



fact sheet

Governor's FY 2009-2010 Executive Budget Overview

Mar 13, 2009

BATON ROUGE – Below is a summary document providing an overview of the FY 2009-2010 Executive Budget.

Even as Louisiana's economy continues to out-perform the national economy and the South, we know we are not immune to the current national economic downturn. These economic forces, combined with significant declines in the prices of oil and natural gas and the leveling off of the post-hurricane economic boom, have contributed to significantly lower revenues to state government, created a mid-year deficit, and now require meaningful reductions in the proposed FY 09-10 budget.

Just like any family or business living within its means, a tighter budget for state government represents not just a challenge to live within our means, but an opportunity to think strategically, prioritize what is essential, and plan ahead by pursuing reforms and innovations that will strengthen our state for years to come.

Many of the critical steps in tightening the belt of state government have been underway for months. Departments were asked to evaluate their spending and to analyze the performance of programs within their agency to isolate those low-performing programs that could be targeted for strategic reductions in funding. Agencies were then asked to submit strategic priority plans within a range of possible spending reductions – from a conservative reduction estimate to the “worst case scenario” reduction. For the first time in the history of the budget, they were also asked to provide meaningful performance data on the activities being funded through their agencies. These priority planning and performance review efforts helped ensure that spending reductions were targeted and prioritized, instead of implementing blanket across-the-board cuts with no account of a program's importance or performance history. This review process also helped departments identify critical services they wanted to protect from severe funding reductions.

Through this thorough evaluation of current spending, the Executive Budget proposal includes targeted cost savings across state government through strategic reductions that streamline government and increase efficiencies of service. In many instances, these savings came as a result of reforming policy, by consolidating offices and functions, and by downsizing or eliminating some programs and halting the expansion or creation of new programs. A significant part of tightening the belt of state government means addressing unsustainable growth in government programs. In addition to streamlining many government functions, the Executive Budget builds on the administration's commitment to controlling the size of government by eliminating more than 1,400 fulltime positions.

Recently, much discussion has centered on the federal stimulus legislation passed by Congress and how it may help the state fill the gap created by our revenue shortfall. It's very important to point out, first and foremost, that federal stimulus dollars are not permanent. Indeed, they are temporary funds that the state can use as we transition government to a more sustainable size.

Therefore, the federal stimulus funds are not a “silver bullet” for our budget challenges. While utilizing some of this temporary federal funding, the Executive Budget proposal includes many significant reductions in targeted areas that will help the state live within its means, especially as we prepare for additional reductions in future years.

Again, because the federal stimulus dollars are temporary, the Executive Budget proposal avoids using these federal dollars to permanently expand state government and grow programs that could not be sustained after the federal funding runs out in two years.

Even as we tighten the belt in state government, we will absolutely not waiver from our commitment to continue moving Louisiana forward. The Executive Budget protects and continues our investment in ethics reform and transforming our workforce development system, while also maintaining the state’s commitment to strategic investments in health care, education, economic development, public safety, and other critical areas.

Through strategic planning, state government can and will do more with less. We will make Louisiana the best place in the world to raise a family, get a great education, and pursue a rewarding career.

-- Governor Bobby Jindal

Budget Reductions and Using Federal Stimulus Funds

While protecting critical services to make the best use of taxpayer dollars, the FY 10 Executive Budget reflects reductions in all means of finance, as detailed below:

- The FY 10 Executive Budget proposes General Fund Direct funding of \$8.094 billion, a decrease of \$1.390 billion, or 14.7 percent, compared to \$9.475 billion in General Fund Direct funding in the FY 09 existing operating budget.
- The FY 10 Executive Budget proposes Total State funding of \$12.810 billion, a decrease of \$1.857 billion, or 12.7 percent, compared to Total State funding of \$14.667 billion in FY 09.
- The FY 10 Executive Budget includes \$13.909 billion in Federal Funds, a decrease of \$1.034 billion, or 6.9 percent, compared to Federal Funding of \$14.944 billion in FY 09.
- The FY 10 Executive Budget proposes total funding of \$26.719 billion, a decrease of \$2.891 billion, or 9.8 percent, compared to the FY 09 Total budget of \$29.611 billion.

Following the midyear necessary reduction of \$341 million, a \$1.382 billion reduction of General Fund from the previous year plus \$371 million in mandatory, contractual, and other required spending increases that had to be offset by reductions in other areas of the budget adds up to \$1.753 billion in total savings needed to be achieved to balance the FY 2010 budget.

Using Federal Stimulus Funds

While Louisiana's portion of federal stimulus money is estimated to be about \$3.6 billion, the total amount utilized in the FY10 Executive Budget is \$943 million, of which \$666 million was used to replace state General Fund dollars.

To prepare strategically for future years, it would be irresponsible to utilize all the federal budget stabilization funds in one fiscal year. Instead, the fiscally prudent use of these dollars is to spread them over a two-year period, as the federal government will

not allow the funds to be spent after these two years. It is important to emphasize again that this federal assistance is temporary and should not be considered a permanent component of the state's budgetary baseline.

