liability

\*\* Does not include costs to local governments and school boards



# Other Post-Employment Benefits (OPEB)

- Unfunded Actuarial Accrued Liability (UAAL)
  - \$11.9 billion
- Normal Cost (more than currently funded)
  - \$601 million
- Annual Required Contribution (ARC)
  - \$1.3 billion (level dollar)



# Louisiana Stadium and Exposition District

- Existing debt service sold as variable rate debt
  - Interest rate has currently reset to 12% due to broad market issues nationwide
  - Increased cost of debt service will cause cash flow issues for FY 08 and FY 09
- Projected \$21 Million cash flow deficit for normal operations in FY 09



# Levee Funding - Federal Match

- Levees - FY09-FY11
  - State funding requirements
    - ◆ \$1.8 billion for hurricane protection
    - ◆ \$.15 billion for flood control, navigation
  - Federal aid
    - ◆ \$5.8 billion - \$6.3 billion
- Corps of Engineers projects require entire match to be transferred to them before they advertise the project for bid
- Of the nearly \$6 billion requested, the President's budget would require the state to provide a 35% match on \$4.4 billion for an improved level of hurricane and flood protection in the greater New Orleans area



# Coastal Restoration - Federal Match

- Water Resources Development Act of 2007 (WRDA 2007) authorizes 17 coastal restoration projects in Louisiana at a total cost of \$6-8 billion.
  - This act approved hundreds of millions of dollars for
    - ◆ Science and technology
    - ◆ Demonstration projects
    - ◆ Beneficial use of dredge material associated with this comprehensive effort
  - These projects include:
    - ◆ Closure and restoration of the Mississippi River Gulf Outlet - (100% Federal)
    - ◆ Violet Diversion (75% Federal)
  - State match for the project construction costs associated with the remaining projects is up to 35%
    - ◆ Actual State match - to be determined by the level of Federal appropriations dedicated to these projects through the annual Congressional appropriation process
    - ◆ Preliminary estimates indicate that the state share of constructing these coastal restoration projects could reach \$2 billion or more

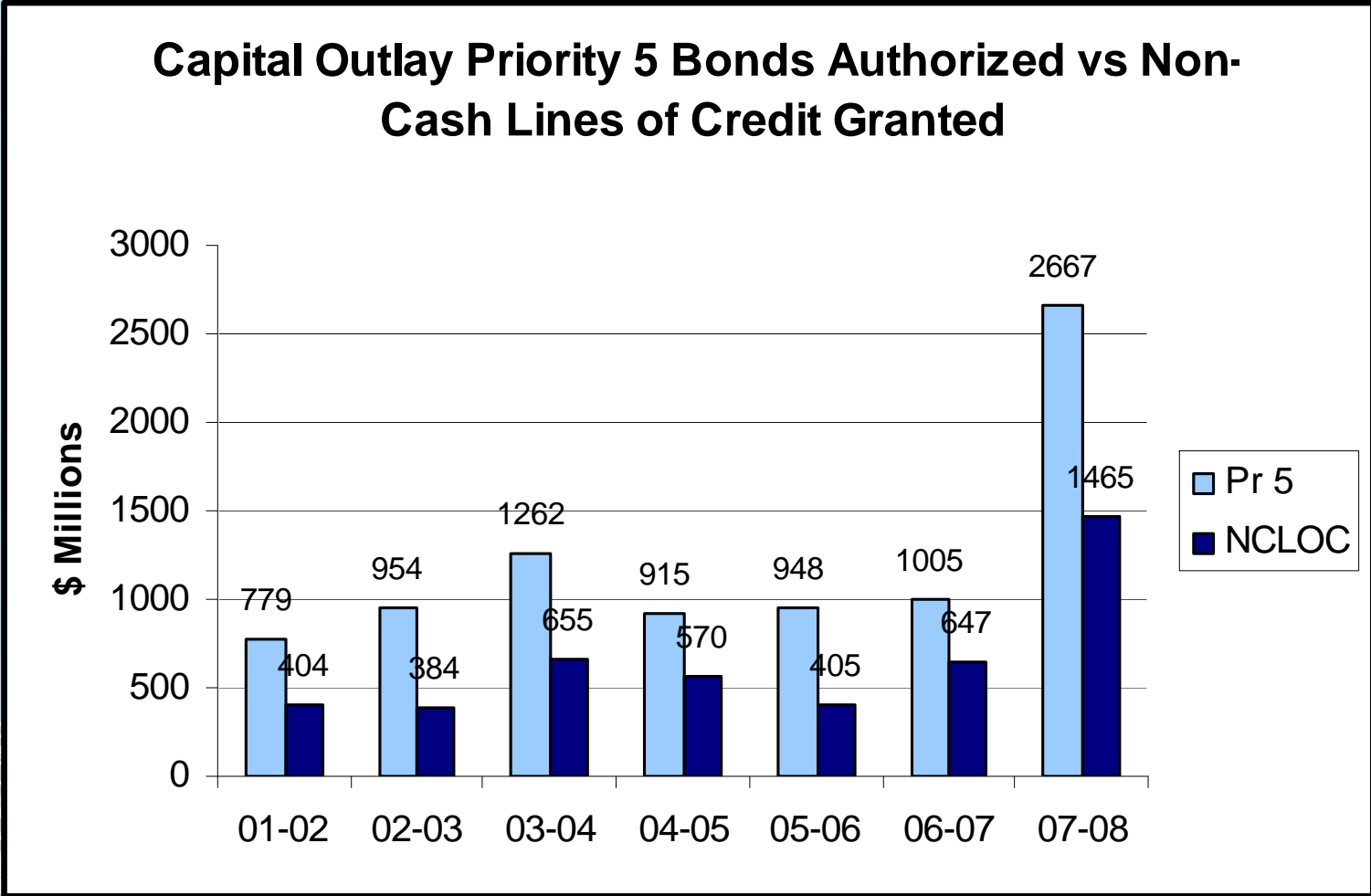


# Capital Outlay

- Infrastructure Needs
  - \$14 billion - Transportation: Roads, Bridges and Related Infrastructure
  - \$2.5 billion - all State Buildings Deferred Maintenance
    - ◆ \$1.8 billion - Higher Education Deferred Maintenance
  - \$14 billion - Coastal Restoration and Preservation Projects

