

Bobby Jindal
Governor



Kristy H. Nichols
Commissioner of Administration

STATE OF LOUISIANA

Executive Budget

Fiscal Year 2013-2014

Joint Legislative Committee on the Budget
February 22, 2013

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Introduction and Overview: Major Points

- No tax increases
- Maintains funding to higher education campuses
- Fully funds state aid to local K-12 schools through the MFP
- Preserving critical health care services, no provider rate reductions
- Reducing government's footprint through reform, restructuring, and modernization



Reform Results: Job Creation and Economic Progress

- Since January 2008, Louisiana's employment performance has been significantly better than the South and the U.S.
- Louisiana has added jobs at a faster rate than the South and the U.S. since the official end of the national recession in June 2009.
- Louisiana's unemployment rate continues to be well below rates for the South and U.S., just as it has consistently since early 2008.
- In December, Louisiana recorded its 25th consecutive month of year-over-year job growth.
- Louisiana has been among the top 10 states for private sector job growth since 2008.



Reform Results: Job Creation and Economic Progress

- Per capita personal income has increased by more than \$2,700 in the last four years.
- Louisiana has moved up consistently in every national ranking of state business climates, including those published by *Area Development*, Beacon Hill Institute, *Business Facilities*, *Chief Executive*, CNBC, Pollina Corporate Real Estate and *Site Selection*.
- LED FastStart™ was ranked as the nation's No. 1 state workforce training program for the third straight year in the *Business Facilities 2012* rankings.
- For the fifth year in a row, more people are moving into Louisiana than moving out.



COMPARISON: FY 12-13 Budgeted to FY 13-14 Executive Budget

Total Funding and Positions (T.O.)

(Exclusive of Double Counts)

	As of 12/01/2012 Budgeted 2012-2013	Executive Budget 2013-2014	Executive Budget Over/(Under) Budgeted	Percent of Change
GENERAL FUND, DIRECT	\$8,278.8	\$8,225.5	(\$53.3)	-0.64%
GENERAL FUND BY:				
FEES & SELF-GENERATED REVENUES	\$2,239.5	\$2,173.9	(\$65.6)	-2.93%
STATUTORY DEDICATIONS	\$3,882.0	\$4,120.7	\$238.7	6.15%
INTERIM EMERGENCY BOARD	\$1.5	\$0.0	(\$1.5)	-100.00%
TOTAL STATE FUNDS	\$14,401.8	\$14,520.2	\$118.4	0.82%
FEDERAL FUNDS	\$11,346.1	\$10,237.6	(\$1,108.5)	-9.77%
GRAND TOTAL	\$25,747.9	\$24,757.7	(\$990.2)	-3.85%
TOTAL POSITIONS	66,427	56,339	(10,088)	-15.19%

NOTE: Positions are authorized, not filled positions. Dollar amounts are represented in millions.



State Government Workforce: Appropriated Positions

- The FY 14 Executive Budget reflects further reductions in the number of fulltime appropriated positions in the executive branch by 10,088. Following prior reductions of 16,140 through budgetary actions, approval of this FY 14 recommendation would mean a total reduction of 26,228 fulltime appropriated positions since the beginning of the Jindal administration.



State Government Workforce: Actual Employees

Based on figures from the Department of State Civil Service, between December 31, 2007 and February 1, 2013:

- The total “head count” of all employees in the executive branch of state government has fallen from 100,677 to 82,027, a reduction of 18,650, or 18.5 percent. This is the lowest level in over 20 years.
- The “Annual Pay Rate” of all employees as recorded in Civil Service’s statewide employment report has fallen from \$4.154 billion to \$3.659 billion, a reduction of \$495 million.