Stimulus used in the budget to replace General Fund dollars included:

- Federal Medical Assistance Percentage (FMAP) - \$327.1 million
- State Fiscal Stabilization Fund – Education Grant
 - Higher Education - \$218.7 million
 - MFP - \$37.5 million
 - State Fiscal Stabilization Fund (“Flex” Grant) - \$64.5 million
- DSS Grants (Child Support Enforcement, Child Welfare, Vocational Rehabilitation, and Independent Living) - \$4.5 million
- Community Development Block Grant (CDBG) - \$7.5 million
- Agriculture – Wildfire Suppression - \$3.1 million
- Vocational Rehabilitation (DSS) - \$345,000
- Edward Byrne Memorial Justice Grant (LCLE) - \$3.2 million

Stimulus used in the budget to mitigate other reductions included Federal Medical Assistance Percentage (FMAP) of \$241.7 million to replace a loss of federal funds, \$35.8 million of which is due to the decreased DSH and Medicaid match rate over nine months in FY10 (these match decreases will apply to 12 months in FY11); Fiscal Stabilization Fund (Education) of \$33.8 million for MFP to replace decreasing statutory dedications; and Vocational Rehabilitation (DSS) funds of \$1.5 million to replace decreasing federal funds.

Some federal stimulus funds do not affect the state budget. For example, federal stimulus transportation funds will go through the capital outlay process. Additionally, the state has declined the use of federal stimulus funds that would require a permanent change in state law and ultimately result in a tax increase on Louisiana businesses under the federal stimulus provision for unemployment insurance.

Reforming Government: Streamlining Functions and Reducing Size

An Activity Performance Review (APR) was instituted this year to provide a programmatic review of agencies' base budgets. Additional information collected by the APR at the activity serves to evaluate an agency's budget activities based the outcomes of programs in relation to their costs.

For example, the APR process informed a decision to eliminate Louisiana Economic Development's "traditional" Workforce Development and Training Program, at a cost savings of \$2.5 million in Statutory Dedications, which ultimately resulted in general fund savings. With the creation of the new Fast Start Program, this traditional activity was determined to be duplicative. Both programs provide workforce development training, but the new Fast Start Program takes a more proactive approach in that it provides a turnkey employee training and solutions for company retention or expansion projects.

In other cases, the performance review helped inform decisions to continue funding. The Department of Agriculture and Forestry, for example, sought better information on the programs in which current indicators did not adequately quantify the benefits to the citizens in Louisiana. In particular, the Boll Weevil Eradication Program is designed to fully eradicate the boll

weevil from the state and there is a clear relationship between this program's budget and performance. To date, farmers in Louisiana have seen an average increase in yield of approximately 50 percent, and an average economic benefit of \$231 per acre, as a result of the eradication of the cotton boll weevil. Without a restoration in funding for the program, the gains that the Office of Agricultural and Environmental Sciences have made in eradication of cotton boll weevils cannot be sustained.

The performance review also informed actions that serve to streamline government, and the FY 10 Executive Budget includes recommendations to achieve cost savings or increase efficiencies through office and program eliminations and consolidations.

For instance, the Division of Administration proposes the elimination of the Office of Electronic Services within the Executive Administration program and merging OES with the Office of Information Technology and the Office of the Chief Information Officer, as well consolidating the State Grants Management Office (SGMO) within the CDBG program. These actions will produce savings of \$965,378 in General Fund.

The Department of Agriculture and Forestry would eliminate its facilities maintenance function under the Administration Program, and reallocate the activity to its more proper place in the Louisiana Agriculture Finance Authority. Savings through this consolidation could be as much as \$1.6 million.

The Department of Transportation and Development will eliminate the LaSwift program, which was designed to provide temporary transportation assistance after the 2005 hurricanes, and transfer the \$5.8 million for utilization within the Highway Priority Program.

The Department of Education will relocate the Louisiana School for the Visually Impaired (LSVI) from its current location in downtown Baton Rouge to the campus of the Louisiana School for the Deaf (LSD) on Brightside Drive. The Department of Education can achieve a net recurring savings of \$4,673,569 and a net savings of \$4,048,569 for fiscal year 2010 from this move. An analysis by the Department of Education indicates that the relocation of LSVI to LSD is not only a sound and feasible option for cost savings, but it can be accomplished without compromising the integrity of either school. By housing the two schools on the same campus, common functions and costs such as security, human resources, maintenance and some administrative oversight can be shared and distributed between LSVI and LSD – thereby focusing resources on programs and services that raise student achievement.

The FY 10 Executive Budget proposes moving the Louisiana State Board of Cosmetology from within the Office of the Governor to function independently as do other boards and commissions, and moving the Governor's Office of Education to the Board of Regents, and the Governor's Oil Spills Coordinator's Office to the Department of Environmental Quality in order to strengthen coordination and effectiveness in those policy areas. And the Department of Health and Hospitals proposes the merger of all mental health units into programs under the Office of Mental Health state office. This merger will allow the department to increase efficiencies for budget flexibility, resource and staff sharing, and cash flow management.

The Department of Environmental Quality will realize state general fund savings from the privatization or consolidation of their lab activity. Additionally, they will not replace any vehicles in FY10, at a cost savings of approximately \$707,000 for the state.

DSS will modernize their systems in a unified approach that will result in an overall annual savings of more than \$20 million in state and federal funds beginning in FY11 by improving customer service, and streamlining and eliminating burdensome paperwork. This will include the use of web-based applications, a customer call center, and the use of shared information across

DSS applications. Through modernization, DSS will be able to reduce fraud and abuse in benefits and provider payments (i.e. food stamps, child care assistance, residential facilities), as well as reduce the overall cost of operations.

