FOCUS ON THE FISC

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FROM THE DESK OF THE FISCAL OFFICER

Your Legislative Fiscal Office is pleased to present the latest edition of Focus on the Fisc. We hope you enjoy it and encourage feedback. This issue provides an update on OMV's wait times that were discussed at the last JLCB meeting (September 19, 2014). It also discusses OJJ facilities, Public Defender Board funding, WISE Plan Updates, State Plan Amendments, and LA's Relative Employment.

The October edition of Focus on the Fisc will provide a summary of certain Constitutional Amendments that are on the November ballot.

John D. Carpenter

FOCUS POINTS

Office of Motor Vehicles Wait Times

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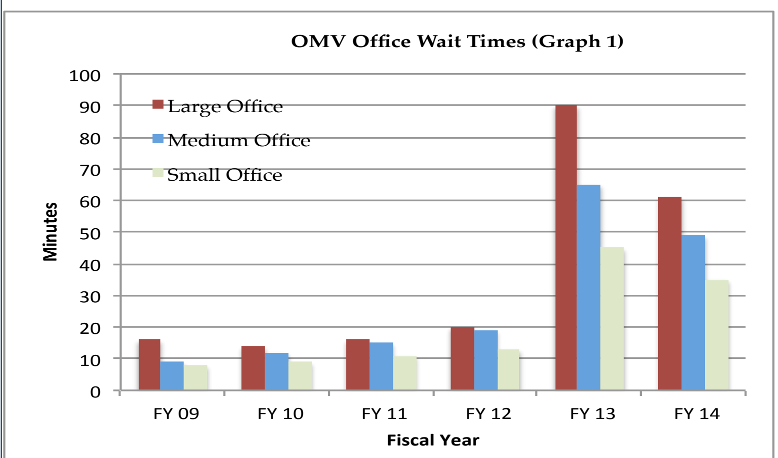
At the August and September meeting of the Joint Legislative Committee on the Budget (JLCB), questions were asked about wait times at Office of Motor Vehicle (OMV) district offices. Below are updates to information presented earlier in the year regarding OMV wait times and Public Tag Agents (PTAs) renewing driver's licenses.

Staff Reductions Effect

Over the past six fiscal years (FY 09 – FY 14), OMV has seen a decrease in employees by 29% and personnel expenditures decrease by 12%. In FY 09, OMV personnel expenses totaled $36.9 M for 739 employees. In FY 14, OMV employed 525 at a total cost of $32.4 M. During the same period, the wait times at large, medium, and small field offices gradually increased from FY 09 through FY 12, and drastically increased in FY 13, then decreased in FY 14 as shown in Graph 1 below. The wait times in FY 09 at the large, medium, and small offices were 16 minutes, 9 minutes, and 8 minutes, respectively. By FY 14, the times had increased to 61 minutes in large offices, 49 minutes in medium offices, and 35 minutes in small offices.



Wait Times by Office and Transaction Type

Following the August JLCB, OMV tracked wait times at eight of the large OMV offices across the state from August 21, 2014 to September 5, 2014. Table 1 on the next page shows the average wait time at the large offices along with the number of customers served and the maximum wait times. For the large offices, the average wait time in the two-week span was well under the FY 14 actual wait time of 53 minutes. For the transactions that resulted in the longest wait times at each office, the majority (5) was for driver reinstatement.

Driver reinstatements took the longest at the following offices: Baton Rouge, Shreveport, Veterans (N.O.), Harvey, and Lake Charles. The longest wait time at the Livingston and Lafayette offices was for vehicle registration, and at the Bossier office the longest wait was for testing.

In addition to average wait times at the offices, OMV tracked wait times depending on the type of transaction that was handled in the office. Such types include: Commercial Driver's License, Driver's License, Express Driver's License, Official Driving Record (ODR), Reinstatement, Express Reinstatement, Testing, Registration, Express Registration, Direct Walk-ins and others. Table 2 shows the number of customers served for each transaction at the eight large offices along with the average wait time for the type of transaction and average maximum wait time.

Driver's License Renewals by Public Tag Agents
Starting in FY 14, Public Tag Agents (PTAs) were allowed to process driver's license (DL) renewals. Customers that use PTAs for renewals pay the DL renewal fee plus a convenience fee (up to $18). PTAs are located across the state and are currently able to perform vehicle registrations, reinstatement of insurance cancellations, and receive and process title applications, in addition to other duties. Currently, there are 39 PTAs across the state that handle DL renewals.

The first pilot program for DL renewals by a PTA began in July 2013 in Metairie. In

Large Office Wait Times (Table 1)

