

# Description of the State Budget Situation & Stimulus Package

## Feb. 17, 2009

### LOUISIANA BUDGET

#### State Budget Situation

- Revenues are estimated at about \$1.3 billion less than projected for the FY09.
- Higher education's rescission is about \$341 million

#### The Rules of Budgeting

- The Revenue Estimating Conference is the official revenue forecasting body. The budget is built on REC.
- When REC projects lower than expected revenues, as they did in December, the Governor is required to make the state budget fit the revenue projections. That is why there was a mid-year budget cut.
- In a cut, the Governor has limited ability to cut. This is how it happens (R.S. 39:75):
  - Governor has the authority to reduce budget by 3% (except for K-12, which requires a 2/3s ballot vote)
  - If the Governor reduces the budget by 0.7%, then the Governor can cut up to 5%, even those funds that are constitutionally protected (except for 1% for K-12)
  - Constitutionally and statutorily dedicated funds can not be reduced by 5% for two consecutive years.
  - **The Governor has proposed changing this law from 5% to 10%, which requires a 2/3s vote of the Legislature only (Constitution VII, 10F)**
- The REC can not add the "Rainy Day Fund" unless the Legislature indicates it wants to tap the fund. The fund can not be used in consecutive years. The amount available for use is about \$260 million.

#### Discretionary and Non-Discretionary

[http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09\\_StateBudget.pdf](http://www.doa.louisiana.gov/opb/pub/FY09/FY08-09_StateBudget.pdf)

**Total Non-Discretionary: \$5.3B**  
 Const. protected: \$3.2B  
 Federal mandate: \$886M  
 Avoid Court Order: \$382M  
 Unavoidable: \$310M

**Total Discretionary by Function:**  
 Education: 49%, \$2.1B  
 Human res.: 36%, \$1.6B  
 Public Safety: 8%, \$333M  
 Other: \$323M

**Total Non-Discretionary by Function:**  
 Education: 55%, \$2.9B  
 Human res.: 21%, \$1.1B  
 Gen'l Gov't: 14%, \$727M  
 Other: \$562.6M

#### NON-DISCRETIONARY EXPENDITURES

Required by the Constitution

- Legislative Compensation and salary for elected officials
- Cost of elections and ballot printing
- Non-public School Textbooks and Minimum Foundation Program
- Parish Transportation and TIMED Project funding
- Direct Support - LASERs
- Interim Emergency Board
- Revenue Sharing
- Debt Service - Net State Tax-Supported Debt
- Port of New Orleans dedication for debt service
- Severance tax dedication to parishes
- Parish Royalty Fund dedication to parishes
- Highway Fund # 2 dedications to Mississippi River Bridge Authority and Causeway Commission

Due to Court Order

- Representation for mental health patients
- Avoidance of Court Order
- Court Appointed Consultant
  - Instruction Special School Districts #1 and #2 - Juvenile Justice Settlement
  - Correctional Services Training Program - ACA accreditation
  - Adult Correctional Facilities - ACA accreditation
  - Juvenile Justice Settlement - Office of Youth Development
- Needed to Pay Debt Service
- Debt Management Program (Treasury)
  - Corrections Debt Service - Louisiana Correctional Facilities Corporation
  - Debt Service and Maintenance - of state buildings paid by Office of Facilities Corporation
  - Rent in state owned buildings - paid by state agencies to Office of Facilities Corporation
  - Debt Service - Northrop Grumman facility
  - Debt Service - Union Tank Car

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| <ul style="list-style-type: none"> <li>• Debt Service - C.G. Rail facility</li> <li>• Debt Service - Higher Education Debt Service for Community College Boards</li> </ul> <p>Needed to Prevent Total Loss of Federal Funds</p> <ul style="list-style-type: none"> <li>• Office of State Library Maintenance of effort</li> <li>• Financial Assistance State Student Incentive Grant Match (also known as Leveraging Education Assistance Partners)</li> <li>• Violent Offender/Truth-in-Sentencing Grant</li> </ul> <p>Due to Federal Mandate</p> <ul style="list-style-type: none"> <li>• Mandatory Medicaid Services</li> <li>• Federal Safe Drinking Water Act - for inspections</li> </ul> <p>Needed for Statutory Obligations</p> <ul style="list-style-type: none"> <li>• District Attorney and Assistant District Attorneys' salaries &amp; benefits</li> <li>• Victims Assistance Coordinators</li> <li>• Direct Support - Teacher's Retirement - State contribution for LSU's unfunded liability for teacher's retirement</li> </ul> | <ul style="list-style-type: none"> <li>• Teacher Increments - Professional Improvement</li> <li>• Type 2 Charter Schools - continuation of funding</li> <li>• