

Bobby Jindal
Governor



Paul W. Rainwater
Commissioner of Administration

STATE OF LOUISIANA

Executive Budget

Fiscal Year 2012-2013

Joint Legislative Committee on the Budget
February 9, 2012

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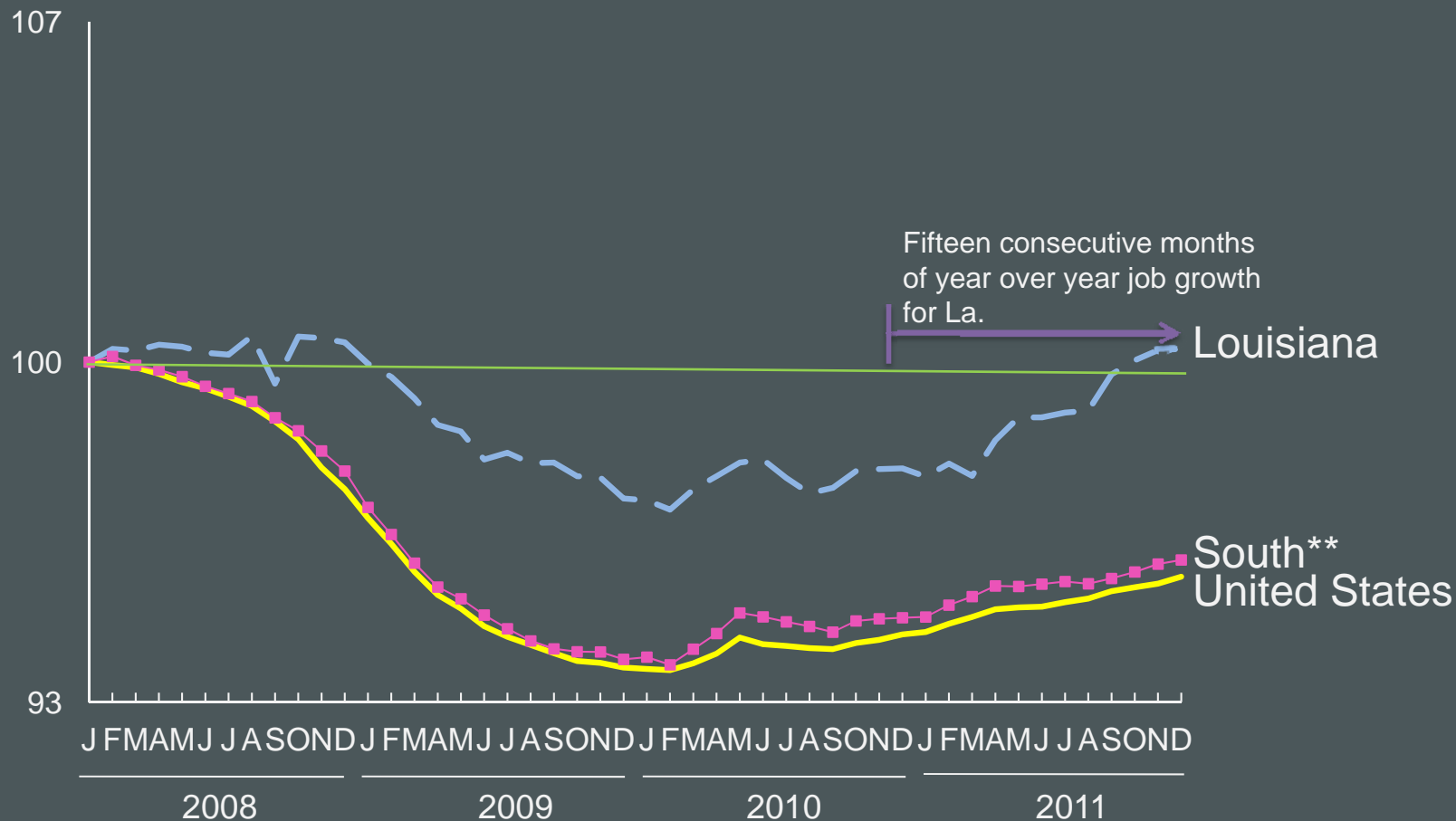