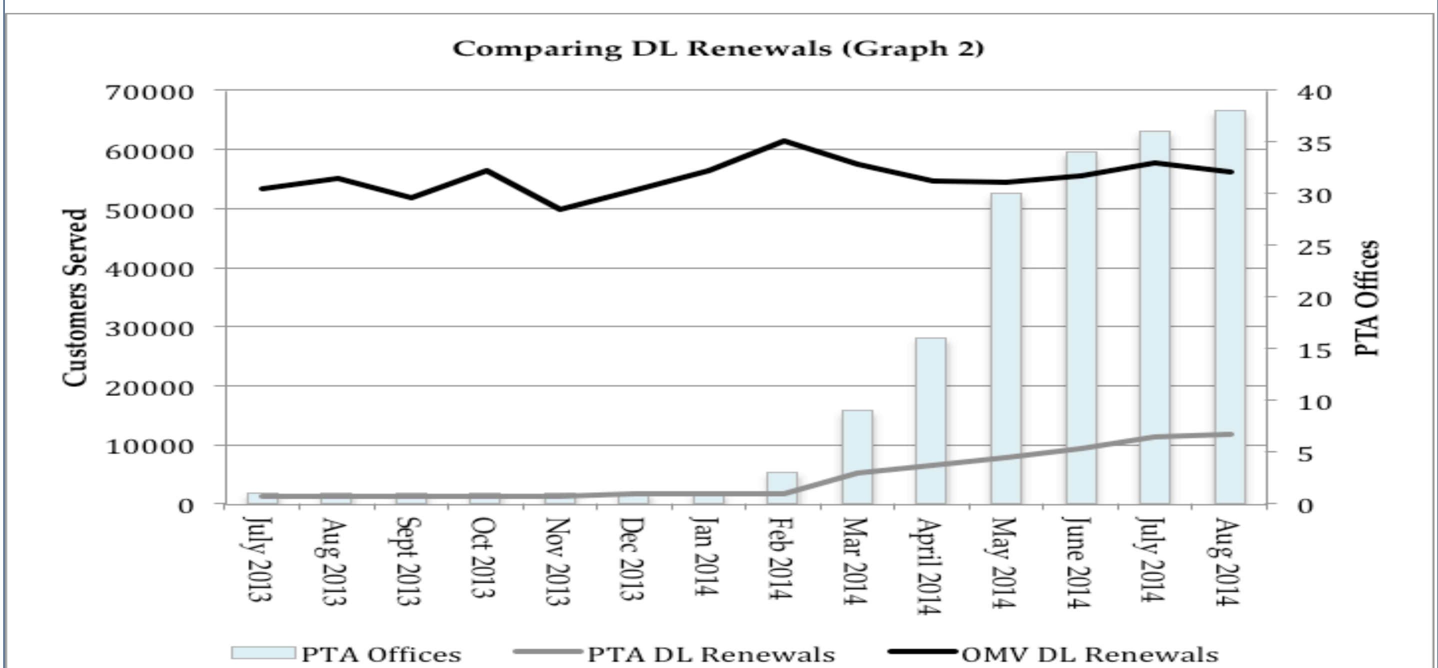
Office	Customers Served	Average Wait Time*	Maximum Wait Time*
Baton Rouge	7,548	0:18:39	3:04:16
Livingston	1,879	0:26:24	2:13:32
Bossier	5,038	0:21:31	1:47:24
Shreveport	4,531	0:27:47	3:00:52
Veterans (NO)	5,068	1:04:00	4:22:46
Harvey	5,275	0:23:01	2:07:16
Lake Charles	3,732	0:29:06	2:51:14
Lafayette	5,388	0:25:17	1:59:12
Total	38,459	0:29:00	

**Time is displayed in Hours, Minutes, and Seconds*

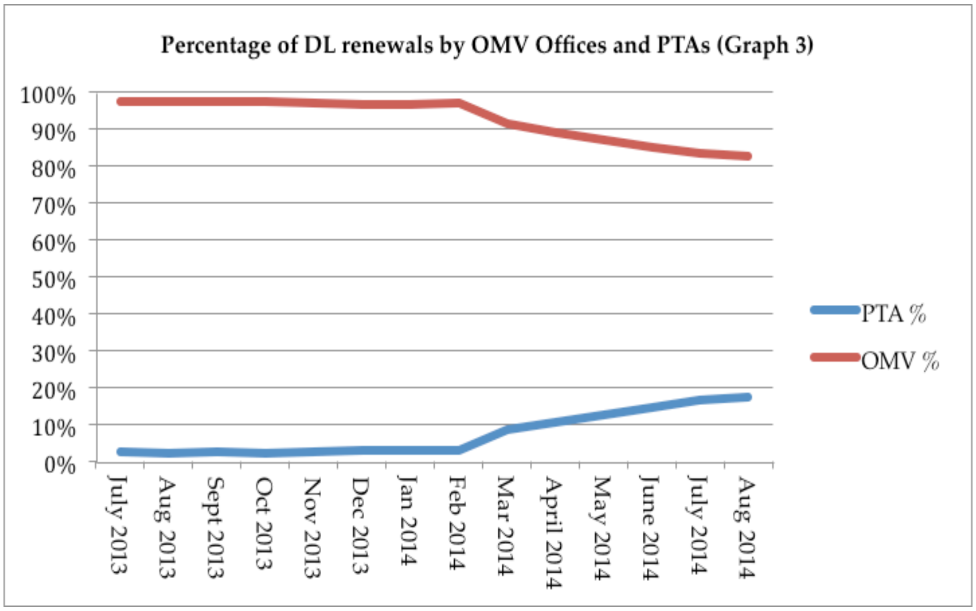
Transaction Type Wait Times (Table 2)

Transaction Type	Customers Served	Average Wait Time	Average Maximum Wait Time
CDL	1,901	0:25:46	1:54:06
Driver's License	4,149	0:33:44	2:01:14
Driver's License Exp	10,632	0:22:58	1:31:56
ODR	505	0:12:35	0:51:44
Other	868	0:13:37	1:04:35
Reinstatement	7,688	0:41:22	2:34:22
Reinstatement Exp*	439	1:32:46	0:42:16
Testing	2,592	0:13:08	1:07:06
Vehicle Reg Express	3,661	0:20:49	1:27:14
Vehicle Registration	5,592	0:34:51	2:20:10
Total	38,027	0:29:00	1:24:58

**Of the 439 Reinstatement Express customers, 423 were served at the Veterans (N.O.) office that had an average wait time of 1 hour and 36 minutes. The wait time for the other 16 customers was approximately 15 minutes. The Maximum Wait Time at the Veterans office was 3 hours and 46 minutes, while average maximum wait in the other 7 offices was 14 minutes.*



February 2014 additional PTAs offering DL renewals came online and the numbers of DL renewals handled by PTAs increased. In February 2014 there were three PTAs handling DL renewals and as of August 2014, 38 PTAs were handling DL renewals.



Graph 2 on the previous page shows the number of DL renewals handled by PTAs and by OMV offices. *Note: The OMV offices used are those with PTAs offices nearby.* Those 20 OMV offices accounted for a total of 773,198 DL, renewals from July 2013 to August 2014. In the same time period PTAs handled 64,397 DL renewals. In February 2014 as more PTAs began to handle DL renewals the number of DL renewals handled by OMV offices began to decrease. From May 2014 to July 2014, OMV renewals slowly increased but were never higher than February 2014 when more PTAs began to handle renewals. Graph 3 above shows the increase of DL renewals handled by PTAs increasing monthly from March 2014 to August 2014.

Other Improvements

In addition to PTAs handling DL renewals, OMV also plans to implement other measures in an attempt to decrease wait times and improve customer service. Credit cards are now accepted at offices, whereas cash was required before. The office has implemented "rover" positions that travel to different offices during the week to handle increased workloads or staff smaller offices. The rovers are used to continue serving customers while another employee administers driving tests. They are also used in the event an office is understaffed.

