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To: The Honorable James R. Fannin, Chairman of the Joint Legislative Committee on the Budget
Honorable members of the Joint Legislative Committee on the Budget
The Honorable John A. Alario, Senate President
The Honorable Chuck E. Kleckley, Speaker of the House
Honorable members of the Louisiana Legislature
The Honorable Bobby Jindal, Governor

From: John D. Carpenter, Legislative Fiscal Officer

Date: March 5, 2015

Subject: Report by the LFO pursuant to Act 424 of the 2013 Regular Legislative Session

Pursuant to Section 1 of Act 424 of the 2013 Regular Legislative Session, the Legislative Fiscal Office (LFO) is required to review the proposed executive budget for the ensuing fiscal year and report to the Joint Legislative Committee on the Budget (JLCB), the state legislature and the governor whether the budget recommended appropriations out of the state general fund and dedicated funds for health care (09-DHH) and higher education (19A-Higher Education, 19E-HCSD) in FY 16 have been reduced from the FY 15 existing operating budget (as of February 27, 2015).

For purposes of Act 424, "general fund and dedicated funds" is assumed to have the meaning ascribed to that phrase in Article VII, Section 10(J) of the Louisiana Constitution. That definition specifically excludes self-generated revenue (SGR) collections from Higher Education (see below).

Article VII, Section 10 (J)

(J) Definition of Funds. For the purposes of this Article, the state general fund and dedicated funds shall be all money required to be deposited in the state treasury, except that money the origin of which is:

- (1) The federal government*
- (2) Self-generated collections by an entity subject to the policy and management authority established by Article VIII, Sections 5 through 7.*
- (3) A transfer from another state agency, board, or commission.*
- (4) The provisions of this Paragraph shall not apply to or affect funds allocated by Article VII, Section 4, Paragraphs (D) and (E).*

Department of Health and Hospitals

As presented in Table 1, the LFO reports that the recommended appropriations contained in the executive budget submitted by the governor are in an amount less than the appropriations for schedule 09, Department of Health & Hospitals in the existing operating budget (FY 15) by approximately \$173 M.

TABLE 1 (Excludes \$153,826,672 in supplementary revenues proposed by the Governor)

| 09-DHH | FY 15 Current | FY 16 EXEC Budget | Difference |
|-------------|-----------------|-------------------|-----------------|
| SGF | \$2,119,982,153 | \$2,654,824,331 | \$534,842,178 |
| SGR | \$211,404,894 | \$176,708,180 | (\$34,696,714) |
| Dedications | \$994,597,881 | \$320,977,294 | (\$673,620,587) |
| Total | \$3,325,984,928 | \$3,152,509,805 | (\$173,475,123) |

Higher Education

As presented in Table 2C, the LFO reports that the recommended appropriations contained in the executive budget submitted by the governor are in an amount less than the appropriations for schedule 19, Higher Education and LSU Health Sciences Center Health Care Services Division in the existing operating budget (FY 15) by approximately \$557 M.

TABLE 2A (Excludes \$372,099,328 in supplementary revenues proposed by the Governor)

| 19A-HIED | FY 15 Current | FY 16 EXEC Budget | Difference |
|-------------|-----------------|-------------------|-----------------|
| SGF | \$919,202,994 | \$390,890,740 | (\$528,312,254) |
| Dedications | \$201,118,593 | \$172,250,711 | (\$28,867,882) |
| Total | \$1,120,321,587 | \$563,141,451 | (\$557,180,136) |

TABLE 2B

| 19E-HCSD | FY 15 Current | FY 16 EXEC Budget | Difference |
|-------------|---------------|-------------------|------------|
| SGF | \$3,860,659 | \$3,860,659 | \$0 |
| Dedications | \$0 | \$0 | \$0 |
| Total | \$3,860,659 | \$3,860,659 | \$0 |

TABLE 2C

| 19-HIED/HCS Total | FY 15 Current | FY 16 EXEC Budget | Difference |
|----------------------|-----------------|-------------------|-----------------|
| SGF | \$923,063,653 | \$394,751,399 | (\$528,312,254) |
| Dedications | \$201,118,593 | \$172,250,711 | (\$28,867,882) |
| Total | \$1,124,182,246 | \$567,002,110 | (\$557,180,136) |

FY 15 current is from the LFO database & FY 16 Exec Budget is from the Governor's FY 16 Executive Budget Document.

The FY 16 Executive Budget includes funding from additional revenues generated by proposed changes to refundable tax credits that are estimated to produce \$526 M in additional revenues. The Administration recommends allocating these revenues to DHH (\$154 M) and Higher Education (\$372 M). The proposed budget incorporates these revenues into the agencies' base budget; the calculations in Table 3A and 3B below include the additional \$526 M.

NOTE: The Louisiana Constitution Article VII Section 10(B) provides in pertinent part that the "governor may cause to be submitted a bill or bills to raise additional revenues with proposals for the use of these revenues". Such revenues are however contingent upon the passage of such legislation and action by the Revenue Estimating Conference including the revenue derived from the legislation in the official forecast.

TABLE 3A (Includes \$153,826,672 in supplementary revenue proposed by the Governor)

| 09-DHH | FY 15 Current | FY 16 Exec Budget w/ supplementary revenue | Difference |
|-------------|-----------------|---|-----------------|
| SGF | \$2,119,982,153 | \$2,808,651,003 | \$688,668,850 |
| SGR | \$211,404,894 | \$176,708,180 | (\$34,696,714) |
| Dedications | \$994,597,881 | \$320,977,294 | (\$673,620,587) |
| Total | \$3,325,984,928 | \$3,306,336,477 | (\$19,648,451) |

TABLE 3B (Includes \$372,099,328 in supplementary revenue proposed by the Governor)

| 19-HIED/HCS Total | FY 15 Current | FY 16 Exec Budget w/ supplementary revenue | Difference |
|----------------------|-----------------|---|-----------------|
| SGF | \$923,063,653 | \$766,850,727 | (\$156,212,926) |
| Dedications | \$201,118,593 | \$172,250,711 | (\$28,867,882) |
| Total | \$1,124,182,246 | \$939,101,438 | (\$185,080,808) |

Even with inclusion of supplementary revenues in the executive budget, the appropriations for health care and higher education reflect a reduction in appropriations out of state general fund and dedications for FY 16 thereby requiring separate recommendations for discretionary and nondiscretionary expenditures and the means of finance for such expenditures in the general appropriations bill.