Introduction and Overview

- Prioritizes spending with targeted reductions
- Reforms and restructures government
- No tax increases
- Reduces more than 6,300 fulltime positions
- No reduction to higher education
- Expanding access to health care

Louisiana's Employment* Levels have Outperformed Both the South and Nation since Recession Began

Total nonfarm, seasonally-adjusted employment* (100=January 2008)



* December figures are preliminary; U.S. data also preliminary for November 2011

** Based on aggregate of SREB states (Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)



Job Creation and Economic Progress

- In December, Louisiana recorded its 15th-consecutive month of year-over-year job growth. For the year, Louisiana recorded a net gain of 46,700 jobs in December, compared to the final month of 2010. Louisiana joins Texas as the only states in the South to record an increase in overall employment since the official start of the recession in December 2007.
- Louisiana's current unemployment rate of 6.8 percent is well below the state's rate one year ago (7.7 percent) and compares even more favorably to the current jobless rates for the South (8.4 percent) and the nation (8.3 percent).
- In 2011, the U.S. Census Bureau reported that Louisiana's population grew by more than 168,000 from July 1, 2007, to July 1, 2010, a growth rate about 43 percent faster than the U.S. over that time.
- The U.S. Census Bureau recently reported that Louisiana experienced its fourth consecutive year (2007-2010) of population in-migration, reversing decades of out-migration.



Business Climate and Economic Development Rankings on the Rise

- For the third straight year, *Southern Business and Development* magazine named Louisiana either State of the Year or Co-State of the Year, noting that Louisiana attracted more significant business investment and job-creating projects per capita than any other state in the South.
- *Business Facilities* magazine ranked Louisiana No. 2 in the nation for Economic Growth Potential and No. 7 among U.S. states for Best Business Climate in 2011, both new highs for Louisiana.
- LED FastStart™ ranked as the nation's No. 1 state workforce training program for the second straight year in the *Business Facilities* 2011 rankings.