OMV will allow individuals to schedule an appointment at the eight major offices. OMV has discussed implementing senior and handicap days once a month on weekends to better serve that population of customers. OMV is also exploring the possibility of adding kiosks to larger offices that would handle some transactions like DL renewals and vehicle registrations.

Incentive Pay Plan

Finally, OMV is in the process of developing an incentive pay plan for employees. The exact details of the plan are unknown at this time. However, incentive pay will be based on the number of transactions employees complete during the day. The incentive pay for office managers and regional managers will depend on the performance of employees at OMV offices. According to OMV, wait times will decrease in offices and more customers will be served as employees complete more transactions in order to receive pay incentives. Approval of the incentive pay plan will need Civil Servive Commission approval before it can be implemented.

GENERAL GOVERNMENT

Office of Juvenile Justice Facilities

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Background

The following information is an update to the November 2013 newsletter article entitled Office of Juvenile Justice (OJJ)/Louisiana Model (LAMOD). LAMOD is similar to the Missouri Model in that it focuses on a therapeutic, child-centered environment versus the correctional, custodial model. As part of this reform of Louisiana's juvenile justice system, OJJ's goal is to open small regional facilities instead of the large institutionalized correctional facilities.

In November 2013 OJJ operated four secure care facilities for males: the newly opened Swanson Center for Youth in Monroe (SCY-M), Swanson Center for Youth in Columbia (SCY-C), Jetson Center for Youth in Baton Rouge (JCY), and Bridge City Center for Youth in Jefferson Parish (BCCY). SCY-M, JCY, and BCY have been utilized for many years as secure care facilities. The total capacity of these facilities was 326 youth.

SCY-C opened in May 2013 at the former site of DHH, Office of Citizens with Developmental Disabilities' Columbia Community Residential & Employment Services that originally housed residents with developmental disabilities. The cost of remodeling the facility was approximately $1.7 M and included replacing the HVAC system in several buildings and modifying the sprinkler system to meet current code requirements. The facility has a capacity of 48 youth and has an annual operating cost of $5.5 M.

Current Facilities

As of November 2013, OJJ had completed implementation of LAMOD at BCCY and JCY, while SCY-M had not yet completed full implementation. As a result of the opening of the satellite facility SYC-C, 48 youth were moved from SYC-M. Although this allowed SCY-M to achieve the staff-to-youth ratio (2:12) necessary for implementation of LAMOD, the dorm configurations were not conducive to allowing full implementation. Acadiana Center for Youth in Bunkie, which was originally scheduled to be completed by the end of FY 15, would have allowed for dorm closures at SCY-M and full implementation would have been achieved. The original opening was delayed due to problems determining a location for the facility and getting local approval. Acadiana is currently projected to open in May 2016 and the facility will have a capacity of 72 youth that will be transferred from SCY-M and BCY. Construction costs of the facility is $20 M and is included in Act 25 of 2014 (Capital Outlay Bill). Projected annual operating costs are $11.9 M.

Although JCY and BCCY have implemented LAMOD, the most significant challenge for OJJ is that the design of the current facilities is not ideal for LAMOD, as they were designed under a correctional model. The facilities at SCY-M and JCY are dilapidated and obsolete, having been constructed in 1907 and 1948 respectively. Many buildings at the facilities are unoccupied because they are deteriorating and unusable and so only a small portion of land at each facility is being utilized. In January 2014, OJJ determined that the facility at JCY was no longer safe to house the youth and the facility was closed. Of the 76 offenders housed at the facility, 14 offenders were transferred to BCCY and 62 were transferred to SCY-M. As noted above, the closure of JCY and the delayed opening of Acadiana has impacted the LAMOD conversion at SCY-M.

Future Regionalization Efforts

The next phase of the regionalization is in the preliminary stages of planning and development. Since JCY has already closed and due to the age of the facility at SCY-M, OJJ anticipates rebuilding these two facilities. Although there is no timetable for these facilities being rebuilt, Act 25 of 2014 (Capital Outlay Bill) includes funding in the amount of $2.6 million for the design of the new JCY and SCY-M. The estimated cost to build each facility is approximately $24 M. The financing mechanism for these two facilities has not been determined at this time. Options would be to either include the construction funding in the Capital Outlay Bill, where it would have to compete with other state and local projects for limited bonding capacity or to finance them through the LA Correctional Facilities Corporation, which would require additional SGF appropriation in HB 1 to pay for the debt service. The two facilities will be built on the properties where the facilities currently exist and will occupy approximately 10-15 acres each. With these two new facilities OJJ will operate a total of five secure care facilities with a total capacity of 354 youth. Although the capacity increases by only 28 beds, the new facilities would be more efficient to run and are expected to reduce operational costs.

Local Public Defender Board (LPDB) Districts Approaching Insolvency

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Note: Some data are listed in calendar years (CY) rather than fiscal years due to LPDB's data collection and reporting practices.

Due to stagnant state assistance and unrealized growth in locally generated funds, district (local) public defender boards are facing an increasingly uncertain financial situation. In FY 14, 26 district public defender boards operated at a deficit, using one-time monies to bridge the gap between revenues and spending. Since Calendar Year (CY) 10, LPDB's total expenditures at the district level have been in excess of their total revenues, with several districts operating at a deficit in subsequent fiscal years. Table 3 depicts the total expenditures and revenues district defender boards over the last four calendar years.

District Revenues and Expenditures (Table 3)				
Calendar Year	Revenues	Expenditures	Difference	Districts Reporting Deficits
2010	$47,084,317	$54,354,212	($7,269,895)	34
2011	$50,240,526	$55,953,999	($5,713,473)	33
2012	$49,915,307	$52,228,530	($2,313,223)	30
2013	$51,192,746	$51,551,239	($358,493)	23

