

Bobby Jindal
Governor



Angele Davis
Commissioner of Administration

STATE OF LOUISIANA

Executive Budget

Fiscal Year 2009-2010

Joint Legislative Committee on the Budget
March 13, 2009

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Governor



Louisiana Economy vs. National Economy

Louisiana is the only state in the nation whose unemployment rate decreased in January.

— U.S. Department of Labor Report

March 11, 2009



Louisiana Economy vs. National Economy

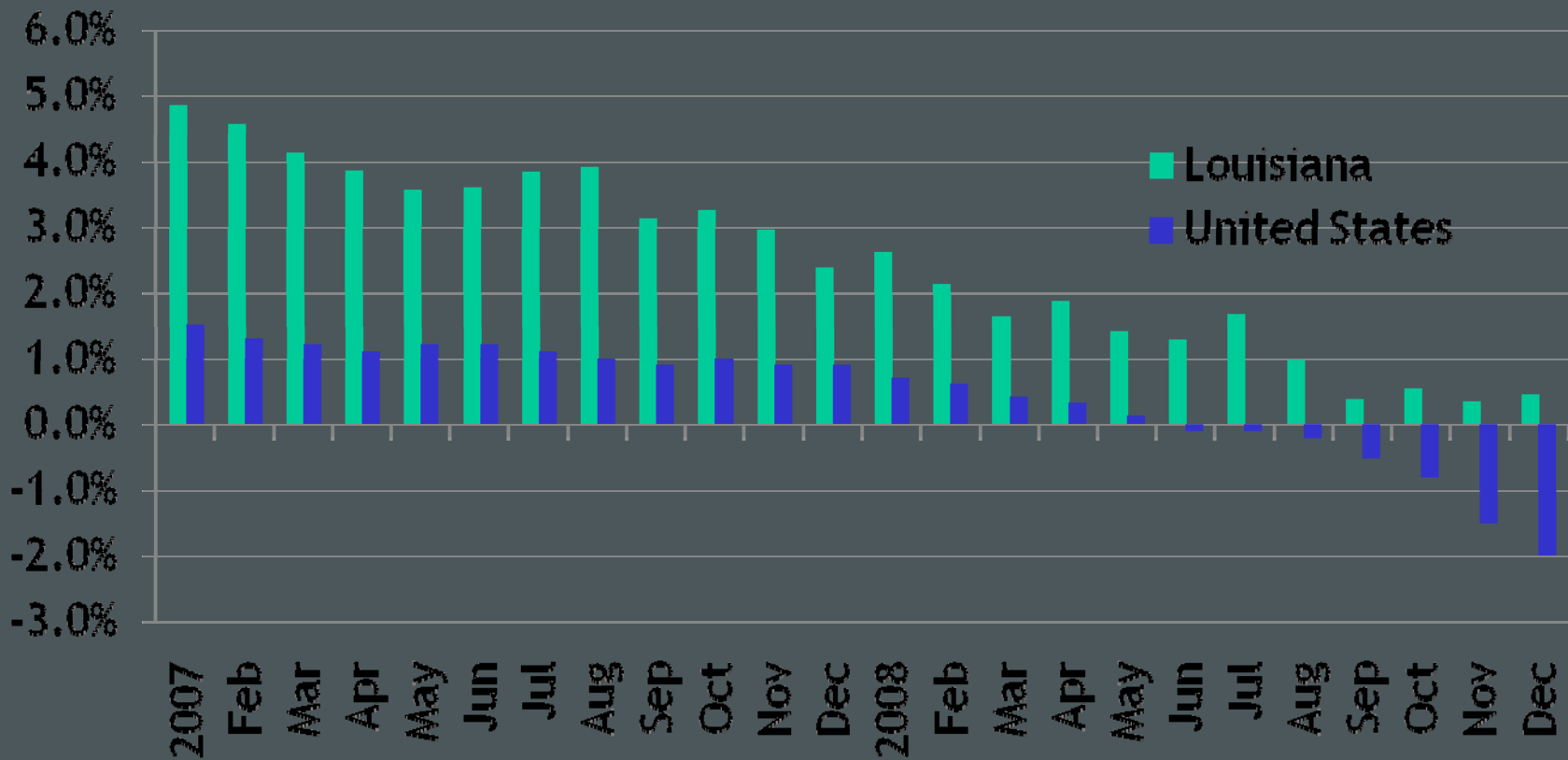
Louisiana is the third fastest growing state,
behind Wyoming and North Dakota.