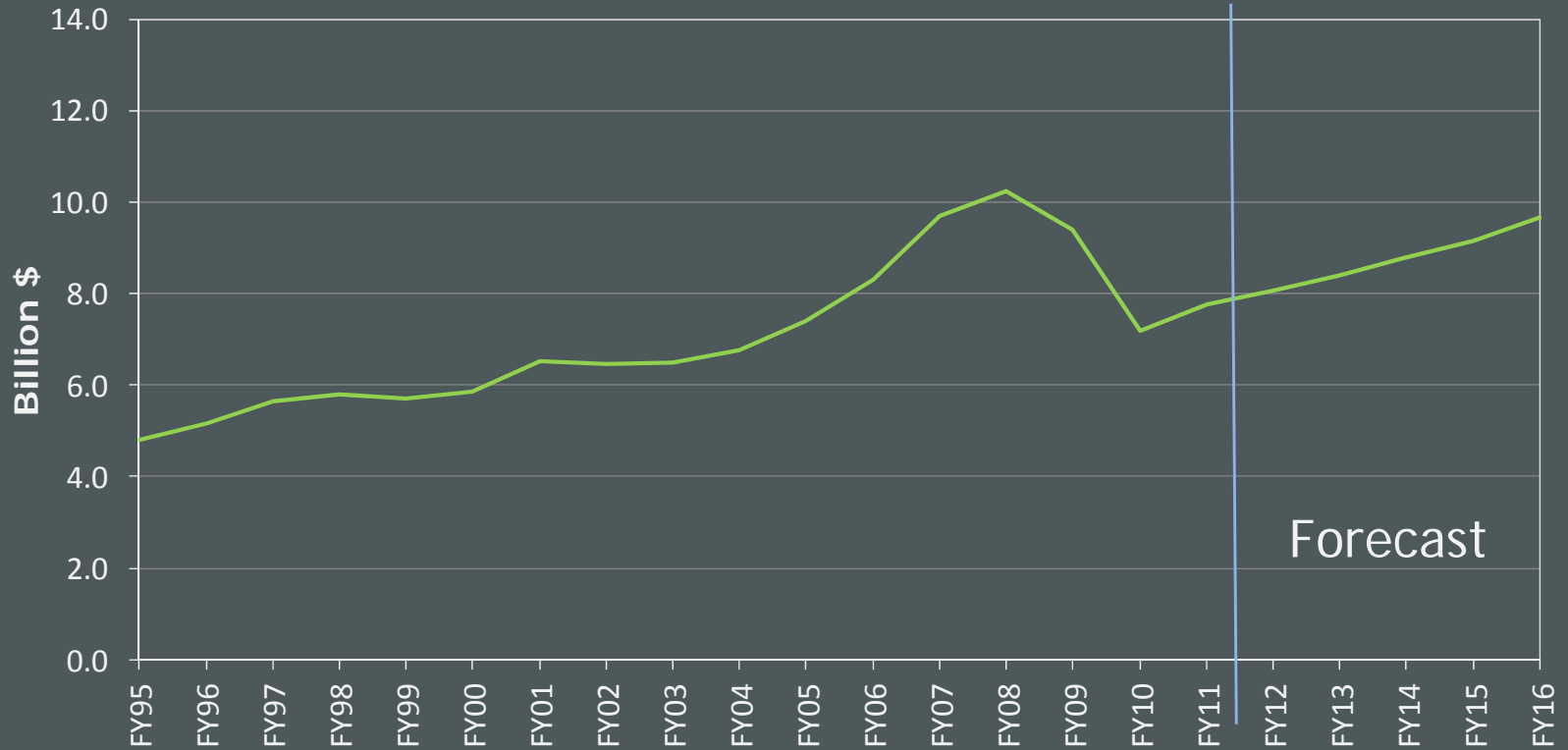


Business Climate and Economic Development Rankings on the Rise

- *Area Development* magazine ranked Louisiana No. 6 in the U.S. in its 2011 ranking of Top States for Doing Business, a survey of leading site selection consultants who rank which U.S. states are most attractive for business investment. Louisiana ranked No. 3 for states that are leading the economic recovery, No. 4 for states with the best workforce development programs, and No. 4 for states with the best overall business environment.
- In 2011, *Site Selection* ranked the Louisiana business climate No. 7 in the nation for the state's highest ranking ever by the magazine. Louisiana ranked No. 3 in the *Site Selection* Governor's Cup Awards with 347 new business location projects. Additionally, Louisiana's per capita ranking jumped from ninth in 2009 to first in the U.S. for 2010 rankings that were released in 2011.



State General Fund Revenue





Savings Categories

- \$325 million in departmental and statewide reductions
- \$286 million from not funding certain cost increases anticipated at continuation
- \$284 million in reductions to General Fund support by maximizing all means of finance
- Includes \$230 million in one-time money for recurring expenses, well below the \$377.5 million FY13-FY14 increase in revenue forecast



COMPARISON: FY 11-12 Budgeted to FY 12-13 Executive Budget

Total Funding and Positions (T.O.)

(Inclusive of Contingencies) (Exclusive of Double Counts)

	As of 12/01/2011 Budgeted 2011-2012	Executive Budget 2012-2013	Executive Budget Over/(Under) Budgeted	Percent of Change
GENERAL FUND, DIRECT	\$8,277.9	\$8,406.7	\$128.8	1.56%
GENERAL FUND BY:				
FEES & SELF-GENERATED REVENUES	\$2,134.4	\$2,164.7	\$30.3	1.42%
STATUTORY DEDICATIONS	\$4,002.7	\$3,608.7	(\$394.0)	-9.84%
INTERIM EMERGENCY BOARD	\$.5	\$.0	(\$.5)	-100.00%
TOTAL STATE FUNDS	\$14,415.5	\$14,180.1	(\$235.4)	-1.63%
FEDERAL FUNDS	\$11,175.0	\$11,349.4	\$174.4	1.56%
GRAND TOTAL	\$25,590.5	\$25,529.5	(\$61.0)	-0.24%
TOTAL POSITIONS	72,686	66,315	(6,371)	-8.77%