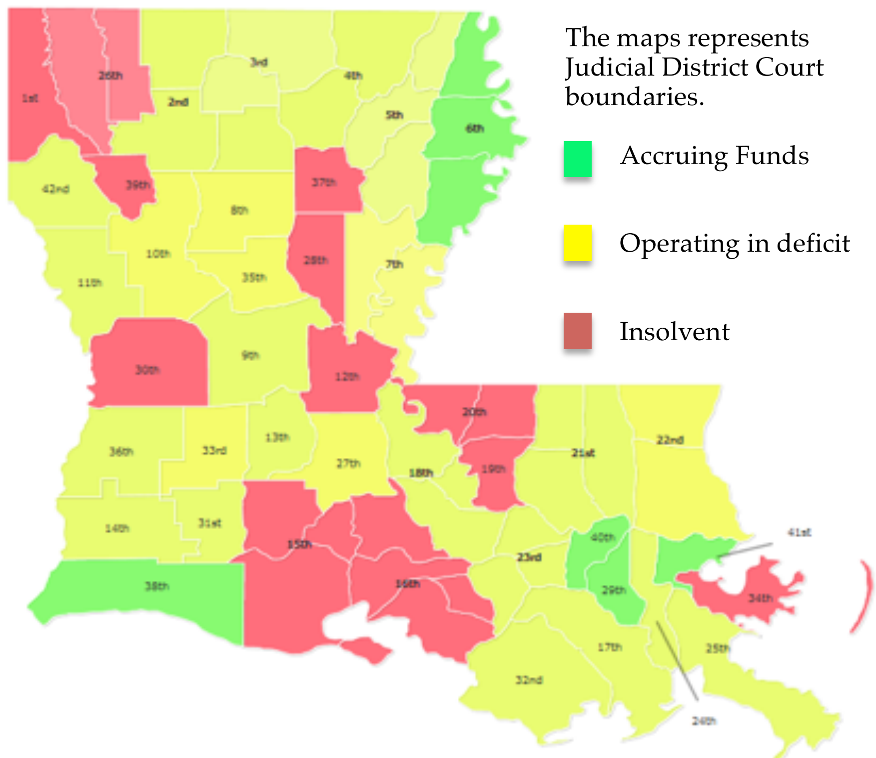
The Statewide Fund Balance

District public defender offices throughout the state had a collective fund balance of $17.7 M in CY 10 to bridge the deficit between spending and revenues. In addition, districts have been enacting cost-cutting measures, reducing overall district spending by 7.9% from CY 10 to CY 13 while increasing overall district revenues by 1.9% in that same period. It is estimated that from CY 10 to CY 14, district spending will have decreased by 4.6% overall with an overall district revenue growth of 5%. Despite the inverse trends of expenditures and revenues, and a closing of the gap in CY 13, LPDB expects the overall spending of district public defender boards to still be in excess of its revenues by $3.5 M to close CY 14. District expenditures have reduced the statewide fund balance to $5.6 M at the end of FY 14. LPDB projects the CY 14 year-end total for the overall fund balance to be $6.5 million, a reduction of 63% in four years.

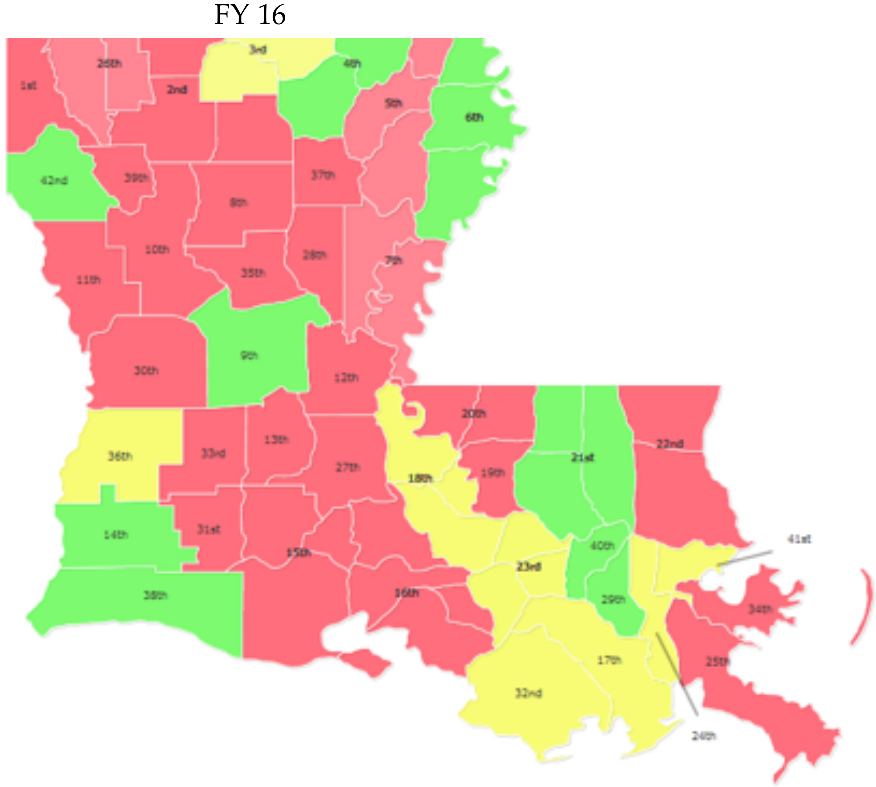
LPDB Guidelines for Defense

While expenditures have been reduced in recent years, they are still in excess of revenues. LPDB projects its revenues based upon several sources. In 2009, LPDB adopted guidelines for defense of indigent clients known as their Trial Performance Standards. The standards outline actions that may be necessary, advisable, and appropriate for the defense attorney to take during the course of representation. LPDB built their standards using

FY 15



FY 16



several sources, including the American Bar Association's (ABA) Criminal Justice Standards for the Defense Function, the ABA's Ten Principles of a Public Defense Delivery System, and the National Legal Aid and Defense Association Performance Guidelines for Criminal Representation. In addition to the standards, LPDB uses a recommendation by the National Advisory Council on Criminal Justice Standards and Goals to determine appropriate caseloads.

LPDB projects its expenditures by making a projection of caseloads for each district based upon prior years, the board then uses the recommended caseload to determine the number of attorneys district offices would employ. The market rate for attorneys in each district would be used to determine compensation. The number of attorneys also determines the number of support staff recommended by the standards. According to LPDB's records, attorneys employed by district offices are carrying nearly double the recommended caseload.

Districts Approaching Insolvency

With the fund balance becoming increasingly unreliable and self-generated revenue growth being far below expected levels, several districts are approaching insolvency by LPDB's own calculations. The maps are solvency projections for individual districts in FY 15 and FY 16 (Page 5). Green districts are accruing revenues at such a rate that they can remit year-end surpluses to their fund balances. Yellow districts are operating at a deficit and spending from their fund balances. Red districts are or will become insolvent.