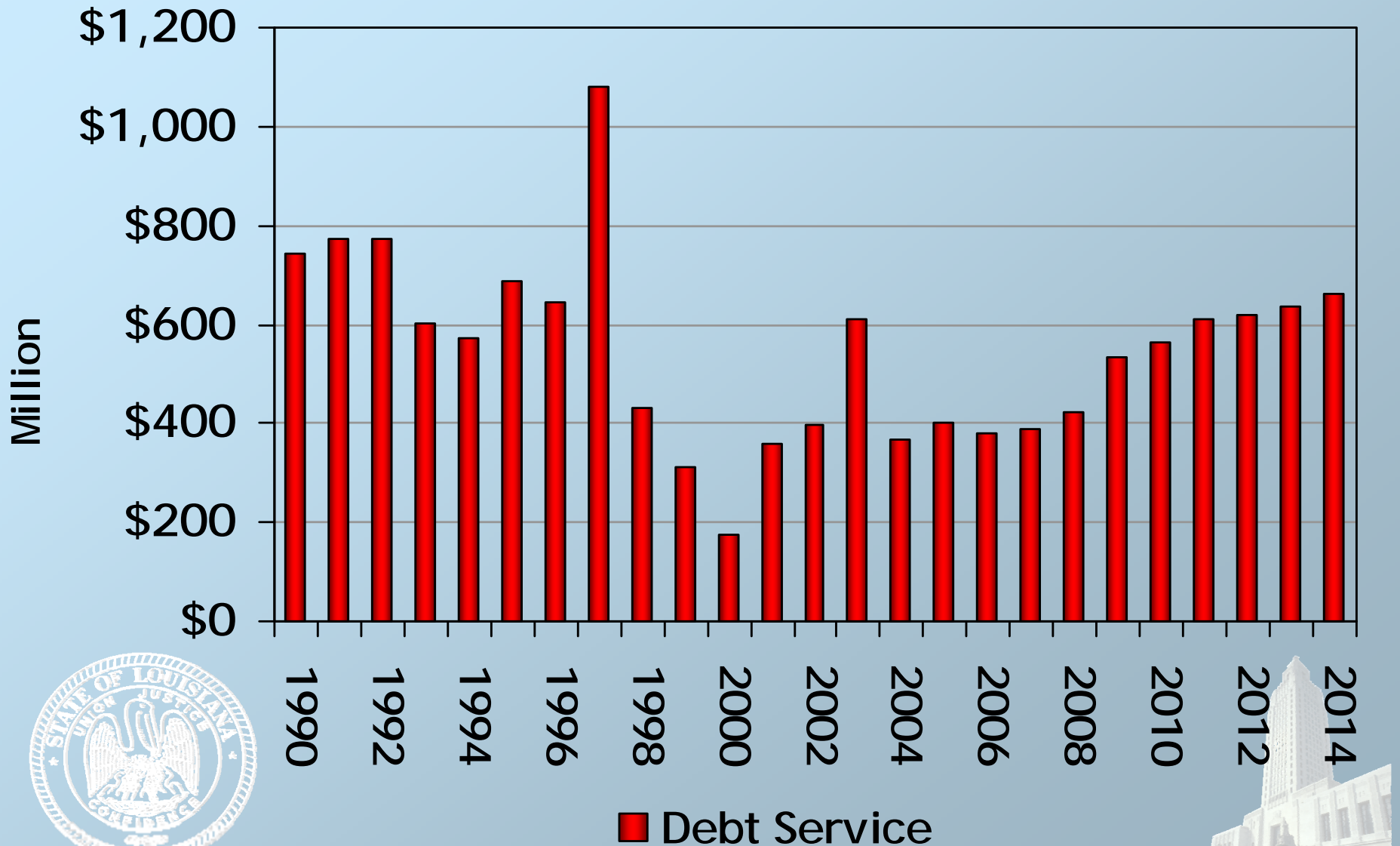


# Capital Outlay Historical





# Net State Tax Supported Debt



# FY 2009 Debt Service

FY09 Debt Service funding requirements:

• General Obligation	\$290.2 Million
• Appropriation Debt	\$128.4 Million
• Revenue Debt (TTF-LA 1)	\$105.6 Million
• <u>Other Self-Supporting</u>	<u>\$ 7.8 Million</u>
Net State Tax Supported Debt	\$532.0 Million
• <u>GO Zone Debt</u>	<u>\$ 23.1 Million</u>

Total State Debt Service	\$555.1 Million
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# ACTION: Fiscal Reform and Government Accountability

- Controlled growth in government and reduced number of employees
- Limited the number of new and expanded programs
- Advanced transparency in government
- Exposed a number of long-term liabilities and began planning to address them
- Reduced reliance on one-time revenues for recurring expenses by nearly \$400 million
- Matched one-time revenues with one-time expenditures
- Initiated performance audits across state government
- Eliminated and consolidated offices
- Made strategic investments in workforce, education, economic development, health care, public safety, technology, and ethics enforcement