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



State Government Workforce at Lowest Levels in a Generation

Appropriated Positions:

The FY 13 Executive Budget proposes further reductions in the number of fulltime appropriated positions in the executive branch by 6,371. Following prior reductions of 9,885 through budgetary actions, approval of this FY 13 recommendation would mean a total reduction of 16,256 fulltime appropriated positions since the beginning of the Jindal administration.



State Government Workforce at Lowest Levels in a Generation - *Actual Employees:*

Based on figures from the Department of State Civil Service, between December 31, 2007, and January 27, 2012:

- The total "head count" of all employees in state government has fallen from 100,677 to 88,396, a reduction of 12,281, or 12.2 percent.
- In terms of fulltime employees (or FTEs), the total has fallen from 93,554 to 79,559, a reduction of 13,995, or 15 percent. These reductions have occurred fairly proportionally between the classified and unclassified workforce, as follows:
 - Since December 31, 2007, the number of classified fulltime employees has fallen from 62,260 to 53,465, a reduction of 8,795, or 14.1 percent.
 - During the same time period, the number of unclassified fulltime employees has fallen from 31,294 to 26,094, a reduction of 5,200, or 16.6 percent.

According to Civil Service historical data, even before the new position reductions proposed in the FY 13 Executive Budget, both the total number of state government employees and the number of fulltime employees in state government are already at their lowest levels in 20 years.



FY13 Net Adjustments in Authorized Positions

Executive	-99	Children & Family Services	-122
Veterans Affairs	5	Natural Resources	-13
State	0	Revenue	-10
Justice	-5	Environmental Quality	-43
Lt. Governor	0	Workforce Commission	-36
Treasury	-1	Wildlife & Fisheries	2
Public Service	0	Civil Service	1
Agriculture & Forestry	-19	Retirement Systems	0
Insurance	-2	Higher Education	-2,837
Economic Development	-2	Other Education	-2
Culture, Recreation & Tourism	3	Dept. of Education	-58
DOTD	-172	Health Care Services Div.	-600
Corrections	-583	Other Requirements	0
Public Safety	-13	Ancillary	-205
Youth Development Services	-30		
Health & Hospitals	-1,530	TOTAL	-6,371



Reforming, Restructuring Government

Building on Past Success

- Workforce Development
- Children and Family Services
- Louisiana Housing Corporation
- Bayou Health



Reforming, Restructuring Government

Pension Reform

- Creating a hybrid retirement plan for new hires - known as a cash-balance plan - which combines the best features of defined benefit and defined contribution plans.
- Reducing the incentive for artificial inflation of salaries by calculating benefits using an employee's salary averaged over five years rather than three years.
- Aligning the retirement age with the Social Security standard of 67, while exempting anyone who is 55 or older and approaching retirement.
- Rebalancing the retirement cost burden between taxpayers and employees by increasing the employee contribution rate by 3 percentage points.
- Saving \$55 million in General Fund in FY 13.



Reforming, Restructuring Government

- The Department of Corrections will consolidate the offender population at J. Levy Dabadie Correctional Center in Pineville to Avoyelles Correctional Center in Cottonport and pursue the sale of Avoyelles and convert it to a privately run correctional facility. Proceeds from the sale of Avoyelles are not included in the Executive Budget.
- The Department of Corrections will also move the substance abuse treatment program at Forcht Wade Correctional Center to David Wade Correctional Center.



