



Fiscal Year 2017 Problems

Joint Legislative Committee on the Budget
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Commissioner of Administration



The Making of a Fiscal Disaster

- \$326 million unfunded when Fiscal Year 2017 started, including:
 - TOPS - \$87.7 million
 - MFP - \$24.2 million
 - Non-public school assistance - \$6.9 million
 - Acadiana Center for Youth – delay opening - \$14.198 million
 - Frozen waiver slots - \$8.6 million
- \$67 million in treasury accounts JLCB directed to be used for FY16 expenses instead of FY17
- \$276 million in state and federal flood recovery work that state departments are paying out until federal funds come in:
 - State - \$30.32 million
 - Federal- \$246.2 million
- Two budget deficits prompting major reductions in state agency spending:
 - \$312.66 million – revenue shortfall from FY16 that had to be closed in FY17
 - \$304.22 million – revenue shortfall certified for FY17

How Fiscal Year 2017 Began



- All branches of government received budget reductions:

Executive Branch	-\$303,175,341
Local Housing of State Inmates	-\$7,662,500
Judicial Branch	-\$8,307,964
Legislative Branch	-\$7,335,281
Total Budget Reductions at the Start of FY17	-\$326,481,086

Additional Reductions Required for the Fiscal Year 2016 Close-out Period



- Act 601 of the 2016 Regular Session (Funds Bill) required transfers to the general fund from prior years
- These outstanding transfers were from FY11 forward
- The late implementation of these transfers from prior years had remained “on the books” in the state treasury
- Without completing these transfers, FY16 would have been short an additional \$67 million

Which Agencies were Cut to Complete the Outstanding Transfers?



Executive	-\$4,457,147	Elected Officials	-\$2,835,938
Economic Development	-\$256,000	CRT	-\$26,450
DOTD	-\$35,494	Public Safety	-\$615,586
LDH	-\$1,100,306	DCFS	-\$2,500
Natural Resources	-\$472,912	Revenue	-\$3,452,424
Environmental Quality	-\$597,578	Workforce	-\$100,803
Other Requirements	-\$574,483	Capital Outlay	-\$52,475,522
Total Transfers	-\$67,003,143		

Budget Reductions due to Fiscal Year 2016 Deficit



- At the end of the Second Special Session, the Governor warned the Legislature that Fiscal Year 2016 would likely end in a deficit due to lower than expected corporate tax receipts
- The collections for corporate taxes and also individual income taxes failed to meet the revenue forecast
- All Executive Department agencies were advised in July to reserve funds up to 5% of their budget to help resolve the expected shortfall
- Fiscal Year 2016 ended with a deficit of \$312,665,008, which was greater than anticipated

Budget Reductions due to Fiscal Year 2016 Deficit



- Agencies were asked to use their attrition savings and other savings to address the prior year shortfall.
- We also asked the Joint Legislative Committee on the Budget to push the 13th managed care payment to the Healthy Louisiana companies (formerly Bayou Health) into FY18 by delaying the payment by two weeks.
- Fiscal Year 2017 will still include making 12 managed care payments



Fiscal Year 2017 Deficit

- On Jan. 13, 2017, the Revenue Estimating Conference revised the base forecast for the current year
- Reductions primarily in corporate and individual income tax lowered the forecast
- After budget adjustments, the second deficit for Fiscal Year 2017 is \$304,754,598
- As we propose to resolve the deficit, we are considering the prior reductions and unbudgeted emergency expenditures impacting each agency

Fiscal Year 2017 Deficit



- By the time this deficit is resolved, government will have faced more than \$1 billion in reductions and adjustments over the last seven months
- In addition, agencies are also covering another \$246 million in disaster expenditures while waiting on federal reimbursement
- This budget imbalance is reflected in the state treasury cash flow issue and the necessity to use revenue anticipation notes to pay bills

Current Cumulative Budget Reductions and Adjustments for Fiscal Year 2017



Executive	-\$19,016,157	Elected Officials	-\$12,094,270
Veterans Affairs	-\$399,415	Corrections	-\$15,176,903
Economic Development	-\$4,556,000	CRT	-\$4,999,923
DOTD	-\$5,351,359	Public Safety	-\$6,536,771
LDH	-\$356,561,726	DCFS	-\$9,871,103
Natural Resources	-\$2,132,028	Revenue	-\$35,371,103
Environmental Quality	-\$2,379,092	Workforce	-\$1,836,003
Wildlife	-\$4,305,375	Civil Service	-\$134,312
Higher Ed and TOPS	-\$100,823,096	Special Schools	-\$1,058,208
Department of Education	-\$43,259,339	HCSD	-\$2,316,285
Other Requirements	-\$9,222,408	Capital Outlay	-\$52,475,522
Judiciary	-\$8,307,964	Legislative	-\$7,335,281
TOTAL	-\$719,973,561		



Important Dates

- Jan. 27 – Joint Legislative Committee on the Budget recognizes deficit
- Feb. 6 – Gov. John Bel Edwards releases plan for budget reductions
- Feb. 13 – Special session begins
- Feb. 23 – Session ends
- Feb. 27 – Expiration of 30-day period to resolve the \$304 million deficit