DHH will expand their Medicaid “Work at Home” telecommuting program, which creates a fully functional worksite from the employee’s home, by 160 participants in FY10 to reduce administrative costs and boost productivity. This innovative cost-reducing measure will allow for the closure of 21 offices, at a savings of \$569,000.

The Louisiana Tax Commission will eliminate the Legal Section of the agency and outsource its legal work, for estimated savings of \$338,000. The Department of Revenue will close its Thibodeaux Office and institute telecommuting for its remaining employees to continue to provide services to citizens while working from home, resulting in an estimated savings of \$258,000.

The Intensive Motivational Program for Alternative Correctional Treatment (IMPACT), a boot camp program at Forcht-Wade Correctional Center, was consolidated with the IMPACT program at Hunt Correctional Center. This consolidation opened up 80 inmate beds at Forcht-Wade, which will be used to house offenders from Steve Hoyle Rehabilitation Center, which is being sold to a private party as a cost savings measure.

For FY 10, two departments will eliminate general fund spending in their budgets entirely. The Louisiana Workforce Commission, which reduced general fund by \$1 million in its mid-year budget reduction plan, will eliminate the remainder of its \$3.6 million general funds for the upcoming fiscal year. The Department of Wildlife and Fisheries will also cut its entire general fund of \$90,000. The Department of Environmental Quality, meanwhile, continues to reduce its use of general fund dollars. After achieving \$1.8 million in general fund savings in its mid-year reduction plan, an additional \$2.8 million general fund reduction proposed for FY 10 will bring DEQ’s general fund budget to \$7.4 million compared to \$12 million in its enacted FY 09 budget.

Reducing Government Positions

When it comes to fulltime authorized (T.O.) positions in state government for which the administration and legislature exercise specific appropriation authority, this administration has continually reduced the number of state government positions and will continue to do so. Eliminating positions directs departments to help achieve the goal of reducing the size and cost of government.

The FY 10 Executive Budget proposes the net reduction of 1,421 fulltime authorized (T.O.) positions across state government. Combined with 971 eliminations associated with the FY 09 mid-year budget reductions, and 1,019 eliminations previously implemented through budgetary action, the new recommended position eliminations would bring the total to 3,411 eliminations of fulltime authorized (T.O.) positions since the beginning of the Jindal administration.

The Commissioner of Administration worked closely with departments to develop position levels necessary to maintain critical services. Departments will have until the end of the current fiscal year on June 30 to prepare for the elimination of filled positions and to determine, through attrition or other personnel management options, whether lay-offs will be necessary.

Despite the administration’s persistent budgetary actions to reduce fulltime authorized (T.O.) positions, there has nevertheless been modest increases in other employment categories, particularly non-T.O. “Full-Time Equivalent” (FTE) employees, mostly in Higher Education and LSU’s Health Care Services Division, over which the administration has no specific appropriated authority to control positions.

Out of a concern over increases in non-T.O. full-time equivalent employees, the administration has begun discussions with the Department of State Civil Service to explore potential additional controls for the approval of non-T.O. FTEs.

States Across the Country Facing Budget Deficits

The Center on Budget and Policy Priorities (CBPP) reports that 43 states are facing deficits for the next fiscal year. Budget shortfalls have forced some states to cut critical services in every area – from health care to public safety to higher education – and some states have passed or are proposing tax increases.

Thus far, at least 22 states have approved or are proposing cuts to programs for seniors and the disabled. For example, California's budget for the upcoming fiscal year includes \$1.5 billion in cuts that eliminate annual cost of living increases for senior citizens as well as other health care services. In Massachusetts, a program that supplements drug payments for seniors is receiving less than half the funding it was given just two years prior.

In higher education, at least 32 states have implemented or proposed cuts to public colleges and universities. For example, California's governor signed a budget that includes reductions of \$255 million each for the University of California and California State University systems. In total, funding for higher education in California is taking a \$888 million hit. Furthermore, at least 26 states have cut or are proposing cuts to K-12 and early education. For instance, California's budget will cut K-12 education by \$8.4 billion over the next two years and in Nevada, the governor proposed cutting by \$153 per student.

In health care, at least 28 states have proposed or implemented cuts for public health programs. For example, in Washington state, the Governor has proposed a 42 percent cut, or \$252 million, for the state's health care plan that provides service to people making less than \$22,800 a year and New York's governor has proposed a \$3.5 billion cut in health care services.

A number of states are also reviewing proposals that will release prison inmates early and enable corrections departments to close prisons. For instance, Wisconsin's governor has proposed a plan to release between 500 and 1,000 prison inmates and in Virginia, the Governor and the legislature are considering a proposal to release prison inmates early in an effort that would close one or two prisons and save \$50 million dollars

Budget deficits have also forced many states to craft budgets contingent upon worker layoffs, including 1,100 positions in Minnesota, 1,000 to 2,000 positions in Pennsylvania, and roughly 1,300 state positions in Missouri. Many states have also put workers on unpaid leave. In Maryland, Georgia, California and Arizona alone, over 355,000 people are on unpaid leave. Due to budget cuts, Florida is letting go nearly 10 percent of the state's court system workforce, which has caused a delay in court services.