— Philadelphia Federal Reserve Bank

December State Coincident Economic Indexes, 2008

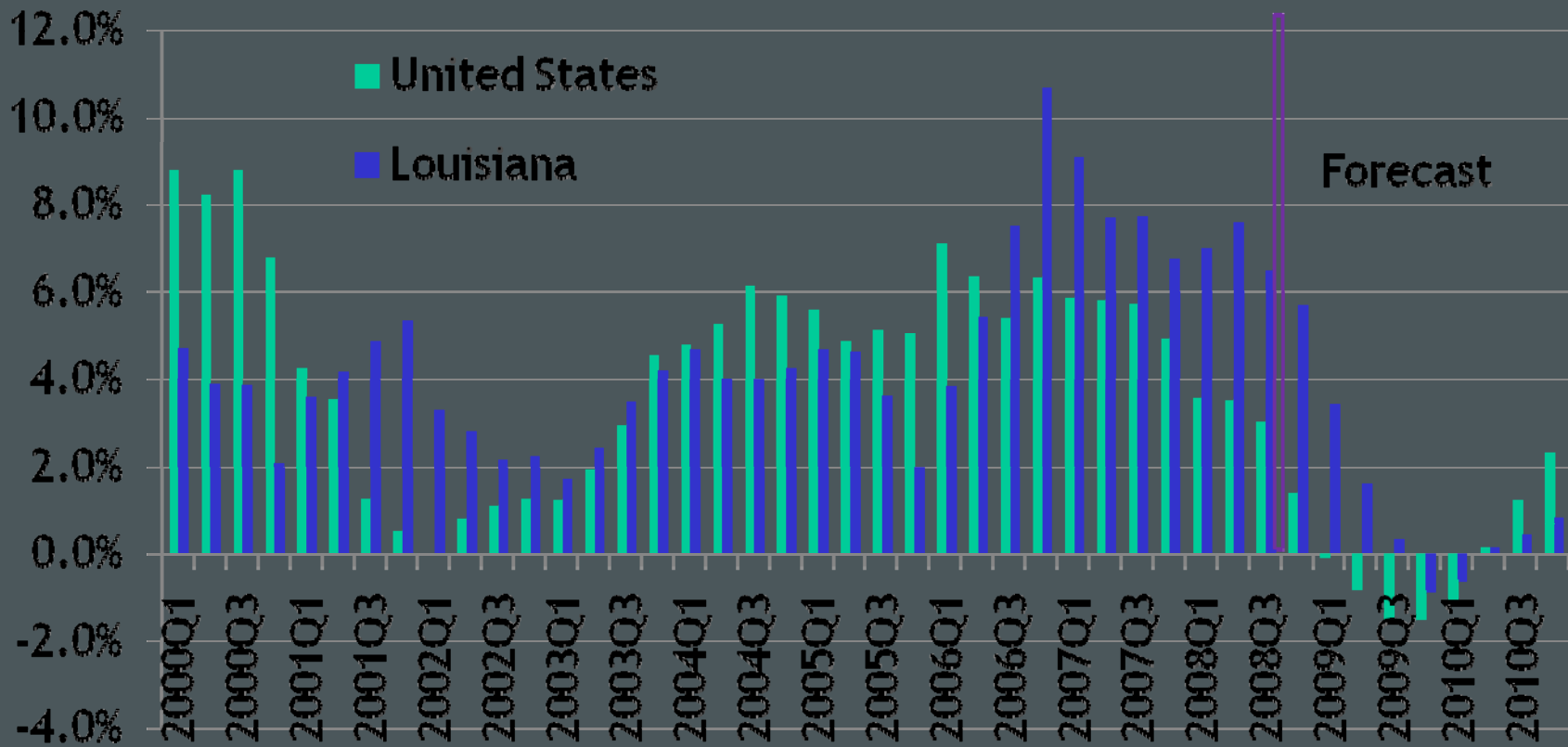


Employment Growth Relative to the Prior Year





Wages and Salaries Growth From the Prior Year

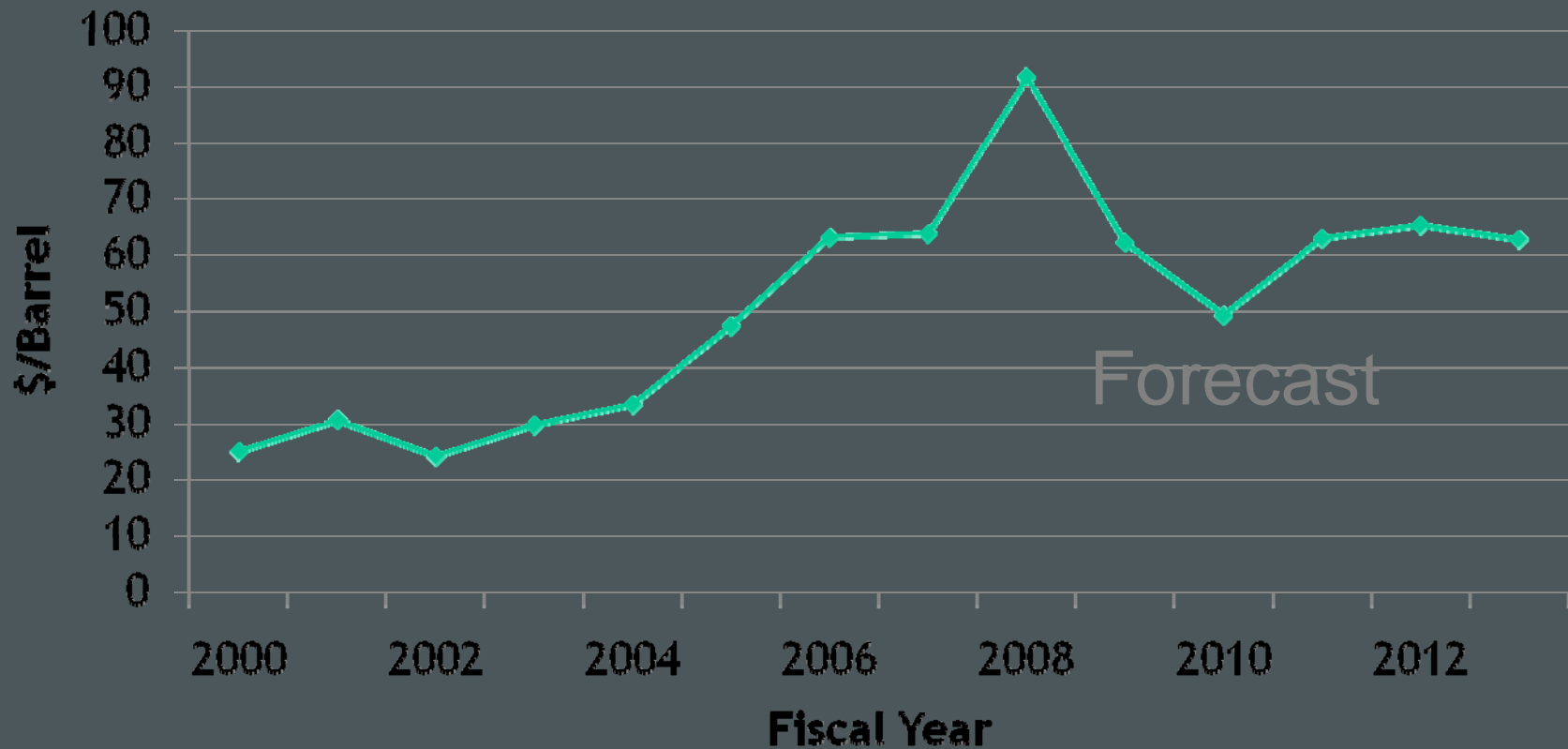


Source: Moody's Forecast of February 2009



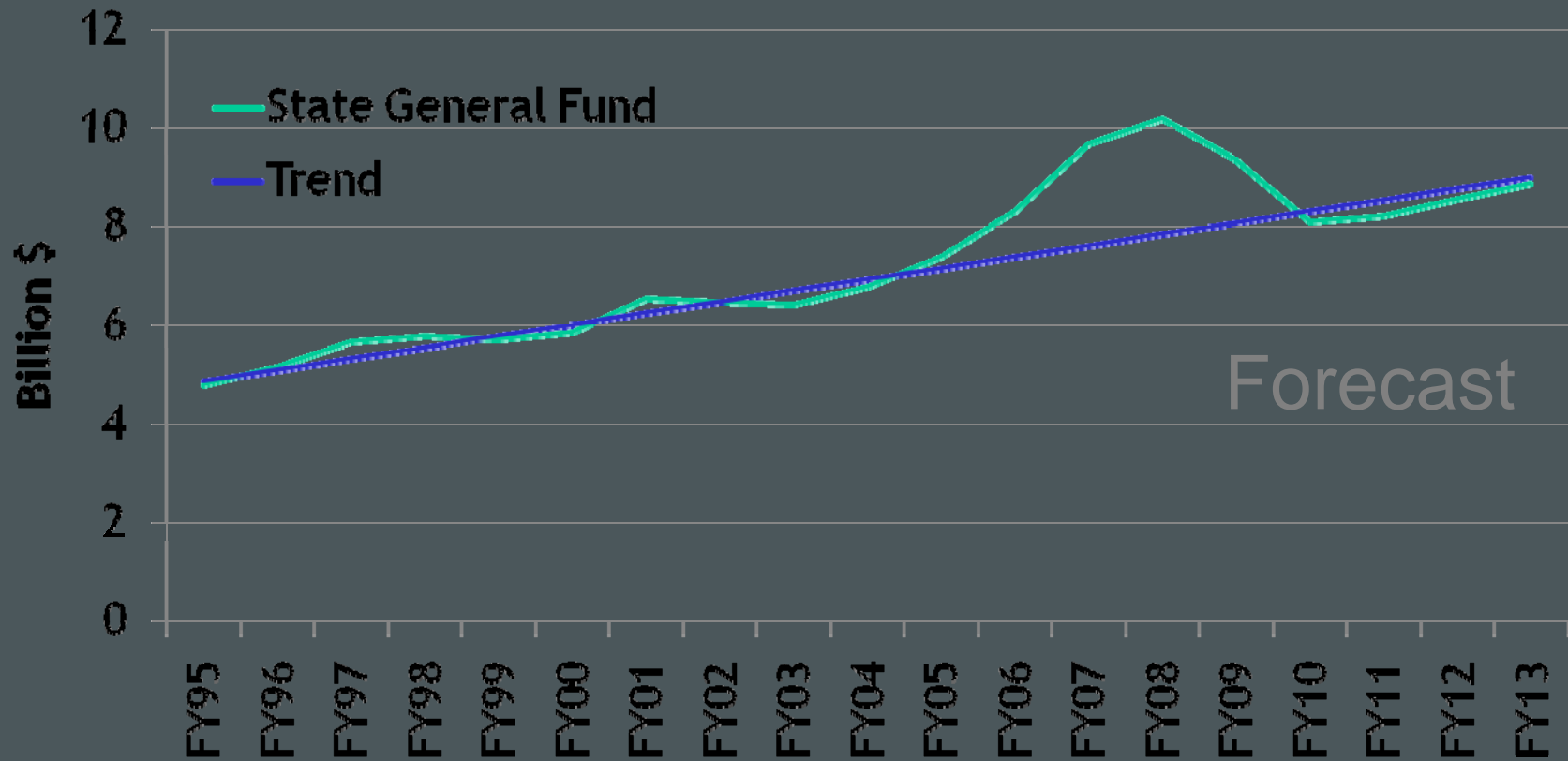
Oil Price

West Texas Intermediate





State General Fund Revenue



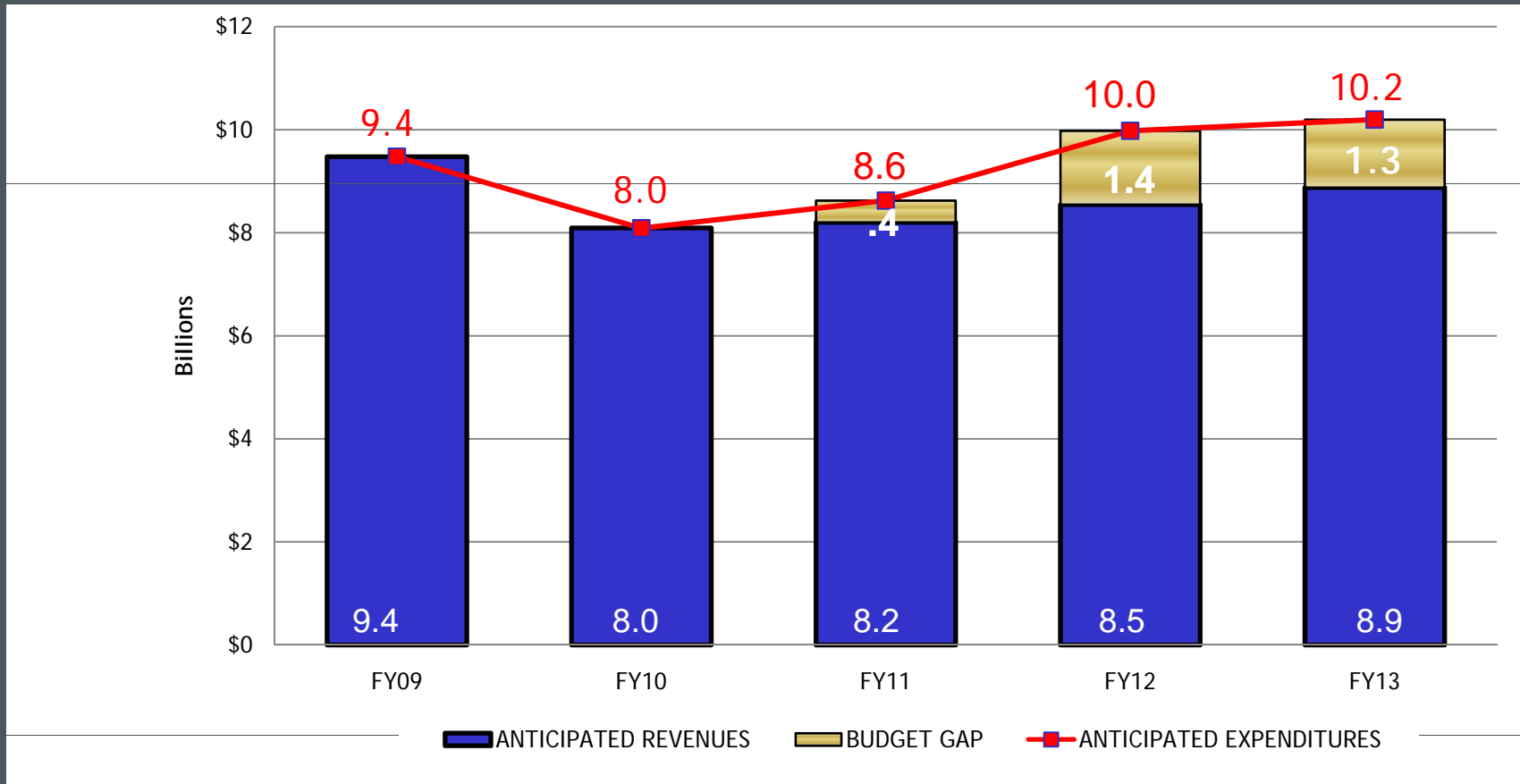


Annualizing Mid-Year Cuts Lowered Continuation Projected FY10 Shortfall from \$2.38 billion to \$1.75 Billion

Pre-Deficit General Fund EOB Expenditures FY09	(\$9.791)
Projected Revenue at Continuation FY10	\$8.090
Difference of FY09 Expenditures and FY10 Revenue	(\$1.701)
Projected Expenditure Growth at Continuation FY10	(\$.682)
Projected Shortfall at Continuation FY10	(\$2.383)
Mid-Year Deficit Reduction Plan, approved by JLCB 1/9/09	\$316.6
Adjusted General Fund FY09 EOB Expenditures	(\$9.475)
Projected Expenditure Growth at Continuation FY10	(\$.365)
Total Expenditures Projected at Continuation FY10	(\$9.840)
Projected Revenue at Continuation FY10	\$8.090
New Projected Shortfall at Continuation FY10	(\$1.750)



5-Year Budget Outlook





National Trends: Budget Status in Other States

- 43 states are facing deficits for the next fiscal year
- 22 states have approved or are proposing cuts to programs for seniors and the disabled
- At least 32 states have implemented or proposed cuts to public colleges and universities
