



STATE OF LOUISIANA
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TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)
 Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: Jodi Mauroner, Education Section Director
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DATE: December 18, 2014

SUBJECT: FY 15 Mid-Year Reduction Analysis (Round 1)

On 11/14/2014 the Revenue Estimating Conference (REC) adopted a revised revenue forecast reducing FY 15 revenues by \$171 M. In anticipation of the forecast change, the Governor issued Executive Order BJ 2014-16 directing an expenditure freeze for Executive Branch state agencies. On 11/21/2014, the Division of Administration (DOA) presented the FY 15 Mid-Year Deficit Elimination Plan to the JLCB to address the shortfall with total funding adjustments of \$179.6 M. The proposed plan uses targeted SGF expenditure reductions of \$33.3 M in contracts, operating expenses such as supplies and travel, and salaries and related benefits for vacant positions. Other reductions were made to programs with projected excess funds due to lower than anticipated participation and utilization rates, as well as reductions to operating expenses of some elected officials (Commissioner of Agriculture & Forestry, Commissioner of Insurance).

Additionally, the plan uses \$137.2 M in "excess" revenues from the Overcollections Fund, Tax Amnesty collections, other various unobligated fund balances and projected end of year fund balances from various other funds as well as reallocation of appropriated resources. This budget mechanism, or refinancing of existing expenditures, ultimately resolves 77% of the \$179.6 M deficit. A Means of Financing (MOF) Swap will replace cuts made to the appropriated SGF budget with revenues from some of these fund balances once these resources have been recognized by the REC.

Finally, the plan anticipates utilizing \$9 M in Transportation Trust Fund (TTF-Regular) budgeted in the Capital Outlay Bill. These reductions are associated with the Alvarez and Marsal (A&M) GEMS recommendations. The LFO questions the feasibility that this amount of savings can be generated from the GEMS recommendations within the Highway Priority Program. The total TTF-Regular appropriated to the program \$34.2 M in FY 15. The projected savings, which the LFO assumes would be derived primarily through the use of in-house DOTD design and construction engineers, total 26% of the TTF appropriation.

Table 1 provides a brief summary of the plan, which breaks down the total SGF reductions that will be completed via the governor's unilateral budget balancing authority and those proposed reductions that must be approved by the JLCB. Also included within the summary table is a listing

NET SGF REDUCTIONS AND NET NON-SGF REDUCTIONS TO ALLVIATE FY 15 DEFICIT			
TABLE 1	Exec. Order	JLCB	TOTAL
SGF Reductions	(\$153,080,648)	(\$78,501)	(\$153,159,149)
Statutorily Dedicated Fund Reductions*	\$0	(\$24,057,098)	(\$24,057,098)
SGR Reductions*	\$0	(\$2,317,345)	(\$2,317,345)
Total Reduction	(\$153,080,648)	(\$26,452,944)	(\$179,533,592)
Offset: DOA Existing SGR Freed-Up & State Land Funds	\$1,820,251	\$0	\$1,820,251
Offset: 2013 Tax Amnesty Fund Proceeds	\$34,153,360	\$0	\$34,153,360
Offset: Health Excellence Fund	\$7,919,155	\$0	\$7,919,155
Offset: Medical Assistance Trust Fund	\$4,900,000	\$0	\$4,900,000
Offset: Overcollections Fund (SGF Reversions)	\$12,400,000	\$0	\$12,400,000
Offset: Overcollections Fund (SGR/IAT Reversions)	\$28,600,000	\$0	\$28,600,000
Offset: Overcollections Fund (FEMA Reimbursements)	\$6,000,000	\$0	\$6,000,000
Offset: Insurance Verification Fund Anticipated Proceeds	\$15,000,000	\$0	\$15,000,000
Offset: Risk Mgmt Proceeds	\$12,000,000	\$0	\$12,000,000
Offset: Riverboat Gaming Enforcement Fund	\$5,000,000	\$0	\$5,000,000
Offset: Resources from LA Office Building Corporation	\$473,213	\$0	\$473,213
Offset: TOPS Fund	\$4,946,681	\$0	\$4,946,681
Offset: Lottery Fund Anticipated Proceeds	\$1,123,045	\$0	\$1,123,045
Offset: Mineral & Energy Operations Fund	\$363,319	\$325,046	\$688,365
Offset: SGR from LED Debt Service	\$1,421,499	\$78,501	\$1,500,000
Offset: Education Excellence Fund	\$0	\$669,411	\$669,411
TOTAL NET IMPACT	(\$16,960,125)	(\$25,379,986)	(\$42,340,111)

of those resources and/or reallocations that are being proposed to **offset** such SGF reductions via MOF swaps or through reallocation of existing dollars. Due to this reallocation and the maximization of other revenue sources, the total net impact of this plan is \$42.3 M with the governor reducing a net \$17 M and the legislature reducing a net \$25.4 M. The flow chart below provides an overview of the reductions.

**The 2015 Funds Bill will likely transfer resources from the SGR and statutorily dedicated fund resources into the SGF. Essentially, the Deficit Reduction plan reduces the budget authority of these appropriated funds, which in turn "creates a fund balance" that will be transferred by State Treasury into the SGF to assist in alleviating the deficit. Thus, this plan is contingent upon the passage of the funds bill during the 2015 legislative session.*

FY 16 Impact

Utilizing the \$137 M of other available resources for the FY 15 Mid-Year Deficit Reduction Plan will result in a like amount of FY 16 SGF need unless another source is identified or the expenditures these resources are supporting are reduced.