All together, 14 states have already passed measures to increase taxes and six governors are considering a tax hike to make up for these budget deficits. For example, Arizona's governor has asked the state legislature to temporarily raise taxes by \$1 billion as a "last resort." California's governor recently signed a budget that that includes \$12.8 billion in tax increases and in Massachusetts, the Governor has called for an increase in the fuel tax to make up an estimated \$14-19 billion budget gap in the state's transportation system.

Strategic Reductions: Mitigating the Impact on Health Care and Education

In the years following Hurricanes Katrina and Rita, Louisiana’s economy experienced a sizable boost from the influx of federal recovery and insurance dollars as well as economic activity associated with rebuilding – a boost that many economists rightly predicted would eventually level off. Corresponding to that economic activity, state government revenues surged as well, and were reflected in extraordinary increases in state budget support for health care, higher education, and K-12 education. The FY 10 Executive Budget begins to transition state investments in these areas back to normal, sustainable levels, before this influx in spending.

As with the recent mid-year FY 09 spending reduction plan, the FY 10 Executive Budget utilized strategic reductions throughout state government, as well as federal stimulus dollars, to mitigate reductions in health care and education, two areas commonly known to be the most “vulnerable” to spending reductions because they make up a sizable portion of “unprotected” general fund expenditures. While the cost savings in these areas are not insignificant, the goal was to make sure that total funding for these important services returned to a more sustainable level of spending, normalizing the dramatic rate of growth in the years following the 2005 storms.

**Average Spending Increases Per Year
Total Means of Finance**

	FY01 to FY06	FY07 & FY08
Department of Health & Hospitals	\$389 million	\$673 million
Higher Education	\$124 million	\$231 million
Department of Education	\$135 million	\$705 million

The total budget proposed for the Department of Health and Hospitals in the FY 10 Executive Budget is \$7.76 billion, a reduction of \$413 million, or 5.1 percent, from the \$8.17 billion budgeted in FY 09, but still \$1.16 billion more than the FY 06 funding level of \$6.6 billion.

The total recommended budget for Higher Education in the FY 10 Executive Budget is \$2.638 billion, a reduction of \$219 million, or 7.7 percent, from the \$2.857 billion budgeted in FY 09, but still \$186.5 million more than the FY 06 funding level of \$2.451 billion.

The total recommended budget for K-12 Education in the FY 10 Executive Budget is \$4.94 billion, a reduction of \$141 million, or 2.8 percent, from the \$5.09 billion budgeted in FY 09, but still \$998 million more than the FY 06 funding level of \$3.95 billion.

Transitioning to a More Sustainable Size of Government

While the FY 09 budget eliminated the previous year’s use of \$800 million in non-recurring revenue for recurring expenses, the FY 10 Executive Budget uses three available sources of funds to support services at DHH and DSS, which would have been lost to the state if not used. These funding sources include DHH medical vendor payments of \$21 million from the New Opportunities Waiver Fund, \$48 million in Federal Social Security Block Grant funds to mitigate rate reductions in the Private Provider program, and DSS utilization of \$17 million in supplemental SSBG dollars. Using these funding sources gives the agencies more time to streamline their functions and transition to a more sustainable size.

The FY 10 Executive Budget does not incorporate the use of state Budget Stabilization funds (“Rainy Day funds”) because they would ultimately have to be replaced, and using them would run counter to the goal of preparing for an expected precipitous drop-off in funding in FY 12.

Health Care Funding in FY 10 Budget

Mandatory adjustments to the DHH budget which are required by state or federal law, such as; Civil Service Fees and merit increases (\$10 million); and mandatory Medicaid increases such as the annualization of the previous year’s rate increases (\$100 million) were added to the FY09 Existing Operating Budget as the starting point for constructing the FY 10 Executive Budget.

The largest portion of DHH's budget - Medicaid - faces enormous challenges for FY10, and importantly, for the years that follow. While the stimulus funding is helping to mitigate these challenges temporarily, the stimulus funds will expire by FY12. The organic growth of Medicaid will continue, despite efforts to contain costs. This growth, combined with the stimulus “cliff” the state faces in FY12, the implementation of the federal DSH “Audit Rule” applicable beginning in FY11, and the decreased federal match resulting from increased per-capita income generated by the hurricane recovery, will create serious sustainability issues for the financing of Medicaid if we do not act.

The Total DHH funding for FY10 is \$7.76 billion. This includes proposed state general fund expenditures of \$1.475 billion and the utilization of \$568.8 million in federal stimulus dollars. \$205.9 million of this stimulus replaces federal Medicaid matching dollars that would have been lost in the next fiscal year as the state's FMAP is decreased from 71.6 percent to 67.6 percent effective October 2009.

Because the federal match for DSH is not enhanced under the stimulus bill, an additional \$35.8 million of the stimulus dollars are utilized to replace the lost federal FMAP funds due to the DSH match decreasing to 67.6 percent effective October 2009. Effectively, state plan Medicaid services receive an 80 percent federal match during the stimulus period, while DSH generates a 67.6 percent match.

Because of state general fund needs throughout the state budget, \$327.1 million of stimulus funding is being used in Medicaid to temporarily replace state general fund dollars to mitigate against further programmatic and rate reductions.