- At least 26 states have cut or are proposing cuts to K-12 and early education
- At least 28 states have proposed or implemented cuts for public health programs
- A number of states are also reviewing proposals to release prison inmates early or close prisons
- 14 states have already passed measures to increase taxes, and six governors are considering a tax hike to make up for these budget deficits

— Center on Budget and Policy Priorities



FY 10 Budget Overview: Strategic Reductions and Streamlining Government

- Prioritize Spending
- Performance Review
- Protect Critical Services
- Consolidate Offices and Functions
- Eliminate Programs
- Continue Strategic Reforms



COMPARISON: FY 08-09 Budgeted to FY 09-10 Executive Budget (Totals Including Additional Funding Related to Hurricane Disaster Recovery)

(Exclusive of Double Counts)

	As of 02/01/09 Budgeted 2008-2009	Executive Budget 2009-2010	Executive Budget Over/(Under) Budgeted	Percent of Change
General Fund, Direct	\$9,474.7	\$8,084.9	(\$1,389.8)	-14.67%
General Fund By:				
Fees & Self-Generated revenues	\$1,464.8	\$1,420.4	(\$44.4)	-3.03%
Statutory Dedications	\$3,724.2	\$3,304.4	(\$419.8)	-11.27%
Interim Emergency Board	\$3.3	\$0.0	(\$3.3)	-100.00%
Total State Funds	\$14,667.1	\$12,809.7	(\$1,857.4)	-12.66%
Federal Funds	\$14,944.0	\$13,909.6	(\$1,034.3)	-6.92%
GRAND TOTAL	\$29,611.1	\$26,719.3	(\$2,891.8)	-9.77%
Total Positions	45,205	43,784	(1,421)	-3.14%

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