Due to revenues not being generated in a manner that can keep pace with expenditures, some districts may be forced to restrict services, such as putting cases on waiting lists. In addition, local public defender board staff and contractors may not receive pay owed to them until local boards have the funds available to honor checks.

If the district boards fail completely, judges would have to assign cases of indigent defenders to members of local Bar Associations with no means of compensating them. Lawyers compelled to defend indigent clients may not specialize in the area a particular case involves, therefore clients may not receive the quality of representation they are constitutionally entitled to.

Revenues

District public defender offices derive their funds primarily from state and self-generated (local) monies. State and locally generated funds have unique characteristics, and both are vital to the districts' survival. LPDB's budget has stagnated, maintaining the same level of state funding since FY 11. State funding made up 34.6% ($17.7 M) of total revenues for district public defender boards in FY 14, while local funding made up 65.2% ($33.2 M). Investment earnings and "other revenues," such as grants, make up the remainder of district defender office funding. Funds from investments and other revenues make up less than 1% of total revenues.

LPDB receives its state appropriation through State General Fund deposited in the statutorily dedicated Louisiana Public Defender Fund. It then disburses state funds through its District Assistance Fund (DAF) to the district offices each fiscal year based on a formula built on select criteria, primarily a district's caseload, number of employed attorneys, annual expenditures, and its fund balance. State monies are generally the most stable and predictable funding source for district offices. However, as previously stated, LPDB's overall budget has stagnated. As a result, the proportions of state funding each district receives annually through the DAF have stagnated as well. The median amount of state funding for district public defender offices was $157,515 in FY 14.

Total Appropriation (Table 4)

FY	DAF	Total State Appropriation	Percentage of State Appropriation
2011	$17,784,337	$33,057,274	53.8%
2012	$17,234,410	$32,799,336	52.5%
2013	$16,496,605	$33,311,135	49.5%
2014	$16,435,314	$33,612,948	48.9%

Local revenues are more volatile. For example, Districts 29 (St. Charles) and 42 (DeSoto) have the ability to completely self-fund using their locally generated revenue streams. District 29 (St. Charles) generated over $1.3 M in FY 14, and was able to add to its fund balance. It is important to note that these funds are not mobile and, barring an agreement between districts to engage in a revenue-sharing program, stay within the respective district public defender office that generate them. Some districts cannot rely on local revenue streams, and must look to state funding for support. For example, District 11 (Sabine) received 75% of their funding via state revenues in FY 14. District 41 (Orleans) received the highest total of state funding, a sum of $2.4 M.

Act 578 of 2012

LPDB has made efforts to aid district public defender offices in raising locally generated revenues. Act 578 of 2012 required judges to assess an additional $10 in court fees to go towards local indigent defense funds for every criminal defendant who is convicted after trial, pleads guilty or nolo contendere, or who forfeits their bond for violation of a state statute or a parish or municipal ordinance other than a parking ticket. The Act raised revenue by increasing certain court fees from $35 to $45. LPDB estimated that implementation of this rule would lead to overall growth of revenues from court fees by approximately 25% for district offices. In fact, revenues only increased by between 8% and 10% on average. In general, LPDB estimates that court fees make up between 66% and 75% of local revenues. It should be noted that this Act expires in August 1, 2016 and there are no known plans to make up for the lost revenue.

The expected revenue growth would have allowed some district offices to slow or stop the spending of fund balances, and not be reliant on this limited revenue source to maintain the levels of service currently provided. Since the expected revenue growth did not materialized, districts have continued to rely on the use of fund balances.

Note: The overall statewide fund balance will never reach zero, as districts with low caseloads and the ability to self-generate a great deal of funds – for example, District 29 (St. Charles) – will distort the actual health of the fund balance statewide.

EDUCATION

Workforce & Innovation for a Strong Economy (WISE) Fund Update

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Act 803 of 2014 created the Workforce and Innovation for a Stronger Economy (WISE) Fund. The purposes of the WISE initiative are to increase degree and certificate production in high demand fields and encourage research and innovation to meet the state's future workforce and innovation needs. The Legislature appropriated $40 M in FY 15 for the initiative from the following sources: $16.85 M in SGF, $12.15 M in IAT from the Community Development Block Grant (CDBG) Program (both from general appropriations bill) and $11 M ST DED from the WISE Fund in the capital outlay bill for Library, Instructional and Scientific Equipment. Louisiana's four postsecondary education systems will receive monies from the WISE Fund based on the distribution method determined by the WISE Council, but will be required to apply for investment funding by submitting implementation plans, which must include a minimum 20% private match.

The WISE Council is charged with approving a method of distributing the WISE Fund monies in accordance with a Statewide Workforce Demand and Gap Analysis that includes a prioritization of high–demand degree and certificate production based on data provided by Louisiana Workforce Commission (LWC) and the Louisiana Department of Economic Development (LED) and evaluating and approving Implementation Plans submitted from state public higher education institutions. The WISE Council has met four times since its creation. Staff with the Board of Regents, higher education management boards, LWC, and LED have also met numerous times and spent many hours developing, defining, and researching the following:

1. *Occupational Projections* – The Occupational Forecasting Conference, under the direction of the Workforce Investment Council (WIC), conducts annual occupational projections by industry and occupation used by the WISE Council in allocating funds.
2. *"STAR-Ratings" System* – LWC ranks occupations from one to five stars based on the following: wages, job openings, short term (2015)/long term (2022) demand, and projected percentage growth in the number of jobs between 2015 and 2022. The WISE initiative targets 4 and 5 STAR jobs that will have the most openings and higher pay.

3. *“Gap Analysis”* - The anticipated gap between targeted job openings and the number of projected completers to fill these job openings.

Current Funds Distribution

WISE allocations (excluding earmarked funds discussed on the following page) in FY 15 are based on a workforce component of 78% and a research component of 22%. WISE’s research allocation is based on a three-year average of federally funded research and development expenditures (R&D) for each Louisiana public postsecondary institution. The Board of Regents calculates each institution’s proportion of total R&D expenditures for the state and allocates WISE funding proportionally to each institution. In the workforce component, areas where there are gaps between the anticipated number of graduates/completers in an occupational field and the forecasted number of jobs openings for that field, the WISE Council allocates funding to those systems that are producing students in fields with a gap in order to increase the supply of graduates and reduce the completer shortage. The WISE funding formula allocates funding to systems in proportion to the number of completers in 4 or 5 STAR jobs where there are gaps. The funding allocations are adjusted based on the relative cost of various education/training programs.