Reforming, Restructuring Government

The Office of Group Benefits will not proceed with a sale/ transaction of its business and operations. However, in order to operate more efficiently, it will move to a third-party administrator for its PPO plan, just as is currently the practice for the HMO and other OGB plans, and of those of almost every other state government. The TPA contract will be in place for the beginning of the plan year starting January 1, 2013.

- For FY 13 this move will generate \$13.25 million in savings, with an annualized savings of \$26.5 million. It will result in the reduction of 177 positions from its current level of 327 positions, beginning to align its size with other states, as the same office in Florida employs 23 people, while Mississippi employs 20.
- OGB will implement no premium rate increase for plan members in calendar year 2013.



Reforming, Restructuring Government

- The Department of Transportation and Development (DOTD) will implement a plan, working with local officials, to transition services at the Crescent City Connection, in preparation for the sunset of tolls in December 2012.
 - Services will be realigned with the level provided to other bridges across the state, while partnering with local governments for bridge lighting, and with state police and local law enforcement agencies for bridge policing.
 - A request for proposals will be issued to public/private operators for best value submittals to privatize the operation and maintenance of the Gretna, Algiers and Chalmette ferries.
 - A total of 148 positions will be reduced (73 positions from the CCCD bridge section, and 75 positions from CCCD marine division once ferries are privatized).



Reforming, Restructuring Government

- In order to focus resources on services most utilized by taxpayers, DOTD will implement a Streamlining Commission recommendation to eliminate ferry services with low ridership.
 - The Edgard/Reserve ferry carries approximately 350-400 vehicles per day and costs taxpayers approximately \$15 per trip for every vehicle. Less than 2 percent of the operating costs are covered by the \$1 round-trip toll, with the balance subsidized by taxpayers across Louisiana. By closing the ferry, 12 positions will be eliminated, and taxpayers will save \$1.5 million per year.
 - The White Castle ferry carries approximately 150-200 vehicles per day and costs taxpayers approximately \$17 per trip for every vehicle. Less than 1 percent of the operating costs are covered by the \$1 round-trip toll, with the balance subsidized by taxpayers across Louisiana. By closing the ferry, 5 positions will be eliminated, and taxpayers will save \$800,000 per year.



Reforming, Restructuring Government

- The Department of Education will continue implementing its 2010 reorganization plan, which redirects the department's human and financial resources to services, functions, and activities that most effectively support the educational needs of Pre-K-12 students in Louisiana. These restructuring efforts, as well as other efficiency measures, will result in the reduction of 58 departmental positions in FY 13, and total savings of \$8.9 million.
- The Department of Children and Family Services (DCFS) continues to streamline its services by consolidating offices around the state, resulting in reduced leases, at a savings of \$3.6 million through FY 2013. As a result of these types of department-wide efficiencies, DCFS will reduce 122 vacant positions, at a savings of \$6.2 million.
- The Office of Student Financial Assistance will outsource the Loan Operations program, which will result in the reduction of 60 positions and savings of \$1.1 million.



Reforming, Restructuring Government

- The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) is reorganizing and streamlining divisions, consolidating employee duties, and eliminating duplicative services.
 - Through the reallocation of 37 positions to the federally funded Disaster Recovery division, the elimination of a professional services contract, the elimination of four agency take-home vehicles, and the elimination of three vacant positions as well as other personnel savings, GOHSEP will generate more than \$646K in savings.
 - As previously announced during the mid-year reduction, annualized savings of \$355K are being achieved by streamlining services in logistics, which will be handled by the National Guard in coordination with existing GOHSEP staff, eliminating technology and phone system contracts, and by targeting duplicative services.



Reforming, Restructuring Government

- The Department of Public Safety continues to identify duplicative and unnecessary tasks increasing productivity and decreasing need for personnel. The Office of Management and Finance is realizing savings of \$585K and the elimination of seven positions. The Office of State Fire Marshal has undergone agency-wide cross training of all Fire Marshal positions, resulting in a savings of \$405K and the elimination of six positions.