State General Fund Funding Challenges: FY 09-10

Funding Challenges Faced in FY 09-10	Cost (in Millions)	
Decreased Means of Financing for FY 09-10	(\$1,381.84)	
Funding Increased Mandated, Contractual and Other Costs	(371.25)	
Total Funding Challenges More than Available Revenue		(\$1,753.10)
Solving the Funding Challenge:		
Utilization of American Recovery and Reinvestment Act Stimulus Funding	\$666	



Stimulus Policy

- In order to prepare responsibly for future years, instead of utilizing all the Federal money at once, the use of these dollars will be spread over a two-year period
- Agencies that are impacted by federal stimulus funding in FY10 and/or FY11 must develop transition plans or policy changes to address the loss of federal funds in FY11 or FY12. Agencies should not consider budget stimulus funds as though they are a permanent source of revenue.
- Avoid using stimulus funds to start new programs or hire additional permanent employees.
- Agencies should closely track all restrictions and any matching provisions that must come from state funds.
- Agencies must ensure that they follow both federal and state procurement and contracting laws, and have proper contract monitoring procedures in place.
- Federal Stimulus funds that will be disbursed to sub recipients must be reviewed by the primary state agency recipient to ensure that the funds are passed through only to entities that have a demonstrated need and proper internal controls and reporting procedures in place.