FY14 Net Adjustments in Authorized Positions

Executive	60	Health & Hospitals	-946
Veterans Affairs	4	Children & Family Services	-222
State	-2	Natural Resources	43
Justice	-2	Revenue	-103
Lt. Governor	-1	Environmental Quality	-63
Treasury	-1	Workforce Commission	-122
Public Service	-1	Wildlife & Fisheries	-28
Agriculture & Forestry	-43	Civil Service	0
Insurance	-5	Higher Education	-2,209
Economic Development	-5	Other Education	-8
Culture, Recreation & Tourism	-4	Dept. of Education	-44
DOTD	35	Health Care Services Div.	-5,998
Corrections	-244	Ancillary	-105
Public Safety	-74		
Youth Development Services	0	TOTAL	-10,088



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The Department of Revenue is taking steps to prevent e-filing tax fraud through the installation and integration of new fraud protection software, a modernization initiative that will increase the efficiency and effectiveness of the agency, generating an estimated \$30 million in savings.
- With state government consolidating and reducing its footprint, we will **sell underutilized state government property**, returning it to productive use while generating \$47 million in savings that can be reinvested in services to the taxpayer.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The state will pursue **debt collection reform**, implementing a comprehensive plan through more centralized collection efforts that coordinate more effective collections procedures and strengthen enforcement, conservatively estimated to save at least **\$10 million**.
- The state will **expand the federal reciprocity offset program** beyond tax debts to also include administrative or non-tax offsets, a more comprehensive debt offset program that will save an additional **\$6 million**.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The Division of Administration will implement a major department-wide consolidation initiative to reduce duplication and to save \$8.6 million by centralizing numerous functions across administrative sections, including:
 - Centralizing legal staff from the Office of Group Benefits (OGB), the Office of Elderly Affairs, and the Office of Community Development/Disaster Recovery Unit with the Division's Office of General Counsel;
 - Consolidating OGB's internal audit staff with that of the Division;
 - Consolidating the fiscal/accounting function from OGB, the Office of Risk Management, the Office of Telecommunications, and CDBG into the Division's Office of Finance and Support Services;
 - Merging human resources staff from the Office of Financial Institutions and the Office of Elderly Affairs with that of the Division; and
 - Consolidating the Office of State Lands and the Office of State Buildings with the Office of Facility Planning and Control to Create the Real Estate Office



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The state will pursue reforms to refocus and rededicate the Office of Juvenile Justice's Families in Needs of Services (FINS) program with its original mission to care for at-risk youth before they end up on probation or in non-secure or secure care. As a result, the state will improve the effectiveness of juvenile probation by moving towards an integrated case management model that will leverage dollars across agencies and achieve savings of \$7 million.
- The state will pursue sentencing reform for drug-related offenders, proactively seeking to treat current and future offenders whose offense is substantially related to their addiction problem. In FY 14, \$300K in additional funds will be provided for parole and probation, and \$1.75 million more for treatment, with net savings of \$6.1 million from lower incarceration costs.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- In FY 14, the state will implement IT Consolidation measures:
 - Phase I - Consolidation of IT staff of Executive Departments
 - Phase II - Department of Revenue and Public Safety
 - Phase III - DCFS and DOTD
 - Establishing Shared Service Centers
- Further estimated savings across agencies from IT Consolidation are **\$6.5 million**.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The Division of Administration is consolidating the Office of State Purchasing and Office of Contractual Review into a single Office of State Procurement, and will implement a **procurement business transformation project** aimed at making it more efficient, less costly, and more user-friendly. Further estimated savings across agencies for this business transformation project are **\$6.2 million**.
- The **Office of Group Benefits** will see a further reduction of **\$6.75 million** due to increased efficiency from centralizing administration of its plans, which when added to the **\$13.5 million** reduction already made to OGB's base budget in the current year, reflects the annual **\$20 million** in projected savings from third-party administration.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The Department of Education will consolidate its administrative office from six to three programs to improve operational efficiency, with a focus on successful implementation of education reform initiatives and providing support for local districts, saving \$3.5 million.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The FY 14 budget includes several agency consolidations to share back-office functions: the Department of Environmental Quality, Department of Natural Resources, and the Department of Wildlife and Fisheries; and the Division of Administration with the Louisiana Department of Revenue. This consolidation will achieve estimated savings of \$2.9 million.
- The Department of Children and Family Services will achieve savings of \$2.9 million associated with the consolidation of lease space statewide.