Education: Protecting Investments While Pursuing Reform

K-12 Education Funding - Minimum Foundation Program

We continue to protect K-12 education funding in the FY 13 budget, with the MFP increasing from \$3.39 billion in FY12 to \$3.41 billion in FY13, which includes an increase of \$27.9 million in General Fund to reflect the annualized formula increase from the October student count. Taking into account the new dollars committed to the MFP in this budget, total MFP funding will have increased by nearly \$300 million, or 9 percent, since FY 08.



Education: Protecting Investments While Pursuing Reform

K-12 Education Funding - Continued Investments to Improve Outcomes

- \$75.5 million for Cecil Picard LA4 Early Childhood Program to allow 4-year-old children considered "at-risk" to be enrolled in LA4 during the 2012-2013 school year.
- \$24.7 million for *Ensuring Literacy for All (ELFA)* program designed to ensure every student is reading and writing at or above grade level by 3rd grade. Almost 222,000 students will benefit during the 2012-2013 school year.
- \$24.3 million for College and Career Readiness to support programs contributing to achieving an 80 percent graduation rate, including Accelerated Student Academic Pathway, Attendance Recovery, Credit Recovery, Everybody Graduates, Louisiana Virtual School, New Tech Network, and Senior Project. More than 135,000 students benefit from College and Career Readiness programs.
- \$16.6 million for Career and Technical Education (CTE) to allow almost 170,000 students to benefit from the promotion and integration of career and technical concepts within the academic and counseling framework of schools to prepare them for immediate and successful entry into the workforce or enrollment in post-secondary institutions.
- \$3.95 million for dropout prevention programs (Jobs for America's Graduates and EMPLOY), allowing more than 4,000 students to participate in these programs.
- \$2.9 million for Science Technology, Engineering, and Math (STEM) allowing 30,000 students to benefit from enriched science and math programs.



Education: Protecting Investments While Pursuing Reform

Higher Education Funding

The FY 13 Executive Budget protects funding to campuses, fully funding \$97 million in carryover tuition that was included in the current year budget with General Fund and additional tuition funds provided from their tuition authority previously granted through the LaGrad Act. As a result, there is no change in funding for higher education schools after annualizing the \$50 million reduction associated with addressing the FY 12 midyear deficit, and after non-recurring carryover and one-time expenditures in the current year's budget. Higher education will also save more than \$100 million in retirement expenditures that can instead be used to invest in the classroom as a result of the Governor's pension reform plan.



Education: Protecting Investments While Pursuing Reform

Higher Education Funding

- \$13.6 million in additional funds, with total funding of \$168 million, are provided to fully fund Taylor Opportunity Program for Students (TOPS) awards.
- \$26.4 million in General Fund for Go Grants is unchanged from the FY12 budgeted amount.



Transforming Health Care

BAYOU HEALTH

- A new approach to Medicaid that:
 - Coordinates care for 865,000 or Medicaid's 1.2 million enrollees
 - Enhances access to care
 - Saves taxpayer money
 - Improves Health Outcomes
- DHH has contracted with five Health Plans to move from fee-for-service model.
- First area of the state - New Orleans and Northshore - launched Feb. 1
- Second area - Baton Rouge, Acadiana, Houma/Thibodeaux - launching next with rest of the state to follow before end of FY 2012.
- Saving \$135.9 million in FY 13.



Transforming Health Care

The Louisiana Behavioral Health Partnership

- A new approach to Behavioral Health Care
 - Serves 100,000 adults and 50,000 children with specialized behavioral health care needs
 - Single point of entry
 - Streamlining fragmented services and funding streams
 - Expands services and provider types covered under Medicaid
 - Coordinates services across providers, provider types and state agencies
- Includes the Coordinated System of Care
 - Will serve 2,400 children most at-risk or in out-of-home placement
 - Brings services from four child-serving agencies together under one umbrella
 - Engages local providers and communities
- Invests \$260 million in this improved system from existing funds across different programs and agencies and leverages federal dollars more effectively.