Transparency & Accountability

- All ARRA funds will be tracked through our accountability web portal, LATrac
 - Amount appropriated, obligated, and spent per federal funding program
 - Description of projects funded, including jobs created/retained and evaluation of progress toward completion
- Stimulus information and tracking: www.stimulus.la.gov
- Agencies will track any and all revenues and expenditures related to the Federal Stimulus Bill using activity code "ARRA"
- Agencies will establish separate organizations in the accounting system for each grant received from the Stimulus Bill
- Non-state accounting entities (mainly Higher Education and DOTD) will have to develop procedures to track stimulus funding



Use Of Stimulus to Replace State General Fund - \$666 Million

	(million)
• Federal Medical Assistance Percentage (FMAP)	\$327.1
• State Fiscal Stabilization Fund - Education Grant	
- Higher Education	\$218.7
- MFP	\$ 37.5
• State Fiscal Stabilization Fund - "Flex" Grant	\$ 64.5
• DSS Grants	\$ 4.5
• Agriculture - Wildfire Suppression	\$ 3.1
• Vocational Rehabilitation (DSS)	\$.3
• Edward Byrne Memorial Justice Grant (LCLE)	\$ 3.2



Stimulus Used to Mitigate Other Funding Reductions - \$277 Million

	(million)
• Federal Medical Assistance Percentage (FMAP)	\$241.7
• Fiscal Stabilization Fund - Education (MFP)	\$ 33.8
• Vocational Rehabilitation (DSS)	\$ 1.8



One-Time Revenues Utilized in FY 09-10

- New Opportunities Waiver (NOW) Fund, \$21 million
- Social Services Block Grant (SSBG), \$65 million
 - DSS, \$17 million, for foster care services such as therapy, tutoring, home development, psychiatric hospitalization, mental health treatment, and child protection
 - DHH, \$48 million, for mitigation of rate reductions in the Private Provider Program



Preserving the MegaFund is critical for job creation and small business

- With economic concerns growing amidst a deepening national recession, we need to be doing all we can to retain and attract good jobs
- Louisiana is in the finals for two Mega projects in North Louisiana, as well as three in South Louisiana, including SNF in Iberville Parish and Nucor in St. James Parish
- With declining state revenues, our debt capacity has also declined, requiring us to tap the Mega Fund to complete projects at Federal City (\$125MM) and NASA's Michoud Assembly Facility (\$55.5MM), projects that together will retain and create thousands of high-paying jobs (both projects meet the eligibility criteria for the Mega Fund)
- Considering only projects for which we already have made offers and our likelihood of success with each of them, we will need roughly \$600MM to complete these projects
- While creating thousands of new jobs during a difficult national recession, our Mega Fund prospects also will generate hundreds of millions in new revenues each year for small businesses located throughout Louisiana
- Generating new sales for small businesses will be especially helpful because many of our small businesses have been negatively impacted by the national recession

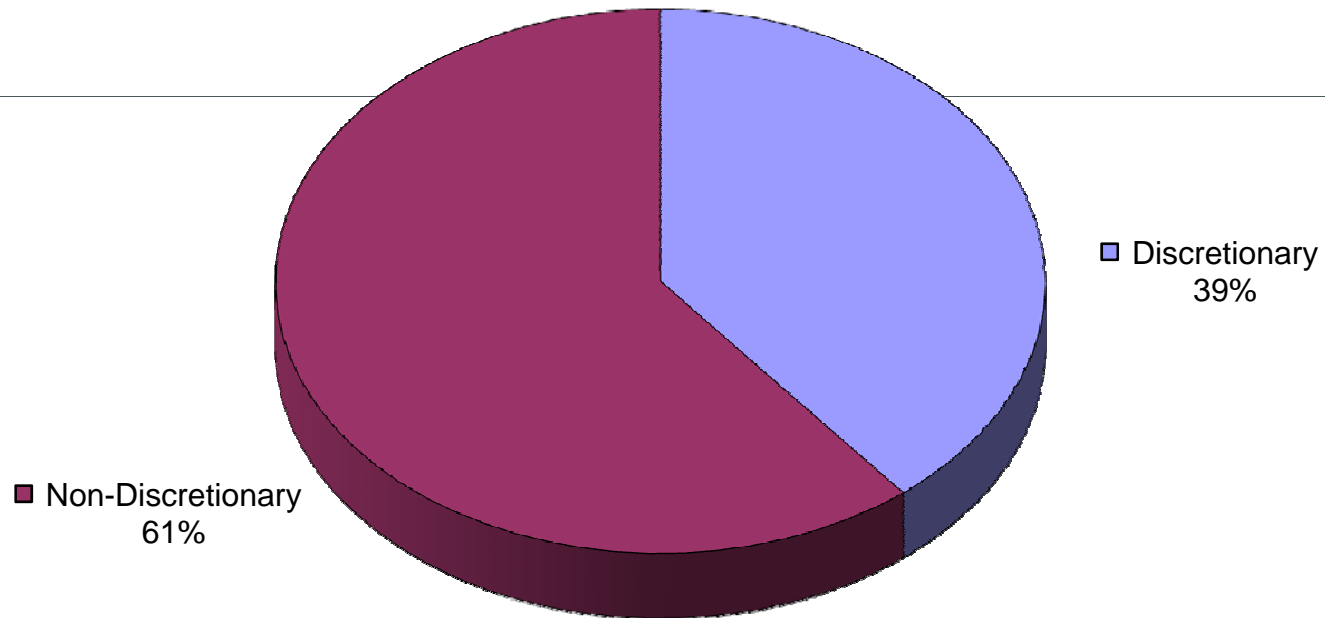


Expenditure Limit

Expenditure Limit for FY 2008/09	\$12,294,590,334
Growth Factor	13.25%
Expenditure Limit for FY 2009/10	\$13,923,623,553
Appropriations Acts and Other Requirements	\$10,191,683,751
Over/(Under) Expenditure Limit	(\$3,731,939,802)