Reducing Government's Footprint: Reform, Consolidation, Modernization

- The **Department of Corrections** will annualize savings by restructuring the classifications process and centralizing the pre-classification functions at Corrections Administration, to save approximately **\$2 million**. Corrections will also consolidate other administrative functions, including accounting, human resources, and purchasing, achieving **additional savings of approximately \$1.5 million**.
- The **Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP)** and the **Department of Public Safety** are consolidating their Interoperability and Operations Communications and 24/7 Radio Operations functions, combining the two units with similar functions and maintaining the ability to provide around-the-clock emergency radio and communications operations for the state while achieving **\$250K in savings**.



Savings Categories

- \$280 million in departmental and statewide reductions
- \$350 million from not funding certain cost increases anticipated at continuation
- \$215 million in General Fund savings from additional revenue resulting from reforms
- \$435 million in reductions to General Fund support by maximizing all means of finance



One-Time Revenue: \$424 million

- Const. Art. III, Sec. 16 (A): “No appropriation shall be made ... for longer than one year.”
- Represents about one-fifth of “one-time” spending (\$2.2 billion in discretionary General Fund)
- Average for the 6 fiscal years prior to FY 09: \$505 million
- Removal of \$424 million would mean 19 percent reduction to higher education



Education: Protecting Investments While Pursuing Reform

K-12 Education Funding - Minimum Foundation Program

- State support to local schools through the MFP will increase from \$3.42 billion in FY 13 to \$3.46 billion in FY 14, which includes an increase of \$39 million. Taking into account the new dollars committed to the MFP in this budget, total MFP funding will have increased by \$335.5 million, or 10.7 percent, since FY 08.



Education: Protecting Investments While Pursuing Reform

Higher Education

- No change in total funding for higher education schools after annualizing the \$22 million midyear deficit savings and providing \$75 million additional tuition funds from their tuition authority previously granted through the GRAD Act.
- \$32 million in additional funds are provided, for total funding of \$204 million, to fully fund Taylor Opportunity Program for Students (TOPS) awards. Funding includes \$60 million in payment the state will receive from the Tobacco Arbitration Settlement and \$60 million in savings generated from Refunding Tobacco Bonds that will go to the TOPS Fund.



Education: Protecting Investments While Pursuing Reform

- GRAD Act 1 and 2 reforms are working.
- In 2011-12, the average graduation rate at 4-year schools in Louisiana was 46 percent, a 4 percent increase from fall 2008
- Graduation rates at 2-year schools also increased over 2 percent during that time, from 12.3 percent to 14.7 percent.
- According to the University of Illinois' Grapevine Report, per capita spending per student at colleges and universities has been above the national average for the past several years.
- In FY 12 it was \$282 vs. the national average of \$233 — higher per capita support than other SREB states including Tennessee, Georgia, Virginia, and Texas.



Protecting Healthcare through Restructuring Service Delivery

- For FY 14, DHH's total budget will go from \$8.93 billion to \$8.8 billion, an overall reduction of \$54 million, by offsetting increased Medicaid costs through strategic reductions throughout the department.
- After annualizing its midyear reductions, the department is not making any further provider rate reductions.
- In FY 14, DHH will take steps to create four new human services districts, so that, by the end of the upcoming fiscal year, each region of the state will have a fully functioning and independent local governing entity to more effectively deliver services at the local level.



Ongoing Collaboration to Transform the LSU Hospital System

- Interim LSU Hospital and its successor University Medical Center in New Orleans with Louisiana Children's Medical Center
- Leonard J. Chabert Hospital in Houma with Ochsner Health System and Terrebonne General Medical Center
- University Medical Center in Lafayette with its neighbor, Lafayette General Medical Center
- Walter O. Moss Regional Medical Center with Lake Charles Memorial Hospital and its partner, West Calcasieu Cameron Hospital
 - Hospitals are receiving \$191 million more in funding than they were anticipated to receive as a result of the Congressional FMAP change.
 - LSU estimates that at least 90 percent of employees will be hired for jobs with the private hospitals assuming operations.



