



Executive Budget

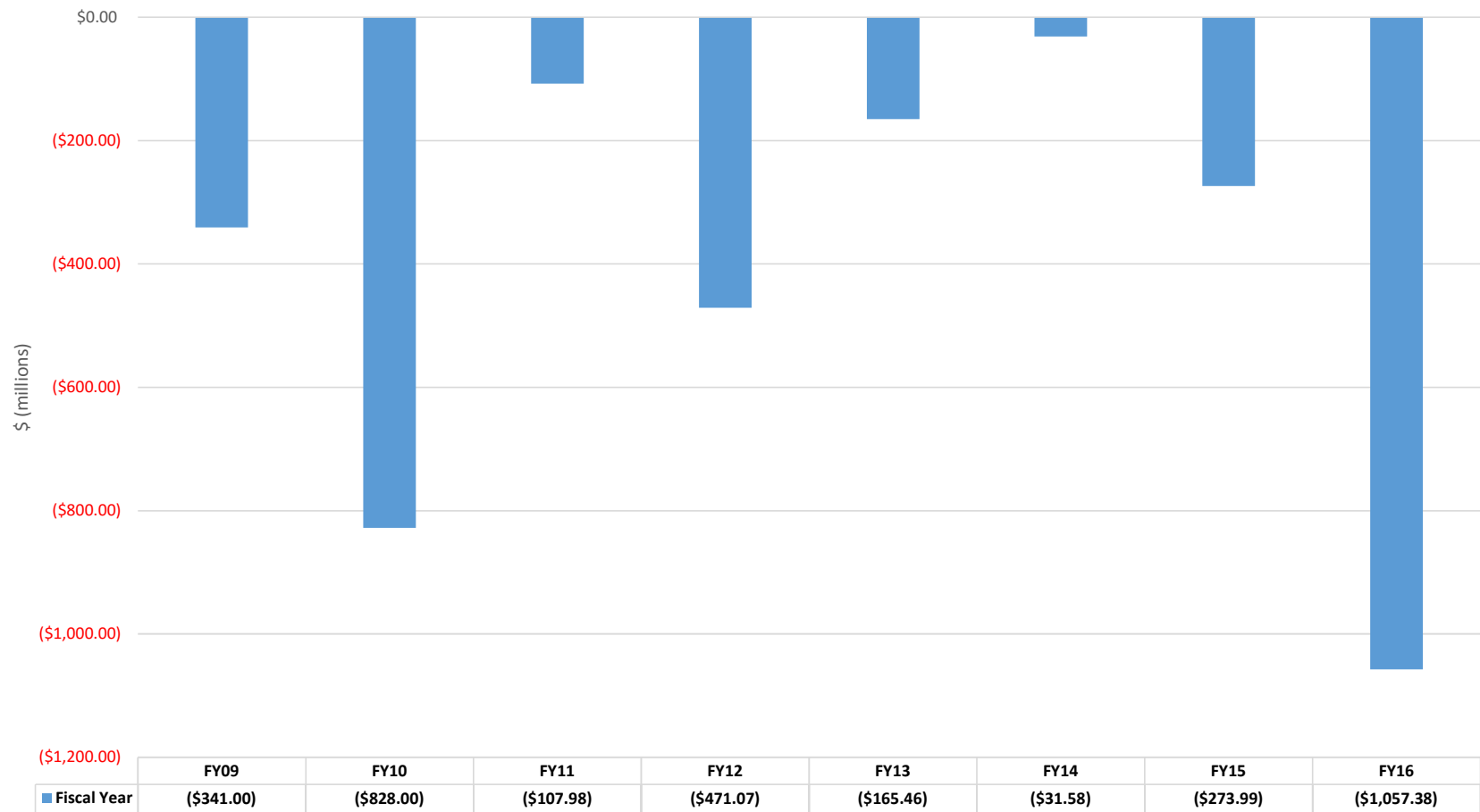
Fiscal Year 2016-2017

Joint Legislative Committee on the Budget

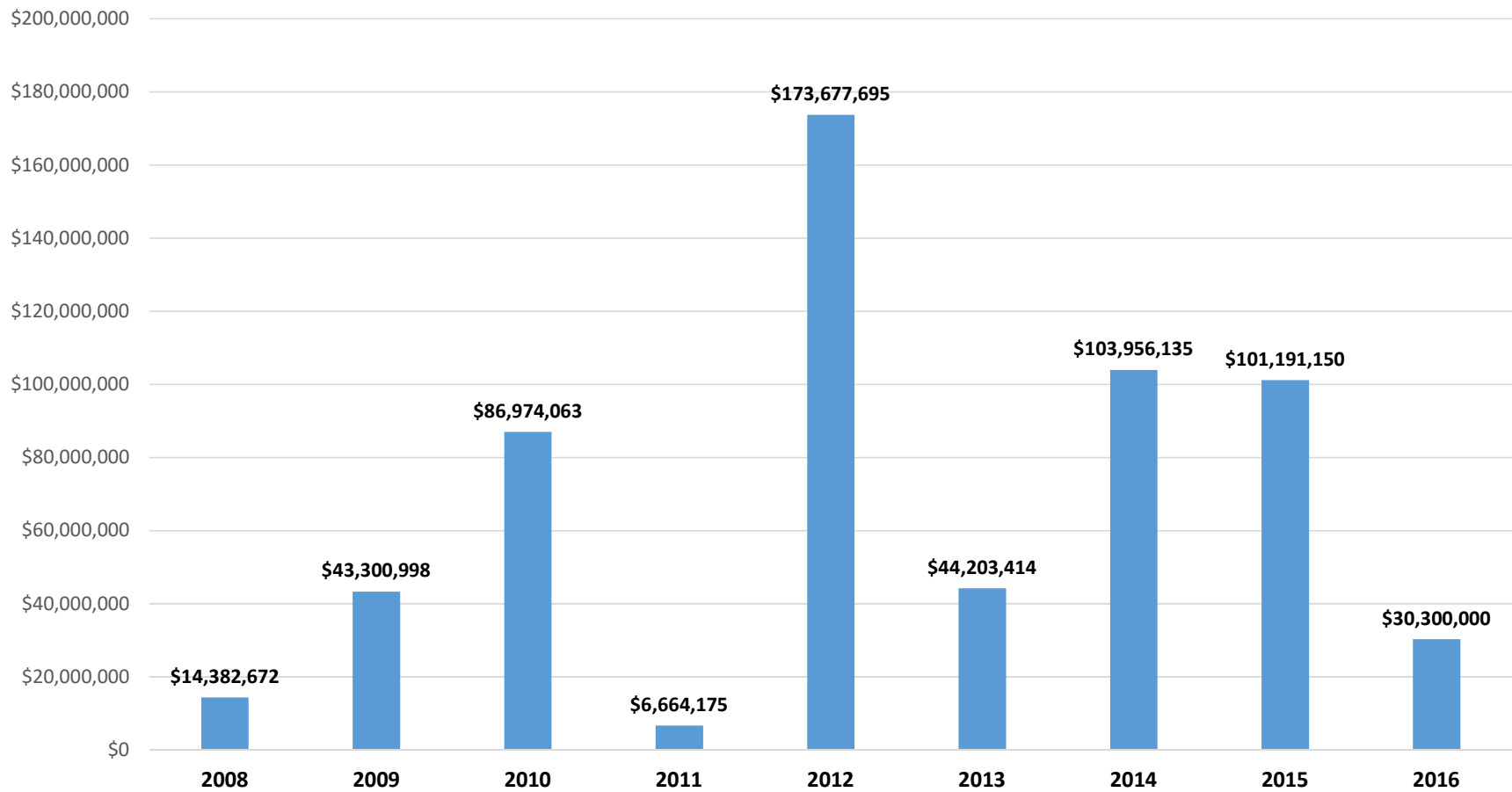
February 13, 2016

John Bel Edwards
Governor

Deficit Amounts Last 8 Years



Historical Fund Sweeps



One-Time Money in FY16 Budget

State Agency	Potential Financing Replacement in FY17 (in millions)	FY16 Funding Sources
Medicaid Program	\$52.0	2013 Tax Amnesty Fund
Medicaid Program	\$114.6	Overcollections Fund (Various Sources)
Debt Services from Defeasance and Bond Premiums	\$191.7	FY14 Cash Position and Net Bond Premiums from 2014D Sale and 2015 A&B Sale
WISE	\$24.3	CDBG Hurricane Disaster Recovery Funds
HCR 8 - SGF	\$103.0	Suspends business utilities exemptions from adoption to 60 days after the 2016 Regular Legislative Session
Transfers from Various Funds into SGF	\$30.3	Act 121 (HB 566) transfer into the SGF (fund sweep)
Minimum Foundation Program (MFP) (Lottery Proceeds Fund)	\$25.9	Lottery reserves and unclaimed prizes (LA Lottery Corporation)
TOTAL (Post Session)	\$541.8	
Rainy Day Fund Use	\$28.2	Governor's Mid-Year Deficit Elimination Plan
FEMA Reimbursements	\$17.4	Governor's Mid-Year Deficit Elimination Plan
Prior Year Fund Sweeps Not Yet Collected	\$10.3	Governor's Mid-Year Deficit Elimination Plan
Backfill: DHH Federal Resources	\$132.6	Governor's Mid-Year Deficit Elimination Plan
Backfill: Transocean Funds (BP Settlement)	\$4.0	Governor's Mid-Year Deficit Elimination Plan
Backfill: Various Transportation Funds	\$47.6	Governor's Mid-Year Deficit Elimination Plan
Backfill: 2013 Tax Amnesty Fund	\$23.0	Governor's Mid-Year Deficit Elimination Plan
Backfill: Other Various Funds Sweeps	\$21.6	Governor's Mid-Year Deficit Elimination Plan
TOTAL (Post Mid-Year Solution)	\$284.7	
TOTAL	\$826.5	