Further complicating the budget will be the new federal “audit rule,” which will fundamentally change how DSH is paid. It is estimated this rule, when implemented, will decrease total DSH in FY11 by \$136 million. The organic growth of Medicaid, the continued reduced FMAP, and the implementation of the audit rule will converge as the state begins the process of developing the 2011 budget.

Reductions proposed in Medicaid for FY10, when annualized, will help offset anticipated additional state funding requirements for FY11 and FY12. Of this \$411 million, \$273 million would replace the lost Medicaid FMAP; \$47 million would replace the lost FMAP from DSH; and \$91 million would replace the lost FMAP due to the new “audit rule.” The \$411 million requirement is a conservative estimate based on projected expenditures for FY10, and represents an increased need of approximately \$171 million over the FY10 requirement. In FY12, the enhanced FMAP related to the stimulus will be expired. Should the state choose to fully fund the lost FMAP in FY12, the annual cost will likely exceed \$411 million when considering any inflationary or utilization growth within Medicaid.

DHH's FY 10 budget proposes funding for 11,322 positions – a reduction of 574 positions (5.1%) from FY 09 (prior to the mid-year budget reduction) and represents the lowest level of staffing for the department in more than ten years, even as service volumes have increased substantially in most areas, from public health to waiver programs. For example, the Women, Infants and Children (WIC) program serves 13% more individuals in 2008 than it did in 2000. There was a 25 percent increase in annual Adult Protective Services investigations between 2005 and 2008, and OCDD waivers slots have increased from 3,451 in 1999 to 11,792 today.

DHH achieved \$344.9 million in general fund savings through efficiencies, strategic reductions, or through improved use of means of finance to take advantage of federal dollars. For instance, the department included \$42.4 million of funds in the Medical Assistance Trust Fund (MATF), and \$48 million of funding made available by allocating federal SSBG dollars to eligible DHH program office expenditures for one fiscal year. By doing so, the department takes maximum advantage of enhanced federal match under the Medicaid program.

According to the Kaiser Family Foundation, Louisiana had the 20th highest overall expenditures in Medicaid in 2006 and has among the highest per enrollee expenses for the federal Medicare program. Despite this level of spending, the state has ranked 50th in United Health Foundation's State Health Rankings for sixteen of eighteen years and Louisiana ranks at the bottom of every other national comparison of health status and health system performance.

While the department's nationally recognized outreach and enrollment efforts have reduced the number of uninsured children to below five percent, the outcomes of Louisiana's current fee-for-service-based Medicaid program rank among the lowest performing states as compared to HEDIS benchmarks. For example, though Louisiana has the highest rate of death from breast cancer, only 40 percent of eligible women enrolled in Medicaid received their recommended breast cancer screenings in 2007. Only 55 percent of infants (age 0 to 15 months) comply with the American Academy of Pediatrics recommendations for well-child screenings, and management of people with chronic conditions, when compared to HEDIS measures nationally, rank Louisiana in the lowest performing percentiles.

The department is embarking upon several initiatives to improve outcomes, efficiency, and reduce costs.

Improvements in Medicaid: Louisiana's largest insurer for the poor

Chronic diseases, such as heart disease, cancer and diabetes, account for 70 percent of all deaths in the United States. According to the Centers for Disease Control, these diseases also cause major limitations in daily living for almost one out of 10 Americans. Although chronic diseases are among the most common and costly health problems, they are also among the most preventable. As the state's largest insurer, Louisiana's Medicaid program must be tailored toward early identification of people with chronic conditions.

The CommunityCare program can be a valuable vehicle for improving efforts to identify, and better manage, chronic conditions. Medicaid will propose tying the monthly CommunityCARE management fee to nationally recognized measures of provider performance. The current \$3-per-member-per-month management fee paid to CommunityCARE physicians to manage the care of Medicaid recipients will be fully paid for those physicians achieving established benchmarks of performance related to incremental improvements in well child/adolescent/adult preventive visits; and breast and cervical cancer screening. Partial payment will be made to those who achieve some, but not all of the objectives. Specific and achievable improvement goals have been established, and the department will work with the provider community to ensure proper implementation. Achieving these

improvements, for example, would result in 41 thousand more children receiving recommended well-child screens and 4,800 more women being screened for cervical cancer. DHH's budget includes specific funding for anticipated improvements in preventive measures, which will also result in substantial savings for the state budget in future years.

The successful models of care proposed in the Louisiana Health First proposal - from pre-paid coordinated care to the fee-for-service "North Carolina Model" - rely upon an infrastructure that provides physicians with the tools to help ensure patient participation with a plan of care once they are diagnosed. This will be an infrastructure that does not systemically exist in Louisiana Medicaid today.

Currently, Louisiana Medicaid scores poorly on measures of success in managing chronic disease. For example, only 67 percent of diabetics in Medicaid had the recommended blood sugar screening in 2007 - ranking in the bottom 10 percent of Medicaid programs nationally when compared to HEDIS measures. The budget provides \$8.6 million (\$4.3 state general fund) for investment in case management of people with the most common chronic conditions and providing evidence-based case management of people with behavioral conditions. DHH will also partner with the Department of Social Services to invest \$2 million of SSBG funds to identify and assess children in hurricane-affected coastal regions in high-risk social situations with chronic and acute medical and behavioral health care needs.