On September 8, 2014, the WISE Council adopted a Statewide Workforce Demand and Gap Analysis that estimates student graduates and program completers in targeted 4 or 5 STAR jobs from all Louisiana postsecondary institutions based on economic and employment forecasting data from the LWC and LED. The program completers are based on 2012 Classification of Instructional (CIP) codes from the Integrated Postsecondary Education Data System (IPEDS) maintained by the National Center for Education National Center for Education Statistics (NCES). A “crosswalk” is used between educational/training programs and anticipated job openings to tie academic programs to occupational fields. The following are examples of fields where the largest anticipated employment gaps are projected for 2015 and 2022: computer and information sciences, engineering and engineering technology, mathematics and statistics, science technologies, construction trades, mechanic and repair technologies, and health related fields.

Table 5 below illustrates the funding distribution adopted by the WISE Council on September 24, 2014:

WISE FY 2014-15 Distribution Plan Recommendation (Table 5)

(adopted by WISE Council on September 24, 2014)

System/Institution	*Workforce*	*Research*	WISE *Total*	Direct Approp. *"Earmarks"*	Total *Funds*
LSU System	$8,090,790	$4,793,109	$12,883,899	$1,500,000	$14,383,899
Southern System	$1,642,188	$357,812	$2,000,000	$0	$2,000,000
University of Louisiana System	$7,702,931	$1,795,940	$9,498,871	$2,000,000	$11,498,871
La. Community Technical College System	$11,973,578	$0	$11,973,578	$0	$11,973,578
LUMCON	$0	$143,652	$143,652	$0	$143,652
TOTAL	$29,409,487	$7,090,513	$36,500,000	$3,500,000	$40,000,000

Submission and Approval of Implementation Plans

Overall guidelines for the WISE initiative will be governed by an “operational policy” adopted by the WISE Council on September 24, 2014 including a process for documenting matching requirements prior to distribution of funds. The Board of Regents approved the WISE operational policy on September 25, 2014. Specifically, institutions and higher education management boards are working on implementation plans showing how the funding allocated above will be used to meet WISE goals. To receive WISE funding, each institution plans to submit an implementation plan to their respective management boards in September describing how WISE Fund monies will be used to meet WISE program goals. Management boards next submit approved institution implementation plans to the WISE Council for consideration. After obtaining approval from the WISE Council, implementation plans next seek final approval from the Board of Regents. The Board of Regents anticipates that the WISE Council and the Board of Regents will meet in separate meetings in October to review and approve proposed institution implementation plans submitted by management boards.

No Funding Source Identified for Funding Allocations
The Board of Regents is still developing methodologies for determining the distribution of WISE funding from the various means of finance. Failure to identify funding sources in the funding distributions creates problems in developing implementation plans to use CDBG and capital outlay funds as described below.

1. Limitations on Uses of CDBG Funding - There are limitations on how institutions can use CDBG and capital outlay funding. As mentioned earlier, the $12.15 M in funding for the WISE initiative from the federal CDBG program can only be used for "Economic Revitalization" projects in 53 parishes affected by hurricanes Gustav and Ike and must be targeted towards low and moderate-income individuals. It is difficult for institutions to develop WISE initiatives using CDBG funding because it is unclear if proposed uses for the CDBG funding will meet federal guidelines. Louisiana's Disaster Recovery Unit (DRU) within the Division of Administration's (DOA) Office of Community Development and the Federal Housing Administration (HUD) will ultimately determine if proposed uses for the federal funds meet CDBG requirements. The Board of Regents is working with the DOA to identify and develop targeted uses for these CDBG funds.

2. Availability of Capital Outlay Funding - The $11 M ST DED from the WISE Fund in the capital outlay bill for Library, Instructional and Scientific Equipment does not present a problem in terms of expending these funds. Institutions have ample uses for library, instructional, and equipment purchases that meet the purposes of WISE. However, the $11 M in ST DED in the WISE Fund was supplied by a like amount from non-recurring Overcollections Fund sources. Furthermore, the $11 M will not be deposited into the WISE Fund until after $31 M in funding obligations for the Budget Stabilization Fund ($25 M) and unfunded accrued liability payments to retirement systems ($6 M) are met, meaning the funds will come late in the fiscal year, at a reduced amount late in the year, or may not be available in FY 15.

Earmarked Funds
A language amendment in the General Appropriations bill directs Regents to distribute the following amounts by institution from the $29 M in the General Appropriations bill: Pennington ($1.5 M), College of Engineering at LA Tech ($1 M), and School of Pharmacy at ULM ($1 M). The Funds bill also has language stating "any specific legislative allocations to postsecondary education institutions from the WISE Fund shall not preclude any postsecondary education institutions from receiving additional monies from the WISE Fund." The Board of Regents has already distributed the $3.5 M in SGF to these three institutions mentioned above without requiring implementation plans or private matching funds. As such, the remaining $36.5 M in WISE funds were distributed as shown in the table on the previous page. Per the Funds bill language amendment mentioned above, Pennington, LA Tech and ULM are also eligible to receive additional WISE funds from the $36.5 M distributed to all higher education systems and LUMCON.

HEALTH & HOSPITALS

CMS deferral and disapproval letters, State Plan Amendment 14-025
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On May 23, 2014 DHH submitted a new State Plan Amendment (SPA TN 14-025) to the Centers for Medicare and Medicaid Services (CMS) intended to replace disapproved SPA's that governed DSH payments to hospitals participating in the public private partnerships. The new SPA changes the qualifying criteria for certain hospitals receiving such DSH payments. Hospitals that would be eligible (or Louisiana Low Income Academic Hospitals) are required to provide a certain level of uninsured care and maintain a certain level of medical resident positions in the hospital to qualify for certain payments. Enhanced payments would not simply be a condition of a provider/partner simply signing a Cooperative Endeavor Agreement.