Budget Status for FY 2015-2016

First Deficit

Deficit Amount	\$487 million
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Revenue Solution:

Rainy Day	\$28 million
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FEMA reimbursement	\$17 million
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Fund sweeps	\$10 million
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Expenditure Solution:

Reduce Expenditures	\$432 million
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\$282 million in other funds were used to “backfill” for these general fund cuts. Result is no reduction.

Medicaid was reduced by \$335.3 million and \$209.1 million in other funds were used to “backfill” for the cuts. \$126 million was pushed to FY 17.

Resolving FY 2015-2016



Enter Edwards

- Budget discussions during the transition to the Edwards administration included an update on the current year general fund forecast
- Preliminary revenue reductions in the forecast ranged from \$400 million to \$450 million
- January fiscal status statement included supplemental budget needs for Medicaid, TOPS and MFP reaching about \$300 million
- General discussions by the Edwards administration projected a \$700 million to \$750 million budget imbalance for the remaining six months of the current fiscal year

Resolving FY 2015-2016



Second Deficit

- Revenue Estimating Conference met February 10, 2016, and lowered the current year forecast by \$570 million
- Budget development meetings with agencies and departments increased budget shortfalls from \$300 million to over \$370 million
- FY 2015-2016 projected imbalance now exceeds \$940 million

Resolving FY 2015-2016

Current Mess



REC Forecast Decline		\$570,100,000
Supplemental Expenditure Needs		
Medicaid	\$252,600,000	
TOPS	\$28,266,867	
Dept. of Revenue	\$20,000,000	
Preamble Cuts	\$18,840,452	
Corrections	\$14,500,000	
MFP	\$12,000,000	
Juvenile Justice	\$11,283,973	
DCFS	\$10,907,256	
Local Housing	\$3,000,000	
Public Health	\$2,050,000	
Supplemental Needs 2/10/16		\$373,448,548
Total FY 2015-2016 Budget Imbalance		\$943,548,548



Resolving FY 2015-2016

Let's Fix It

• Total Projected Budget Imbalance	<u>\$943,548,548</u>
• Use of Rainy Day Funds	\$128,000,000
• Re-Purpose initial BP Payment	\$200,000,000
• Reductions to Agencies:	
• General Fund	\$ 32,944,590
• Statutory Dedications	\$ 38,523,527
• Fees and Self-generated Revenues	<u>\$ 18,310,269</u>
Subtotal	<u>\$417,778,386</u>
• Remaining Budget Shortfall	<u><u>\$525,770,162</u></u>

Resolving FY 2015-2016



• Rainy Day Fund	\$128,000,000
• BP Funds	\$200,000,000
• Budget Reductions	\$158,452,509
• Remaining Shortfall	\$457,000,000



Resolving FY 2015-2016

Immediately Implementing Cuts

• Deficit Reductions Using Governor's Authority	\$21,734,240
• Supplemental Not Funded	\$68,674,123
• Deficit Reductions with Governor and JLCB Authority	\$38,490,799
• Deficit Reductions Requiring Legislative Approval	\$29,553,347
• Total Reductions	\$158,452,509

Resolving FY 2015-2016



Additional Budget Reductions – Supplemental Expenditures Not Funded:

• MFP	\$12,000,000
• TOPS	\$28,266,867
• Corrections	\$14,500,000
• Local Housing	\$3,000,000
• DCFS	\$10,907,256
 Total Expenditures Not Funded	 \$68,674,123



Resolving FY 2015-2016

Revenue Options:

- Increase Sales Tax 1 Cent
- Increase Tobacco Tax
- Reduce Inventory Credits
- Increase Telecommunications Tax
- Reduce Vendor Compensation
- Eliminate Exemption for Business Utilities
- Eliminate Exemption for Insurance Company Deposits
- Total Revenue Adjustments \$340 million to \$350 million
- Remaining Shortfall **\$107,096,039**



Resolving FY 2015-2016

Closing the GAP

Remaining Shortfall	\$107,096,039
<ul style="list-style-type: none">• Reduce Hospital Provider Payments and/or Optional Medicaid Programs	\$ 64,257,623
<ul style="list-style-type: none">• Eliminate Two-Thirds' General Fund Draw for Higher Education in May 2016	\$ 42,838,416
<ul style="list-style-type: none">• Remaining Shortfall	- 0 -