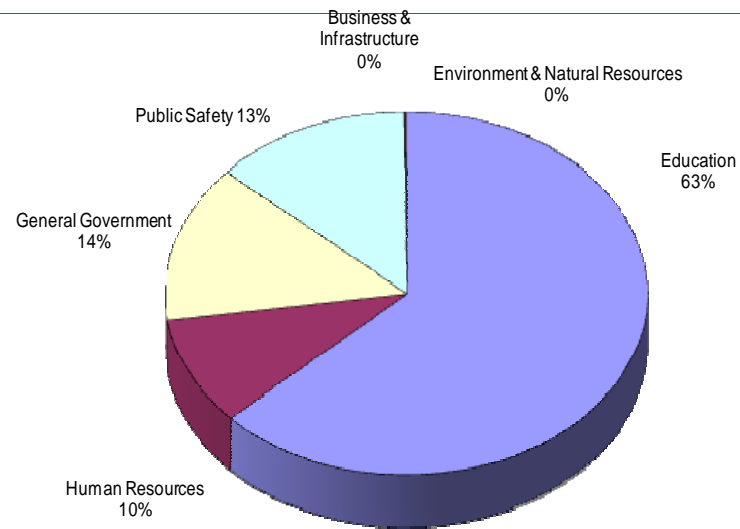


**DISCRETIONARY/NON-DISCRETIONARY STATE
GENERAL FUND
EXPENDITURES FISCAL YEAR 2009-2010
(Excluding Contingencies)**



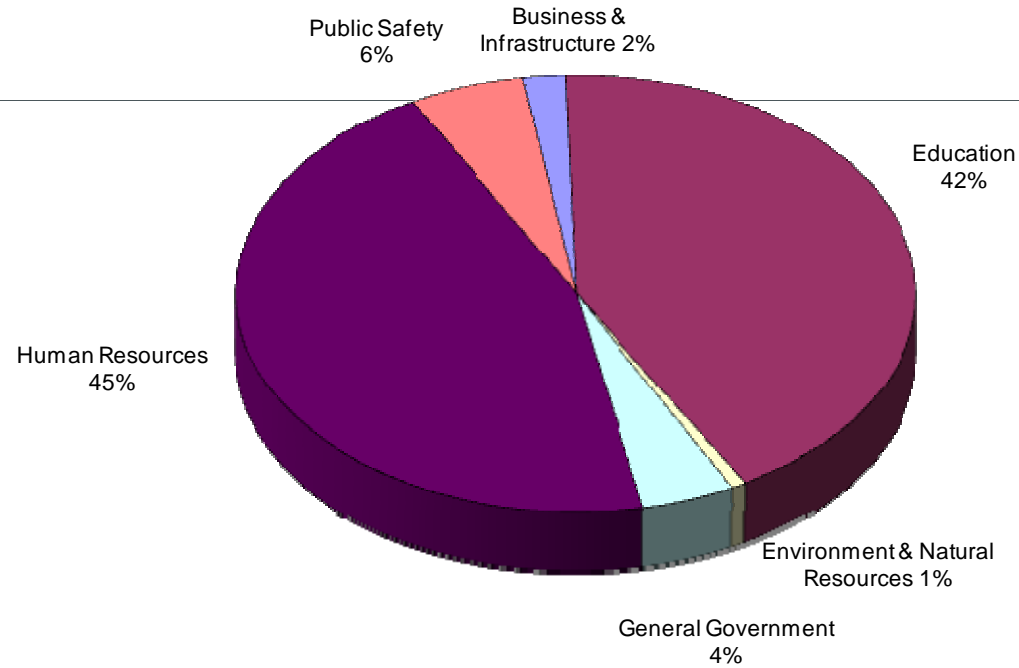


**Fiscal Year 2009-2010 Executive Budget Non-Discretionary
State General Fund Expenditures by Functional Area
(Total \$4,919,950,342)**





**Fiscal Year 2009-2010 Executive Budget Discretionary
State General Fund Expenditures by Functional Area
(Total \$3,164,949,658)**





Post-Storm Spending Growth: Health Care and Education

Average Spending Increases Per Year		
Total Means of Finance		
	FY01 to FY06	FY07 & FY08
Department of Health & Hospitals	\$389 million	\$673 million
Higher Education	\$124 million	\$231 million
Department of Education	\$135 million	\$705 million



Mitigating Reductions in Health Care & Education

Department of Health and Hospitals total proposed budget: \$7.76 billion, a reduction of \$413 million, or 5.1 percent, from the \$8.17 billion budgeted in FY 09, but still \$1.16 billion more than the FY 06 funding level of \$6.6 billion.

Higher Education total proposed budget: \$2.638 billion, a reduction of \$219 million, or 7.7 percent, from the \$2.857 billion budgeted in FY 09, but still \$186.5 million more than the FY 06 funding level of \$2.451 billion.

Department of Education total proposed budget: \$4.95 billion, a reduction of \$141 million, or 2.8 percent, from the \$5.09 billion budgeted in FY 09, but still \$998 million more than the FY 06 funding level of \$3.95 billion.



Health Care Spending

- The Department of Health and Hospitals (DHH) FY 2009-2010 Executive Budget is \$1.474 billion SGF and \$7.76 billion total with 11,322 authorized T.O. positions.
- The Department utilizes \$568.8 million in federal funds as a result of the American Reinvestment and Recovery Act of 2009.
- \$214 million State General Fund is reduced partially as a result of annualizing efficiencies and the 3.5% rate reduction for private providers implemented in FY 2008-2009. Furthermore, reductions are implemented including an approximate 7.2% rate reduction for private providers and strategic reductions for both public and Uncompensated Care Cost providers.



Health Care Spending, cont.

- Medical Vendor Administration: The FY 2009-2010 Executive Budget reflects an increase in total funding of \$9 million SGF and \$34.9 million total. The increase in funding is necessary in order for the department to implement efficiencies in the Medicaid program which will reduce costs.
- MVA eliminated 27 vacant positions resulting in a savings of \$2 million total (\$997,951 State General Fund) as part of the Department's overall personnel reductions.



Health Care Spending, cont.

- Medical Vendor Payments: The FY 2009-2010 Executive Budget reflects a net reduction in total funding of \$340.7 million
- \$175.2 million State General Fund is reduced as part of the department's strategic reductions.
- Reductions in State General Fund are offset by a \$103.1 million increase for Medicaid items.



Health Care Spending, cont.

