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Joint Legislative Committee on the Budget
Monday, January 22, 2018

Gov. John Bel Edwards and Commissioner of Administration Jay Dardenne appeared before the Joint Legislative Committee on the Budget today to present the administration's proposed executive budget for Fiscal Year 19, which begins July 1, 2018. The entire proposed budget, as well as the Commissioner's presentation and other supporting documents, can be found here: http://www.doa.la.gov/Pages/opb/pub/FY19/FY19ExecBudget.aspx

The governor proposed a $25.3 billion budget, down from the existing $28.1 billion this year. The budget does not propose to replace all expiring revenue. "It does not go far enough," Edwards said. "There will still be painful cuts." The proposal cuts $994 million, but to completely make up the revenue being lost from the roll-off of temporary taxes, the state must cut or come up with $1.38 billion. The state is required to come up with a balanced budget each year by the end of June; if an agreement cannot be reached on cuts, a special session will have to be called to address raising revenue. The upcoming session, which starts March 12, is a regular session, and tax measures cannot be addressed. "The state is heavily dependent on sales and individual income tax," Dardenne said.

The governor has been at odds with a contingent of House Republicans, who are unwilling to increase taxes to cover the deficit. The governor has said he is not in favor of a "cuts-only" approach. They have been meeting to come up with a compromise. The governor would like to call a special session the week after Mardi Gras in February, but said he will not "call it just to call it," meaning he wants a plan in place. Should that not happen prior to the regular session, the Legislature will have to come back to a special session after the conclusion of the regular session in June. "It's not going to be easier later. The longer we wait, the more damage we cause," Edwards said. "The window of opportunity continues to shrink. It's responsible to fix the 'cliff' in February." Waiting means risking receiving more credit downgrades and higher tuition for families, the governor said. "We need a permanent and responsible fix to the 'cliff.' Work with me. I've gotten no plan or even part of a plan from House leadership. I can't negotiate with myself. Louisiana is on the cusp of unprecedented prosperity. Let's prove we're not Washington, D.C., where the government is shut down and both sides refuse to listen to each other or compromise, and neither is concerned about the country as a whole."

"This is the executive budget which we do not support, do not endorse and hope will never be enacted," Dardenne said.

Of the entire budget, $8.6 billion is state general fund, and of that, only $3.6 billion can be cut, meaning the biggest cuts will again fall to healthcare and higher education. Two-thirds of the state general fund is non-discretionary and cannot be considered for budget cuts. Protected areas include the Department of Children and Family Services, Veterans Affairs, K-12 education and coastal protection. Areas that will take significant cuts include prisons and corrections, TOPS and hospitals. The Acadiana Juvenile Justice Facility, debt service for new bond sales and acquisitions and major repairs will not be funded. Two-thirds of the cuts, about $660 million, will be levied on the Louisiana Department of Health, which works out to about $2.3 billion when federal matching funds are included. The proposed budget strips discretionary funds from TOPS, which cuts the program by about 80 percent, or $233 million. The governor indicated there will be no additional capital outlay funding for next year.

Proposed cuts to the Louisiana Department of Health include (all numbers indicate a reduction from SGF funding):

- Medical Vendor Administration ($1.3 million)
- Eliminating nursing home bed homes ($1.1 million)
- Eliminating nursing home rebase ($3.7 million)
- Reducing UPL and FMP payments ($4 million)
- Eliminating DSH payments ($189 million)
- Reallocating statutory dedications associated with DSH elimination ($12 million)
- Eliminating Pediatric Day Healthcare services ($10.9 million)
- Nearly eliminating mental health rehabilitation services ($17.6 million)
- Substance abuse services ($26 million)
- Reducing staff in the Office of Behavioral Health ($172,009)
- Eliminating provisional Medicaid ($38.2 million)
- Eliminating Long-Term Care Special Income Level Program ($231.1 million)
- Reallocating statutory dedications associated with LTC special income level elimination ($29 million)
- Ambulatory Surgical Center ($3.7 million)
- Medically Needy Regular ($10.5 million)
- Medically Needy Spenddown ($1.2 million)
- DSH-OBVH PPP-Community Care and Northlake payments ($5.1 million)
- OBH PPP Reduction ($134,271)
- Eliminating Long-Term Personal Care ($56 million)
- OAAS LT-PCS staff reduction ($406,351)
- OCDD supports waiver staff reduction ($42,807)
- Eliminating of Children’s Choice Waiver ($4.7 million)
- OCDD Children’s Choice Waiver staff reduction ($50,070)
- Reducing NOW waiver services ($4.8 million)

Also not included in budget is the “13th payment” for Medicaid managed care Healthy Louisiana plans. One of the monthly payments to the plans was delayed during the Jindal administration, and the state will owe an additional monthly payment for those services. Dardenne indicated the payment is included in the five-year forecast, but the “day of reckoning” is next year; the bill comes due finally in the 2019-2020 fiscal year. The FY19 proposed budget does include all 12 payments to the Healthy Louisiana plans.

Both the governor and Louisiana Department of Revenue Sec. Kimberly Robinson said the administration is moving away from considering compressing individual income tax brackets, since recent federal legislation could provide income tax revenue. Any plan to address revenue increase will still include elimination of the excess itemized deduction, which will mean $100 million and implementing a sales tax on services, which will generate $130 million if implemented on July 1, but could generate $180 if put in place in February. “Cleaning” the four pennies of sales tax of all exemptions, credits, deductions and exclusions is estimated to generate $160 million. “We’re still looking at the MM&E [manufacturing machinery and equipment] and the rate for the industrial piece,” Robinson said. The governor’s plan has previously included taxing business utilities at 4 percent and industrial facilities at 2 percent. House Republican Delegation Chair Lance Harris, R-Alexandria, said the plan does not cover the figures proposed by the governor. Robinson said the administration is still looking at some options, and the elimination of the bracket compression is still being reviewed. “We have a little more work to because of the governor’s statement on bracket compression…on cleaning the pennies,” she said. Regarding MM&E, Rep. Cameron Henry noted it was “not in, but now it’s back in?” Robinson said, “That is something we’re having to consider.” Sen. Sharon Hewitt, R-Slidell, noted that, with regard to oil and gas, “We have to drill wells to increase capacity and activity, and wells are not being drilled in south Louisiana because of the coastal lawsuits.”

The expenditure limit is set at $14.8 billion, and the state remains $2.7 million under that cap, which is based on the budgeted amount and a growth factor each year. The continuation budget, which is the amount of money necessary to keep funding state services at current levels, is in imbalance by about $1.59 billion. At least $491 million of that is due to increases in vendor payments ($615 million total for LDH), and an increase in the Minimum Foundation Program is one of the other factors for the deficit. The imbalance in that program is anticipated to grow incrementally, due to continually increasing costs, over the next few years. The fiscal office said continuation is “doing the job it is supposed to do” by showing budget anticipation in the outyears, but is not always fully funded because expenditures often outpace revenue.