Resolving FY 2015-2016 – Option B



• Total Projected Budget Imbalance	\$943,548,548
• Use of Rainy Day Funds	\$128,000,000
• Re-Purpose Initial BP Payment	\$200,000,000
• Reductions to Agencies:	
• General Fund	\$ 32,944,590
• Statutory Dedications	\$ 38,523,527
• Fees and Self-Generated Revenues	\$ 18,310,269
• Remaining Budget Shortfall	\$525,770,162



Resolving FY 2015-2016

Failing to Act

Additional Budget Reductions –
Supplemental Expenditures Not Funded:

• MFP	\$ 12,000,000
• TOPS	\$ 28,266,867
• Corrections	\$ 14,500,000
• Local Housing	\$ 3,000,000
• DCFS	\$ 10,907,256
• Medicaid	\$252,600,000

Total Expenditures Not Funded	\$321,274,123
Reductions to Higher Education	\$204,496,039

Remaining Shortfall -0-



Resolving FY 2015-2016

Yes, Devastating Higher Education

- No more monthly draws
- Schools will use any remaining self-generated funds to continue operations as long as possible for spring semester
- Projections are that funds will be depleted early May



Resolving FY 2015-2016

Solve the \$570 million shortfall first

Expenditure shortfall can be resolved if
additional funds are received

Revenue must resolve the current fiscal year deficit

Only then will the following supplemental expenditures be eligible for
some funding

2016-2017 Executive Budget

Welcome to the Real World



This budget is based upon REC's estimate of funds available.

The current year budget – like the previous seven – was based on one-time money (\$826 million in the current year, fund sweeps, and false assumptions).

2016-2017 Executive Budget



Executive Budget Requirements to Maintain Current Service Levels for FY 2016-2017

• General Fund Requirements	\$10,245,816,863
• General Fund Forecast	\$8,239,300,000
• Shortfall	\$2,006,516,863



2016-2017 Executive Budget

Components of the \$2 billion shortfall

- Revenue forecast was reduced \$743.8 million.
- \$826 million in one-time funds are in the current year budget and would have to be replaced to maintain services.
- \$190 million for utilization of the Medicaid program.
- \$262 million for the 12th and 13th payments for the medical vendor program. First mid-year budget reduction simply pushed a payment into next year. Only 11 payments made in current fiscal year.
- \$20 million for the MFP to reflect the October student count.
- \$14.5 million for Corrections for increased costs.



2016-2017 Executive Budget

Constitutional Requirements are 100% Funded

Agencies:	
Elections	\$49,616,627
MFP	\$3,406,804,782
Textbooks	\$2,911,843
Interim Emergency Board	\$1,758,021
Total Agencies	\$3,461,091,273
Debt Service:	
Corrections	\$4,963,192
HIED - LCTCS	\$40,651,080
LED Commitments	\$32,867,863
OFC and Road & Bridge Settlement	\$51,431,112
General Obligation Debt	\$404,806,802
GOHSEP - FEMA Debt	\$6,900,000
Military Department Debt Service	\$2,800,000
Total Debt	\$544,420,049



2016-2017 Executive Budget

Constitutional Requirements:

Local Support:	
Municipal Police	\$35,774,083
Firefighters	\$33,522,000
Constables & Justices of the Peace	\$1,027,452
Deputy Sheriffs' Supplemental	\$53,716,000
Revenue Sharing	\$90,000,000
Total Local Support	\$214,039,535

Constitutional Requirements are 100% Funded \$4,219,550,857



2016-2017 Executive Budget

The Harsh Reality

Executive Budget Requirements	\$10,245,816,863
Reductions to Agencies	-\$2,006,516,863
Available for Appropriation	\$8,239,300,000
Constitutional Requirements	\$4,219,550,857
General Fund for Agencies	\$4,019,749,143
Total General Fund in Executive Budget	\$8,239,300,000



2016-2017 Executive Budget

Agencies reduced 24%:

Legislative Branch	\$17 million
Judicial Branch	\$38 million
Corrections	\$116 million
DHH	\$796 million
Higher Education	\$180 million
HCSD	\$6.5 million

2016-2017 Executive Budget



Agencies reduced 63%:

Executive Branch	\$78 million
Veterans' Affairs	\$3.5 million
Elected Officials	\$28 million
Economic Development	\$12.4 million
CRT	\$24 million
Juvenile Justice	\$76 million
DCFS	\$93 million
DNR	\$5 million
Revenue	\$29 million
DEQ	\$275,000
Workforce Development	\$5 million
Civil Service	\$3 million
Special Schools	\$25 million
Dept. of Education	\$82 million
Other Requirements	\$153 million