Submittal of the new SPA is a response to prior deferral and disapproval letters from CMS on SPAs that provided Disproportionate Share Hospital (DSH) payments to hospitals participating in public private partnerships. On 4/7/2014, the Department of Health and Hospitals (DHH) received a deferral letter from the Centers for Medicare and Medicaid Services (CMS) relative to a review of DSH expenditures for the quarter ending 12/31/2013. The letter stated CMS will defer certain DSH expenditures based on DSH spending under pending State Plan Amendments that had yet to receive CMS approval. On 5/2/2014, DHH received a follow up letter that then disapproved the 3 separate state plan amendments (SPA 13-23 for supplemental Medicaid payments, and 13-25 and 13-28 for DSH payments to private hospitals) which proposed to provide supplemental Medicaid inpatient hospital payments to 2 hospitals (Children's Hospital in New Orleans and Lafayette General) and Disproportionate Share Hospital payments to private hospitals participating in the public private partnerships) that were referenced in the April 7th letter.

To the extent the new State Plan Amendment is not approved by the Centers for Medicare and Medicaid Services, potential state liability is assumed to be any federal matching funds paid against the disapproved SPA's (disapproved SPAs and new SPA 14-025). Based on FY 14 actual DSH payments and FY 15 allocated/projected DSH payments to six partner hospitals, federal funds associated with DSH partnership payments total $704 M.

DSH Partnership Payments (Table 6)		
Partnership DSH	Projected pending SPA DSH payments	Federal match (potential state exposure)
FY 14	$537,918,777	$328,022,870
FY 15	$607,373,582	$376,875,307
Total		$704,898,177

Approximately $537.9 M is estimated to have been paid under the disapproved SPAs to date. The level of budgeted DSH payments in FY 15 that will be paid by DHH under the disapproved SPAs is unknown at this time, and will depend on DHH making a prospective DSH payment in October prior to SPA 14-025 approval. It is anticipated that a significant level of prospective DSH payments (roughly 80% of the FY 15 allocation, or $485 M) will be made in October based on the level of prospective DSH payments made in October of 2013 (FY14) to partner hospitals.

The federal matching fund disapprovals reflected above do not include funds that may be disallowed as a result of the state receiving advanced lease payments from certain private partners. CMS enumerated in its May 2, 2014 disapproval letter approximately $265.8 M in advanced lease payments received by the state under two CEA arrangements. The CMS disapproval letter dated May 2, 2014 indicates that the advanced lease payments received by the state constitute provider related donations from private providers, which were connected to higher Medicaid payments to the CEA partners. To the extent CMS disallows the advanced lease payments based on non compliance with federal regulations (advanced lease payments considered non-bona fide provider related donations), state exposure is anticipated to be based on some level of federal fund expenditures associated with these lease payments. It is unknown at this time how a level of disallowance would be calculated.

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Louisiana's Relative Employment Performance In the 2010 – 2014 Period

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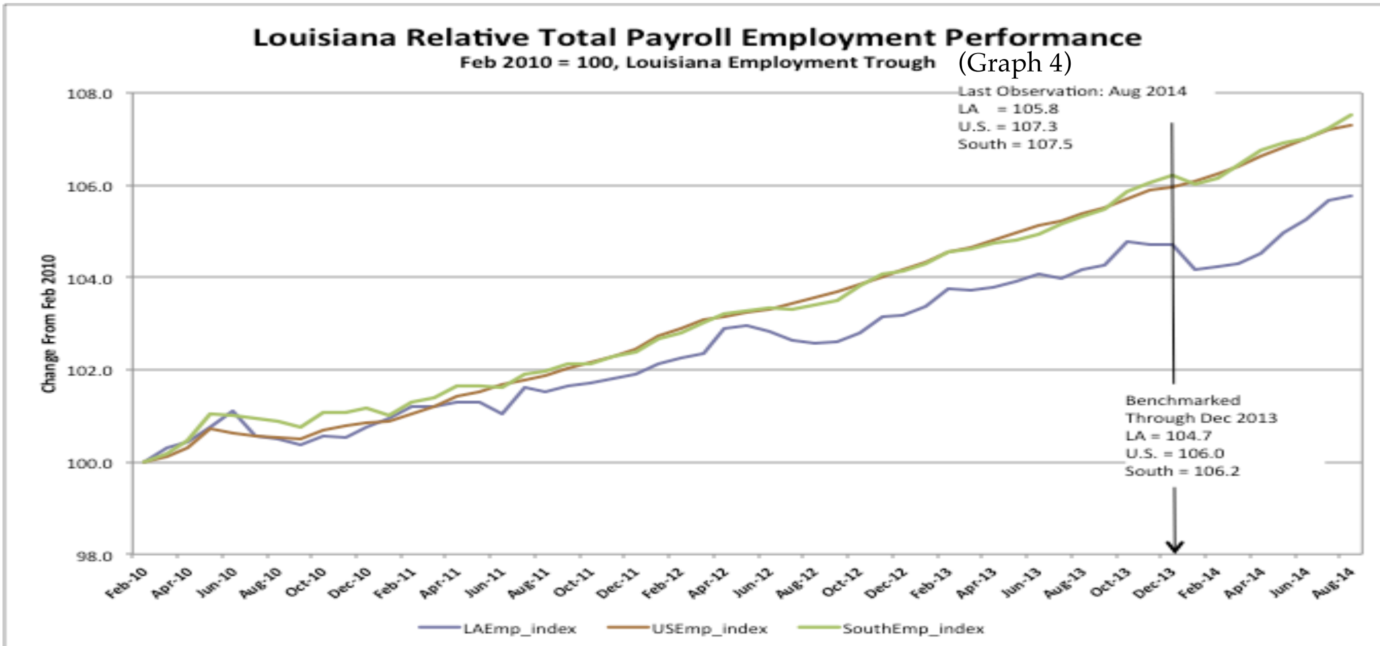
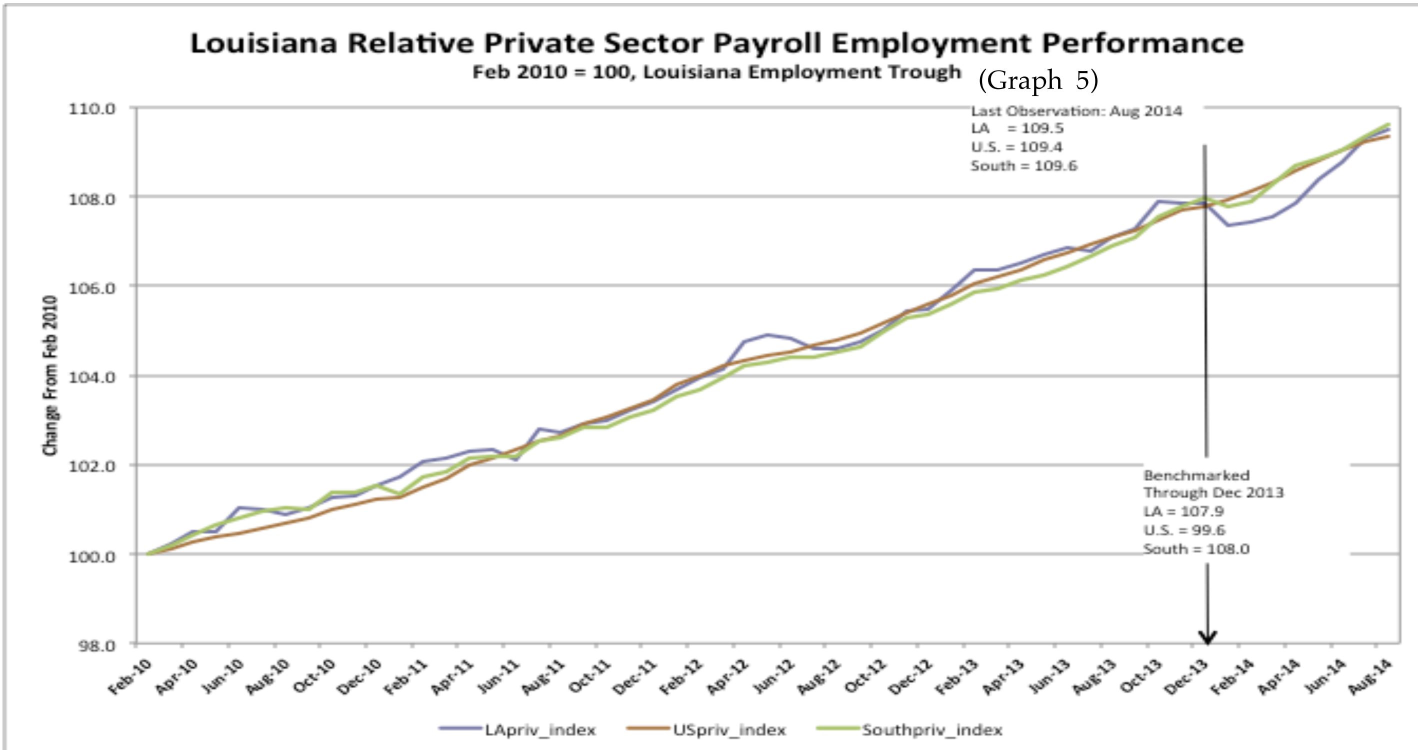