According to the Head of Bioethics at the Clinical Center of the NIH, evidence-based medicine is practiced only 50 percent of the time. As we better manage people with chronic conditions, the evidence demonstrates we can reduce avoidable hospitalizations. Currently, Louisiana has the highest rate of avoidable hospitalizations in the United States. Medicaid will utilize nationally accepted evidence-based clinical guidelines as it authorizes reimbursement for hospitalizations, outpatient diagnostics and behavioral health services. This will improve outcomes, reduce risk to patients and safeguard taxpayer resources. While there will be savings resulting from reducing avoidable hospital days, the executive budget invests \$40 million in state and federal funds into rebasing hospital rates.

Due to limitations in available general fund dollars, Medicaid proposes reductions to public and private provider rates. However, because the federal match under the Disproportionate Share Hospital program (DSH) cannot be raised by the stimulus package and is decreasing to 67.61 percent under the federal formula, DHH is making a strategic proposal to increase Medicaid rates for the LSU public hospitals to optimize federal funds. Mid-year rate reductions for providers that already have been implemented will also be annualized. In addition, an average 7.16 percent additional reduction in rates will be applied to the private provider program for a total impact of \$323.8 million. Despite these reductions, rates for most providers and services will remain higher than their levels were prior to the major increases that were implemented two years ago.

The proposed budget reduces the Uncompensated Care Program (UCC) program by \$46.7 million in state general funds - a total reduction of \$20 million from the Community Hospital pool, \$10 million from the funding for the distinct part psychiatric beds program (which has generally been underused), \$7.2 million from the rural hospitals, and \$30.2 million at LSU-HCSD hospitals.

Investing in Protecting Louisiana's Children

DHH's budget includes \$1 million of state general funds proposed for the implementation of an Involuntary Outpatient Commitment and Treatment Program for convicted Sexually Dangerous Predators who have victimized children 12-years-old and under. Currently 460 of these sex offenders, convicted for crimes that include forcible and aggravated rape of children, are in the state prison system, and as many as half of these individuals are set to be released by 2015. Data shows that, conservatively,

without intervention, 35 percent of these offenders are likely to recommit their crimes within 10 years, and 51 percent are likely to recommit within 15 years.

Of course, no one can put a price on the loss of a child's innocence by the force of a sexual predator. The punishment for these crimes should be severe, and Louisiana's recent statutory changes have increased penalties for many of these crimes to a mandatory minimum 25 years to life. The cost of these offenses, to be sure, is expensive even beyond the human cost to the families affected. A 1996 study estimates the tangible and intangible costs of a single sexual assault - including the cost of treatment services for the victim and not including court costs or the cost of prosecution - exceeds \$94,000.

The proposed program, modeled after a Texas program demonstrating success for more than 10 years, will require any offender set for release from prison to be evaluated to determine if they are likely to recommit based upon their mental status. If, based on professional evaluation, they are determined to suffer from a behavioral condition that may lead them to recommit, they will be enrolled in a strict, mandatory treatment and supervision program where they must comply with the provisions of the program until their diagnosis is cleared by officials. During their participation in the program, they will receive treatment for behavioral issues, risk assessment, frequent reassessment, and their movement in their community may be restricted and monitored. Violation of any provision of the program may result in prosecution and return to prison or confinement. The Texas program has not reported any re-arrests for sex-related crimes.

Improving Performance and Reducing the Size of Government

The Department has proposed several initiatives to transform the role of government when there are quality and cost-effective alternatives or there are opportunities to operate more efficiently. These initiatives include the merger of facilities, supporting Human Service Districts and increasing the use of private, community-based options where there are high-quality, cost effective alternatives. This transformation must begin now, as the budget challenges facing the department over the next few years cannot be ignored.

The John J. Hainkel home provides excellent long-term care services, and does so at a Medicaid cost per day 54 percent higher than similar community-based nursing facilities. As part of its initiative to transform the department, DHH will propose to sell the facility to an organization with a proven track record for operating high-quality long-term care facilities. The facility, which will have capital needs due to its age, would benefit from private capitalization to improve its physical plant. The state will benefit from out-year savings of nearly a half million dollars annually, avoidance of future capital costs and proceeds from the sale.

The consolidation of New Orleans Adolescent Hospital into South East Louisiana Hospital will result in savings of \$9.1 million in general fund without reducing services. Some Supported Independent Living (SIL) services and community-based services operated by OCDD will be transitioned to private providers, resulting in a net savings of approximately \$1.9 million without reducing services. Reduction of staff, community support teams, and resource center costs in OCDD will save \$3.8 million in general fund dollars, while maintaining safe staffing ratios.

DHH is proposing legislation to combine the Offices of Addictive Disorders and Mental Health into a new Office of Behavioral Health. This consolidation will reduce the size of the senior department administration while also clinically aligning these functions, which is consistent with national best practices. Savings from the transfer of 54 beds from the OAD Greenwell Springs

recovery center to the office of mental health will result in \$200,000 in general fund savings, as many of these services become Medicaid eligible.

The Office of Public Health will realize more than \$5.3 million in general fund savings primarily by reengineering processes, eliminating or renegotiating unfavorable contracts, and matching workload to the demand in public health units.