- Office of the Secretary: The FY 2009-2010 Executive Budget reflects a net reduction in total funding of \$18.5 million.
- Included in the reductions is funding for the health information exchange initiatives. The implementation of ARRA will include substantial infusion of federal dollars to hospitals and providers, as well as grant and loan programs.
- The T.O. decreased by 17 positions and associated funding of \$1.8 million in State General Fund.



Health Care Spending, cont.

- Office of Mental Health: The FY 2009-2010 Executive Budget reflects a net increase in total funding of \$248 million as the direct result of the consolidation of the four mental health budget units into one. The increase is: State General Fund \$66.7 million; However, when considering all four previous budget units, the Office of Mental Health has an overall reduction of \$37.7 million. The T.O. is reduced by 168 positions.
- \$1 million appropriated for the implementation of an involuntary commitment program for sexually dangerous predators who have been convicted of sex crimes against children under the age of 13.
- \$9.1 million in State General Fund savings due to the consolidation of the New Orleans Adolescent Hospital (NOAH) and the Southeast Louisiana Hospital (SELH).



Health Care Spending, cont.

- Office for Citizens with Developmental Disabilities: The FY2009-2010 Executive Budget reflects a net decrease of \$1.5 million.
- The agency will continue its 2005 policy of transferring some extended family living, supported independent living and community homes to private providers.
- T.O. positions are being reduced by 102 due to privatization as well as cost efficiency savings in the administrative and community supports programs.



K-12 Education Spending

- \$14 million for the LA Literacy and Numeracy initiative
- \$4.9 million for the High School Redesign Program
- \$4.5 million for Career Technical Education
- \$3.3 million in TANF funds for the Jobs for America's Graduates program and for Educational Mission to Employ Louisiana's Youth (EMPLoY)
- \$5.6 million for stipends to teachers earning National Board Teacher Certification
- \$6 million in FY 09 funds remaining to continue Student Scholarships
- \$1.6 million for Morehouse Parish and \$1 million for Union Parish due to the loss of local revenue



Higher Education Spending

- Higher Education funding is provided to the Board of Regents for distribution based on an approved plan
- Transfer the Louisiana Office of Student Financial Assistance (LOFSA) to the Board of Regents
- Additional \$10.1 million to fully fund TOPS awards at \$129.9 million
- \$24.2 million for Go Grants
- \$6.5 million one-time funding for Endowed Chairs and Professorships for \$12.38 million total
- \$10 million in workforce training for high-demand fields is now a recurring Statutory Dedication for the Louisiana Community and Technical College System



Performance

- On December 4, 2008, after a round table discussion on budget cutting strategies, the Division of Administration hosted a training session on how to construct outcome-based performance measures.
- Agencies were instructed to submit new performance measures to the Office of Planning and Budget by January 15.
- Between December 4 and January 15, OPB worked with several departments, including DOTD, AG, DSS, DNR, WLF, and DOE, to develop new strong, outcome-based indicators.
- The focus was to move from output measures (i.e., measures of activity such as processing documents) to outcome measures that show the impact of the agencies' products and services on the citizens of Louisiana.



Examples of Improved Performance Measures

Community Development Block Grant Program

Several previous measures were output driven:

- Amount of funds received
- Number of grants monitored
- Number of meetings held

New measures focus on the results of the program:

- Number of schools rebuilt
- Number of affordable rental housing units created
- Number of law enforcement and fire fighting facilities rebuilt
- Number of homeless shelters repaired
- Number of workers trained by the Workforce Recovery Program
- Number of faculty retained through the Research and Educational Enhancement Program



Examples of Improved Performance Measures

Executive Administration Program

Previous measures:

- Office of Information Services will provide 10 new functions by 2010
- Percentage of ISIS/HR ACH files transmitted/delivered according to schedule established by state's central bank

New measures:

- Value of identified expense reductions through internal audits
- Percent increase in the number of alternative fuel/hybrid/electric vehicles in the state's fleet
- Reduction in kilowatt hours per square foot energy consumption in Capital Park facilities
- Percentage of project worksheets returned by FP&C to FEMA within 14 days of receipt
- Percentage of DOA employees who have received ethics training
- Customer satisfaction ratings for several DOA sections



Examples of Improved Performance Measures

Department of Agriculture

- Per acre benefit of the Boll Weevil Eradication Program

Department of Social Services, Louisiana Rehabilitation Services

- Percentage of citizens who sustain independence as a result of receiving services
- Percentage of employed citizens successfully employed in one of the top three demand occupational groups

Customer service

- Several departments, including Division of Administration, Wildlife and Fisheries, Office of Workforce Development, Transportation and Development, Natural Resources, Department of Education, and Social Services, are developing satisfaction surveys for both internal and external customers to better gauge the effectiveness of their services



Activity Performance Review Results

- Eliminating Louisiana Economic Development's "Traditional" Workforce Development and Training Program
- Maintaining Department of Agriculture & Forestry's Boll Weevil Eradication Program
- Protecting Department of Corrections' rehabilitation programs, including educational and vocational activities



Office and Program Eliminations and Consolidations

The Division of Administration proposes the elimination of the Office of Electronic Services within the Executive Administration program and merging OES with the Office of Information Technology and the Office of the Chief Information Officer, as well as consolidating the State Grants Management Office (SGMO) within the CDBG program. These actions will produce savings of \$965,378 in General Fund.

The Department of Agriculture and Forestry will eliminate its facilities maintenance function under the Administration Program, and reallocate the activity to its more proper place in the Louisiana Agriculture Finance Authority. Savings through this consolidation is \$1.6 million.

The Department of Transportation and Development will eliminate the LaSwift program, which was designed to provide temporary transportation assistance after the 2005 hurricanes, and transfer the \$5.8 million for utilization within the Highway Priority Program.



Office and Program Eliminations and Consolidations, cont.

The Department of Environmental Quality will realize state general fund savings between \$1 million and \$3 million through the privatization of its lab activity.

As part of its strategic reduction goal to reduce its vehicle fleet, the DEQ will not replace any vehicles in FY10, at a cost savings of approximately \$707,000 for the state.

