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To: The Honorable Eric LaFleur, 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 Taylor Barras, Speaker of the House
Honorable members of the Louisiana Legislature
The Honorable John Bel Edwards, Governor

From: John D. Carpenter, Legislative Fiscal Officer

Date: March 8, 2017

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 18 have been reduced from the FY 17 existing operating budget (as of February 23, 2017) for either purpose.

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 SGF 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).*

The state has experienced two mid-year deficits in FY 17. The first due to a FY 16 end of year deficit was resolved in December 2016 and the second due to a decrease in the FY 17 revenue forecast was resolved in the 1st ES of 2017 ending February 22. For purposes of determining the existing operating budget on the day the executive budget was presented to JLCB, the LFO presents two possible scenarios based on the timing of the mid year reduction plans. The first assumes only the first mid-year reduction, which has been formally approved by JLCB and processed through normal accounting procedures of the Division of Administration. The second assumes subsequent mid year reductions which, although adopted by the legislature through the passage of House Bill 3, had not yet been enacted and signed by the Governor as of February 23. Regardless of which approach is used, the reduction in funding for Higher Education in each instance triggers the requirement that the General Appropriation Bill include separate recommendations for discretionary and nondiscretionary funding itemized by means of finance, department, and functional area.

SCENARIO I

Department of Health & 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 more than the appropriations for schedule 09, Department of Health & Hospitals in the FY 17 existing operating budget (after the first deficit elimination plan) by approximately \$70.2 M.

TABLE 1

09-LDH	FY 17 Current Budget	FY 18 Exec Budget	Total
SGF	\$2,562,023,735	\$2,576,724,967	\$14,701,232
SGR	\$405,801,512	\$399,784,214	(\$6,017,298)
Dedications	\$799,528,266	\$861,060,681	\$61,532,415
Total	\$3,767,353,513	\$3,837,569,862	\$70,216,349

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 FY 17 existing operating budget (after the first deficit elimination plan) by approximately \$17.2 M.

TABLE 2A

19-HIED	FY 17 Current Budget	FY 18 Exec Budget	Total
SGF	\$908,246,720	\$901,075,908	(\$7,170,812)
Dedications	\$175,640,343	\$166,087,210	(\$9,553,133)
Total	\$1,083,887,063	\$1,067,163,118	(\$16,723,945)

TABLE 2B

19-HCSD	FY 17 Current Budget	FY 18 Exec Budget	Total
SGF	\$24,664,566	\$24,171,275	(\$493,291)
Dedications	\$0	\$0	\$0
Total	\$24,664,566	\$24,171,275	(\$493,291)

TABLE 2C

19-HIED/HCSD TOTAL	FY 17 Current Budget	FY 18 Exec Budget	Total
SGF	\$932,911,286	\$925,247,183	(\$7,664,103)
Dedications	\$175,640,343	\$166,087,210	(\$9,553,133)
Total	\$1,108,551,629	\$1,091,334,393	(\$17,217,236)

FY 17 Current Budget is from the LFO database & FY 18 Executive Budget is from the Governor's Executive Budget Document.

SCENARIO II

Department of Health & 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 more than the appropriations for schedule 09, Department of Health & Hospitals in the FY 17 existing operating budget (after both deficit elimination plans) by approximately \$111.5 M.

09-LDH	FY 17 Current Budget	FY 18 Exec Budget	Total
SGF	\$2,429,412,777	\$2,576,724,967	\$147,312,190
SGR	\$443,841,316	\$399,784,214	(\$44,057,102)
Dedications	\$852,776,766	\$861,060,681	\$8,283,915
Total	\$3,726,030,859	\$3,837,569,862	\$111,539,003

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 FY 17 existing operating budget (after both deficit elimination plans) by approximately \$17.2 M.

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Total	\$24,664,566	\$24,171,275	(\$493,291)

TABLE 2C

19-HIED/HCSD TOTAL	FY 17 Current Budget	FY 18 Exec Budget	Total
SGF	\$932,911,286	\$925,247,183	(\$7,664,103)
Dedications	\$175,640,343	\$166,087,210	(\$9,553,133)
Total	\$1,108,551,629	\$1,091,334,393	(\$17,217,236)

The FY 17 Current Budget noted in these tables is an unofficial total. At this time, the LFO has not received official BA-7 adjustments reflecting the changes adopted in the 1st ES of 2017. The FY 18 Executive Budget is from the Governor's Executive Budget Documents.