The department will continue to move health care services towards a community-based model. This includes continuing funding to create Human Service Districts in the regions of the state not currently operating under this model of local governance. State general funding of \$10.9 million will continue programs recently implemented to address the mental health needs of New Orleans, including Assertive Community Teams that serve 300 persons with serious mental illness and/or co-occurring conditions of abuse disorders or developmental disabilities, supported housing services, medically supported detoxification beds, and crisis intervention teams for adults and children.

DHH's proposed budget also continues the state's commitment to implementing the Consumer's Right to Know Act. In addition, the department has designated the Louisiana Health Care Quality Forum as its designated state entity to assemble Louisiana's plan for obtaining available health information technology in the federal stimulus package. This includes funding for health information exchange and technical assistance to physician practices for the installation and use of privacy-protected electronic health records.

Education Funding in FY 10 Budget

K-12 Education

Following significant increases in state investment in K-12 public education for FY 09, the FY 10 Executive Budget aims to maintain those gains while continuing to emphasize reform and fund strategic initiatives. For instance, the FY 10 Executive Budget recommendation for the Minimum Foundation Program (MFP) reflects a total means of financing of \$3,269,940,870, which is unchanged from the FY 09 Existing Operating Budget. The Minimum Foundation Program provides funding to local school districts for their public educational system so all students have an equal opportunity to realize their full potential.

Governor Jindal has already proposed reforming the MFP to increase accountability in the use of these public school dollars. Currently, the MFP formula has recognized additional costs associated with educating students living in poverty, and those who need special education services, career and technical education, and a more challenging curricula. However, because the MFP is a block grant to school districts, there is no accounting for how these targeted funds are used to benefit these targeted students.

Governor Jindal's reforms will require that, beginning in Fiscal Year 2011, local school districts allocate weighted funding in a way that will benefit these intended student populations, and it will require them to report on how funds are spent to support the students the funding is targeted toward.

This proposal will also direct the Department of Education to provide technical assistance to districts to help them make more strategic fiscal decisions that promote better student performance. Additionally, part of this reform will also require the Department of Education to post funding allocation information by district and school level on a new user-friendly website for parents and communities.

The FY 10 Executive Budget continues investment levels for strategic initiatives designed to improve academic performance for students, including \$14 million for the LA Literacy and Numeracy initiative, \$4.9 million for the High School Redesign Program, \$4.5 million for Career Technical Education, total funding of \$108 million for the LA-4 Pre-K Program, \$3.3 million in TANF funds for the Jobs for America's Graduates program and for Educational Mission to Employ Louisiana's Youth (EMPLoY), the Governor's announced drop-out prevention pilot program initiative, and \$5.6 million for stipends to teachers earning National Board Teacher Certification. The budget also includes increased assistance of \$1.6 million for Morehouse Parish and \$1 million for Union Parish due to the loss of local revenue.

Higher Education

To strengthen planning for Higher Education, the FY 10 Executive Budget recommends that all state general fund and the federal stimulus funding provided to higher education be provided to the Board of Regents. A distribution plan will be developed by the Board of Regents, in coordination with the university systems, to provide necessary funding informed by a review of high-performing programs.

The FY 10 budget also proposes to transfer the Louisiana Office of Student Financial Assistance (LOFSA) to the Board of Regents. The budget includes an additional \$10.1 million to fully fund Taylor Opportunity Program for Students (TOPS) awards. TOPS is Louisiana's merit based scholarship program that awards qualifying students tuition payments for up to eight semesters at any eligible Louisiana institution. The projected number of TOPS recipients for FY 2009-2010 is 43,176 with a total recommended funding amount of \$129.9 million. The budget would also provide a total of \$24.2 million in state general funding for Go Grants. These grants are designed to bridge the gap between the amount of financial aid a student is awarded through the Federal Pell Grant aid program and the calculated Education Cost Gap for a student attending a Louisiana college or university.

Additionally, the proposed budget includes \$6.5 million in one-time funding for Endowed Chairs and Professorships. This funding, along with \$5.88 million in funding provided from the Louisiana Quality Education Support Fund, will be used to match private donations to enhance the recruitment and retention of distinguished university faculty at institutions across Louisiana.

Because of the important role higher education plays in preparing Louisiana students for promising careers in the state, \$10 million in workforce training for high-demand fields is now a recurring Statutory Dedication for the Louisiana Community and Technical College System and provided in the FY10 budget. To provide career assistance to Louisianans of all ages, the Louisiana Workforce Commission's Incumbent Worker Training Program is funded at \$45.2 million for FY10.

In order to mitigate reductions in higher education state funding, the FY 10 Executive Budget utilizes \$219.7 million from the federal stimulus's "Fiscal Stabilization Fund."

Continue Funding for State Priorities While Reforming Government

In addition to the continued strategic investments in health care, education, and workforce development highlighted above, in order to keep Louisiana moving forward, the FY 10 Executive Budget contains recommendations to continue or strengthen investments in other strategic initiatives.

In public safety and emergency preparedness, the recommended budget includes \$1.5 million in state general fund to Adult Probation and Parole for 300 Passive GPS electronic monitoring units for increased monitoring of sex offenders. Eleven Probation and Parole Officers (PPOs) will provide intensive supervision along with electronic monitoring of sex offenders to

enhance public safety and reduce recidivism. The budget also adds \$300,000 to allow the State Police Crime Lab to continue to integrate the Laboratory Information Management (LIMS) System, move to an electronic imaging system, and secure technology to collaborate and communicate with clients more efficiently.