Announcements of industrial expansions in recent years may have given the impression that Louisiana has outperformed the nation as a whole and the South in economic growth. This has not been the case. One of the more important metrics used to compare economic performance across states is total payroll employment; the headline employment measure, seasonally adjusted and reported for the national economy and for all states on a monthly basis by the U.S. Department of Labor. Graph 4 above depicts total payroll employment for the state, the nation as a whole, and the South (defined here as the states in the U.S. Department of Labor, Bureau of Labor Statistics southeast region of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, plus the states of Arkansas and Louisiana).

This graph depicts monthly seasonally adjusted total payroll employment for all three regions is indexed to the month of February 2010, when the state's payroll employment total was at its low point of the 2008-09 national recession. The months subsequent to that trough month have reflected the economic recovery from that recession. The value of each line at any month represents the percent change of that region's total payroll employment from the month of February 2010. For example, by August 2014 the state's total payroll employment was 5.8% greater than in February 2010. By comparison, total payroll employment for the nation as a whole was 7.3% greater, and for the South 7.5% greater.

Of note in this graph is the State's relatively weak total payroll employment performance. Over the course of the economic recovery to date, total payroll employment growth in Louisiana has been approximately 21% less than that of the national economy, and 23% less than that of the South. Since the data for the months of 2014 are based on sample surveys of employers that have not yet been annually benchmarked to a near complete census of employers, and are less reliable than earlier data that has been benchmarked, growth through December 2013 is also noted in the graph. Through that point of the recovery, the state's total payroll employment was 4.7% greater than in February 2010. By comparison, total payroll employment for the nation as a whole was 6.0% greater, and for the South 6.2% greater. By that point, total payroll employment growth in Louisiana had been approximately 21% less than that of the national economy, and 24% less than that of the South.

This relatively lagging total performance is the result of reductions in government sector payrolls in Louisiana relative to the nation as a whole and the South. Net reductions in government payrolls in Louisiana since February 2010 have been 34,800 jobs or a 9.4% reduction. Of that total government reduction, 55.7% has occurred in state government payrolls; 19,400 jobs for a 17.2% reduction. Local government payrolls have fallen by 13,400; a 6% drop and 38.5% of the total government reduction. Federal government payrolls in Louisiana have fallen, as well; by 2,000 or a 6.2% reduction, comprising 5.7% of the total government reduction.



The graph above (Graph 5) excludes the effects of government payroll reductions, and depicts only private sector payroll employment for the state, the nation as a whole, and the South. Monthly seasonally adjusted private sector payroll employment for all three regions is indexed to the month of February 2010, when the state's payroll employment total was at its low point of the 2008-09 national recession. The months subsequent to that trough month reflect the economic recovery from that recession. The value of each line at any month represents the percent change of that region's private sector payroll employment from the month of February 2010. For example, by August 2014 the state's private sector payroll employment was 9.5% greater than in February 2010. By comparison, private sector payroll employment for the nation as a whole was 9.4% greater, and for the South 9.6% greater.

Of note in this graph is the fact that the State's private sector payroll employment performance has been essentially the same as that of the nation as a whole and of the South. Growth performance through December 2013 is also noted in the graph. Through that point of the recovery, the state's private sector payroll employment performance had also been essentially the same as that of the nation as a whole and of the South, since February 2010. Although varying around the trends of the nation and the South, Louisiana has not exhibited private sector employment growth in excess of that of the nation as a whole or of the South over the course of the recovery from the 2008-09 national recession. It should also be noted that the economic recovery/expansion currently being experienced by the nation is substantially slower than all other expansions/recoveries in the post-WWII era, as measured by a variety of economic indicators. With regard to private sector industries, the state's performance so far has been comparable to this national and southern performance.