Restructuring Prisoner Care

The FY 14 budget transfers \$50 million from the LSU hospitals to the Department of Corrections to continue prisoner care in a three-part model:

- First, by optimizing services delivered on DOC campuses by building out clinical exam capacity, procuring third-party mobile services to serve prisoners on site, and continuing the use of the LSU Telemedicine Network to connect with doctors remotely.
- Second, by contracting with LSU partner hospitals, each of which will be required to continue the provision of prisoner care on campus and/or in dedicated prisoner wards where those are available by billing DOC for services rendered. Lallie Kemp, which is not scheduled to move into a partnership model, will be utilized as the focus hospital for prisoner care for DOC facilities in the vicinity.
- Third, by developing contracts with non-partner hospitals to provide additional care.



Maximizing Bayou Health and Louisiana Behavioral Health Partnership

- Bayou Health has five contracted health plans: Amerigroup, Community Health Solutions, LaCare, Louisiana Healthcare Connections and United Healthcare
- More than two-thirds of Louisiana Medicaid and LaCHIP recipients are now enrolled in one of the five health plans' networks
- With the help of the Louisiana Behavioral Health Partnership, Louisiana's behavioral health care system is now the strongest it has been since Hurricane Katrina, with a 30 percent increase in mental health services funding in the past four years
- Coordinated System of Care is currently active in five regions helping young people remain at home and in school
- Partnering with DCFS and Tulane University to develop pilot initiative in the Greater New Orleans area to continue ECSS-like services



Toward a more sustainable model of health care service delivery

- Nursing home reforms: Restructuring nursing home admissions, annualized savings of \$4 million in General Fund; restructuring Bed Hold/Leave Day Policy, saving \$1.2 million in General Fund
- Realigning Medicaid Eligibility Programs, saving \$24 million in General Fund



Toward a more sustainable model of health care service delivery

- Office of Public Health is strategically reallocating its sexually transmitted disease (STD) treatment resources to health units that provide the most services, saving \$416K in General Fund
- Applying Performance Measures for Community-Based Recovery Programs
- OPH will streamline central office operations of the School Based Health Center program, saving \$2 million in General Fund
- DHH will achieve savings in the Medicaid program by purchasing diagnostic services (\$1.4 million General Fund savings) and durable medical equipment and supplies (\$800K General Fund savings) from sole source providers



Toward a more sustainable model of health care service delivery

- Restructuring of Resource Centers, lease savings \$175K
- Transitioning Family Flexible Fund and the Individual and Family Supports Funds to private administration
- More Effective Resource Management with Property and Workforce, saving \$4.8 million in General Fund



Toward a more sustainable model of health care service delivery

- Restructuring LERN, saving \$1.1 million in General Fund
- Office of Public Health is reducing contracts for wraparound services in the Genetics program, saving \$346K in General Fund
- Office of Aging and Adult Services work-at-home program for staff in regional offices, saving \$127K in General Fund



Toward a more sustainable model of health care service delivery

- OPH will redirect Children's Special Health Services care coordination and clinical care, resulting in \$794K in General Fund savings
- Families participating in the EarlySteps Family Cost Participation will begin contributing to the cost of care, generating \$1.7 million in General Fund savings
- Contract consolidation and cost reductions to achieve \$75K in General Fund savings



Streamlining Health Care Funding Sources

- Medicaid will reduce Rural Hospitals' Upper Payment Limit (UPL), saving \$3.4 million General Fund
- Medicaid will replace the Public Hospitals Uncompensated Care Costs/Disproportionate Share Psych Pool with services provided through the Partnership, saving \$780K in General Fund
- No new provider rate reductions