The budget includes an additional \$18.4 million for Supplemental Pay to Law Enforcement Personnel, in accordance with Act 664 of the 2008 Regular Legislative Session, which increased supplemental pay from \$450 to \$500 per month. Of this amount, \$8.4 million will go to Deputy Sheriffs, \$5.4 million to Municipal Police Officers, \$4.5 million to Firefighters, and \$160,452 to Constables and Justices of the Peace. In addition, \$9.4 million is included in the budget to provide funding for the statewide interoperability system.

The budget also includes an additional \$51 million for coastal restoration projects and protection management. Additionally, the FY 10 budget makes the maximum use of federal TANF dollars to provide child protection investigations for enhanced services to at-risk families. In the FY 10 budget, DSS's Office of Child Services will receive approximately \$21 million in TANF funds for the Child Welfare Services program. The Department of Wildlife and Fisheries' budget also includes a total of \$8.4 million for aquatic weed control to allow a contract to treat additional acres of aquatic vegetation and develop research partnerships with state universities on alternative uses and treatment methods for nuisance aquatic plants.

Additionally, the Office of Fisheries includes continued federal funding for disaster assistance for the fisheries industry participants, including \$3.5 million for private oyster lease recovery projects to assist leaseholders in rehabilitating oyster reefs; \$3.5 million for public oyster ground rehabilitation projects to rebuild reefs through cultch planting; \$600,000 for update/improving oyster leasing records management and data system; and \$3 million for hurricane debris removal.

The budget protects gains made through last year's historic government ethics reforms by exempting cuts in this area and providing the full funding level requested. The budget includes \$4.2 million for the Ethics Administration, which is budgeted to add two new positions to increase effectiveness of operations, and continued funding of \$4 million for the Division of Administrative Law.

The FY 10 budget also includes \$8.1 million in the Louisiana War Veterans Home which represents a 1.6% increase over FY 09; total funding of \$8.7 million for the Northeast Louisiana War Veterans Home - represents a 7.5% increase over FY 09; funding of \$8.3 million for the Southwest Louisiana War Veterans Home - represents a 1.8% increase over the FY 09; funding of \$8.3 million for the Northwest Louisiana War Veterans Home - represents a 6.1% increase over the FY 09; and total funding of \$8.5 million for the Southeast Louisiana War Veterans Home - represents a 15.6% increase over FY 09. These increases are mostly the result of decreases in state general funds and increases in federal funding that the Veterans Affairs Department has strategically positioned the homes to be eligible to receive through specific program adjustments.

Restructuring Government for Long-Term Sustainability and the "Commission on Streamlining Government"

The Administration will form a "Commission on Streamlining Government" during the 2009 legislative session that will examine each agency's statutory and constitutional duties in an effort to reduce the size of state government. This commission will target programs and agencies whose functions can be consolidated, in addition to identifying opportunities for privatizing and outsourcing current state functions.

The administration will work with the members of the "Commission on Streamlining Government" to examine the necessity of programs and services being offered by the state to ensure that they have strong performance and they are meeting the needs of

citizens. This overhaul of state government functions is extremely important, especially in these times of national economic turbulence, to ensure that state tax dollars are being spent as efficiently and effectively as possible. Many state agencies were created 30 years ago and served a purpose that may or may not continue to be relevant today.

The proposal will call for recommendations from the “Commission on Streamlining Government” to be submitted for approval prior to the 2010 legislative session. Once approved, the Administration will work with the legislature and stakeholders to prepare the appropriate legislation needed to implement the recommended reforms.

Fiscal Reforms

In order to increase flexibility and accountability in budgeting, and to escape historical restrictions that lead to cuts in “vulnerable” areas like health care and higher education, the Governor has proposed four major fiscal reforms.

First, Governor Jindal proposes a law to authorize the automatic sunsets of all dedicated funds beginning at the end of the next fiscal year, July 1, 2010, with renewed or newly created dedications to sunset every four years thereafter. Using performance data, the legislature will have the time and resources they need to evaluate which statutorily dedicated funds should sunset. This process will bring uniformity and transparency into the annual review process of all expenditures by applying performance evaluations of statutorily dedicated activities – like the Activity Performance Review process for spending supported through the General Fund.

Currently, dedicated funds do not receive the same level of review as other activities in state government – because they are set off limits to reductions, and this often means they are often off limits to review and accountability also. Governor Jindal’s fiscal reforms include conducting an annual review of the performance of statutorily and constitutionally dedicated activities, similar to the Activity Performance Review the Division of Administration conducts for funds supported through the general fund. This spending and performance information will be published on LaTrac to bring greater transparency and accountability to organizations spending state dollars.

Currently, when a deficit is projected, the state’s constitution only allows for reductions to statutory dedications up to five percent. Governor Jindal is proposing to increase this discretionary limit to ten percent so that it will provide far greater flexibility in identifying potential cost savings when revenue falls and deficits are realized.

Current statute says that the five percent reductions to statutory dedications can only be made over a two-year period. Governor Jindal proposes to eliminate this limit, which will create more flexibility on a yearly basis to reduce spending in areas other than higher education and health care.

With the help of these fiscal reforms and service reforms implemented by departments, the state will be better prepared to approach potential budget challenges in the future while continuing to improve opportunities for all Louisiana citizens.

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