DHH's Medicaid "Work at Home" telecommuting program, which creates a fully functional worksite from the employee's home, is expanding the number of participants by 160 in FY10 in an effort to reduce administrative costs and office lease costs and boost productivity. This innovative cost-reducing measure will allow for the closure of 21 offices, at a savings of \$569,000.



Office and Program Eliminations and Consolidations, cont.

The Louisiana Tax Commission will eliminate the Legal Section of the agency and outsource its legal work, for estimated savings of \$338,000.

The Department of Revenue will close its Thibodeaux Office and institute telecommuting for its remaining employees to continue to provide services to citizens while working from home, resulting in an estimated savings of \$258,000.

The Intensive Motivational Program for Alternative Correctional Treatment (IMPACT), a boot camp program at Forcht-Wade Correctional Center, was consolidated with the IMPACT program at Hunt Correctional Center. This consolidation opened up 80 inmate beds at Forcht-Wade which will be used to house offenders from Steve Hoyle Rehabilitation Center, which is being sold to a private party as a cost savings measure.



Office and Program Eliminations and Consolidations, cont.

The FY 10 Executive Budget proposes moving the Louisiana State Board of Cosmetology from within the Office of the Governor to function independently as do other boards and commissions, and moving the Governor's Office of Education to the Board of Regents, and the Governor's Oil Spills Coordinator's Office to the Department of Environmental Quality in order to strengthen coordination and effectiveness in those policy areas.

The Department of Health and Hospitals proposes the merger of all mental health units into programs under the Office of Mental Health state office.

For FY 10, two departments will eliminate General Fund spending in their budgets. The Louisiana Workforce Commission, which reduced General Fund by \$1 million in its mid-year budget reduction plan, will eliminate the remainder of its \$3.6 million General Fund for the upcoming fiscal year. The Department of Wildlife and Fisheries will also cut its entire General Fund of \$90,000.



Net Adjustments in Authorized Positions

Executive	-112	Youth Development Services	-88
Veterans Affairs	21	Health & Hospitals	-314
State	-5	Social Services	-122
Justice	-21	Natural Resources	-2
Lt. Governor	-3	Revenue	-20
Treasury	-3	Environmental Quality	11
Public Service	0	Workforce Commission	-135
Agriculture & Forestry	-75	Wildlife & Fisheries	-17
Insurance	-7	Civil Service	2
Economic Development	0	Higher Education	142
Culture, Recreation & Tourism	-87	Other Education	-204
DOTD	-132	Dept. of Education	-8
Corrections	-139	Ancillary	-53
Public Safety	-50	TOTAL	-1,421



Position Eliminations to Date

Combined with 971 eliminations associated with the FY 09 mid-year budget reductions, and 1,019 eliminations previously implemented through budgetary action, the new recommended position eliminations would bring the total to 3,411 eliminations of full-time authorized (T.O.) positions since the beginning of the Jindal administration.



Continuing Reform: Strategic Initiatives

Public Safety

- \$1.5 million in State General Fund in Adult Probation and Parole for 300 Passive GPS electronic monitoring units for increased monitoring of sex offenders. Eleven Probation and Parole Officers (PPOs) will provide intensive supervision along with electronic monitoring of sex offenders to enhance public safety and reduce recidivism.
- \$300,000 to allow the State Police Crime Lab to continue to integrate the Laboratory Information Management System (LIMS), move to an electronic imaging system, and secure technology to collaborate and communicate with clients more efficiently.
- Additional \$18.4 million for Supplemental Pay to Law Enforcement Personnel, in accordance with Act 664 of the 2008 Regular Legislative Session, which increased supplemental pay from \$450 to \$500 per month. Of this amount, \$8.4 million will go to Deputy Sheriffs, \$5.4 million to Municipal Police Officers, \$4.5 million to Firefighters, and \$160,452 to Constables and Justices of the Peace.



Continuing Reform: Strategic Initiatives Emergency Response, Coastal Protection, Ethics

- \$9.4 million is included in the budget to provide funding for the statewide interoperability system.
- An additional \$51 million for coastal restoration projects and protection management, for a total of \$153.9 million.
- The budget protects gains made through last year's historic government ethics reforms by exempting cuts in this area and providing the funding level requested. The budget includes \$4.2 million for the Ethics Administration, which is budgeted to add two new positions to increase effectiveness of operations, and continued funding of \$4 million for the Division of Administrative Law.



Continuing Reform: Strategic Initiatives Economic Development

- \$27 million for the Rapid Response Fund for securing economic development opportunities
- \$5.9 million for the Small Business Surety Bond program
- \$3.4 million for the Fast Start Program, which delivers comprehensive “turnkey” employee training for relocating or expanding businesses
- \$500,000 for Project Specific Site Preparation and Evaluation
- \$400,000 for the Business Retention and Expansion Team
- \$1 million for Small Business Development Centers
- \$800,000 for Small and Emerging Business Development
- \$400,000 for LA Business Incubation Support



Tax Credit Extensions

- Motion Picture Investor Tax Credit
- Motion Picture Infrastructure Tax Credit
- Digital Media Production Tax Credit
- Sound Recording Investor Tax Credit
- Research and Development Tax Credit (R&D Tax Credit)
- Angel Investor Tax Credit



Fiscal Reforms for Legislative Session Commission on Streamlining Government

The Administration will form a “Commission on Streamlining Government” during the 2009 legislative session that will examine each agency’s statutory and constitutional duties in an effort to streamline government further. Commissions will target programs and agencies whose functions can be consolidated, identify privatizing and outsourcing opportunities.



Fiscal Reforms for Legislative Session, cont. Statutory Dedications

- Automatic sunsets of all dedicated funds beginning at the end of the next fiscal year, July 1, 2010, with renewed or newly created dedications to sunset every four years thereafter
- Conduct annual review of the performance of statutorily and constitutionally dedicated activities
- Increase from 5 to 10 percent the amount of reductions to statutory dedications during deficit
- Eliminate 2-year restriction to allow cuts year to year



Budget Information Online

Budget and Supporting Document

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

Online State Spending Database

www.latrak.la.gov

Stimulus Information and Tracking

www.stimulus.la.gov