Departmental Highlights

Department of Military Affairs

- **Increase of \$1.4 million in Federal Funds** as a result of an increase in federal environmental funding

Office of Elderly Affairs

- **Decrease of \$1.14 million in State General Fund** and one position due to elimination of Senior Rx & Aging and Disability Resource Centers activities

Department of Veterans Affairs

- **\$203K in additional General Fund** and four new positions is provided to support operations for the new Southeast Louisiana Veterans Cemetery northwest of Slidell



Departmental Highlights

Department of State

- **Decrease of \$12 million** and a reduction of two vacant positions, which is primarily attributed to a \$5.9 million reduction in State General Fund due to the elimination of the closed primary system election expenses, and non-recurring \$5 million from statutory dedications.

Attorney General

- \$7.7 million is provided from the remaining Mortgage Settlement Agreement funds, \$4.6 million of which replaces General Fund.



Departmental Highlights

Department of Agriculture and Forestry

- **Reduction of \$1.3 million in State General Fund** due to the elimination of 43 vacant positions, and reduction of \$8.6 million in total means of financing from maximizing other means of financing
- **Reduction of \$7.7 million in non-recurring funding** in the Animal Health and Food Safety Program for emergency support functions performed during Hurricane Isaac
- **Reduction of \$435K** in the Agricultural and Environmental Sciences Program from the Boll Weevil Eradication Fund based on actual expenditure levels



Departmental Highlights

Department of Economic Development

- \$1 million General Fund reduction to the Marketing Fund
- \$997K reduction from the Wet Labs and Business Incubator programs in Baton Rouge, Shreveport, and New Orleans.
- \$2 million General Fund increase for the FastStart program to Benteler Steel commitment
- \$2.9 million Stat Ded reduction for elimination of the Small Business Surety Bond program
- \$700K reduction to the Stat Ded, Louisiana Economic Development Fund in the Business Development Program for one-time expenses
- \$2 million reduction of Rapid Response Fund for Fast Start program for GE Capital
- \$9.7m reduction Stat Ded and Federal Funds of non-recurring carry-forwards



Departmental Highlights

Department of Transportation and Development

- With the elimination of the Crescent City Connection Division (CCCD) by Legislative act at the end of 2012, DOTD will implement a new business model for service delivery focused on maximum efficiency, outsourcing, and greater local control.
 - CCC policing services (22 employees), along with almost \$2 million in toll funds, will be transferred to state police, which will absorb the transferred employees into existing unfunded vacancies.
 - To facilitate toll operations, 47 positions will be reinstated into the budget. Toll funds will be used to continue maintenance and operations on the CCC Bridge, instead of approximately \$2 million in Transportation Trust Funds.



Departmental Highlights

Office of State Police

- The Office of State Police will reduce \$6.7 million through the elimination of 39 vacant civilian positions (administrative coordinators, human resources analysts, motor vehicle compliance analysts, accountants, communication officers), and by reducing funding for 44 vacant State Police commissioned officer positions. No State Police commissioned officer positions are being eliminated.

Office of Motor Vehicles

- Reduction of \$1.8 million from the elimination of 32 vacant positions and associated funding



Departmental Highlights

Department of Children and Family Services

- Reduction of 222 positions, of which 221 are vacant and one will be transferred to the Louisiana Housing Corporation, resulting in savings of \$13.3 million
- Reduction of \$3.5 million of State General Fund for the Modernization Project



Departmental Highlights

Department of Revenue

- Reduction of \$5.5 million and 57 positions through the closure of district and regional offices throughout the state
- Reduction of \$3 million for various expenditures related to department reorganization efforts



Major Takeaways from the Budget

- Maintains funding for higher education campuses
- Fully funds state aid to local K-12 schools through the MFP
- Preserving critical health care services, no provider rate reductions
- Reducing government's footprint through reform, restructuring, and modernization



Budget Information Online

Budget and Supporting Document

www.doa.louisiana.gov/opb/pub/ebsd.htm

Online State Spending Database

www.latrac.la.gov