Containing Health Care Costs

- Growth in Health Care costs ballooning
 - 15 percent growth in enrollment in 6 years
 - 30 percent growth in expenditures in 6 years
 - This is still lower than national rates of growth.
- Even with \$135.9 million savings from better coordinating care through BAYOU HEALTH, we must control costs.
- FY 13 budget includes critical cost-containment measures in Medicaid:
 - Implementing utilization management strategies for Hospice (\$1 million SGF);
 - Expediting the inclusion of Waiver recipients into BAYOU HEALTH for coordination of non-waiver services (\$1.2 million SGF);
 - Using a managed care approach for long-term personal care services for adults in NOW Waiver (\$3 million SGF);
 - Transitioning the pharmacy program from using the Average Wholesale Price to Average Acquisition Costs (\$1.5 million SGF);
 - Restructuring payments to hospitals to a Medicare-like reimbursement system (\$3.2 million SGF);



Containing Health Care Costs

- Because of the continuing line of growth anticipated, DHH will also be implementing an overall 2 percent reduction in the Medicaid private provider program. Specific rate cuts to providers in this program will range from 1 to 3 percent. The Department will be working closely with each provider type in Medicaid to identify the best approach to achieve that reduction for each.
- That same 2 percent reduction in the private provider program will also be applied to the managed care companies for both BAYOU HEALTH and the Behavioral Health Partnership.
- The savings from BAYOU HEALTH is helping to contain costs by mitigating the reductions in the Private Provider Program, which would be nearly 5 percent without those savings.



Reforming the DHH Footprint in Provision of Health Care

- Privatizing North Lake and Northwest Supports and Services Centers that serve individuals with developmental disabilities for a savings of nearly \$6.9 million.
- Consolidating Central Louisiana State Hospital - an 87-building, 400-acre property that goes largely unused - and building a new, more efficient facility for a savings of \$2.5 million
- Establishing the sixth local governing entity - Acadiana Area Human Services District - for human services to maximize local revenue sources and use local control to manage community-based care



Investing in Access to Care, Improved Health Outcomes

Outcome-focused Investments

- Improving Birth Outcomes
 - Funding behavioral health care for pregnant women
 - Working to end non-medically necessary births prior to 39 weeks gestation
- Health Care Capacity
 - Building health care capacity in New Orleans communities through Greater New Orleans Community Health Clinics (GNOCHC)
 - Investing funds to draw down federal funds to continue providing critical primary care to the indigent population in New Orleans
 - Investing in primary and preventive care through federally qualified and rural health to save taxpayer money that would otherwise have been spent on expensive avoidable hospitalizations



Investing in Access to Care, Improved Health Outcomes

Outcome-focused Investments

- Upper Payment Limit Programs
 - Continuing the Hospital Upper Payment Limit program and leveraging funds to create \$14.4 million in federal funds for a new ambulance UPL
- Promoting Independence
 - Annualizing 877 NOW waiver slots with an investment of \$17.3 million in FY 2013



Health Care Funding

The Department of Health and Hospitals' total proposed budget is \$8.96 billion, up from the FY 12 existing operating budget amount of \$8.28 billion, for a total net increase of \$678.7 million

- Medical Inflation expected to be 8.5% in 2012.
- Other increases:
 - Pharmacy utilization as drug prices increase (\$48.7 million)
 - Obamacare mandate to increase Primary Care Provider rates as of Jan. 1, 2013 (\$29 million)
 - Annual Nursing Home rebasing (\$49.3 million)
 - Moving the office of elderly affairs to DHH (\$44.6 million)
- Funding critical to prevent steep cuts in private provider rates of as much as 18.5%.



Major Takeaways from the Budget

- No reduction to higher education.
- No tax increases.
- Expanding access to critical health care services.
- Continuing to reform and restructure government.
- 6,300+ further position reductions, with state workforce already at smallest size in 20 years.



Budget Information Online

Budget and Supporting Document

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

Online State Spending Database

www.la.trac.gov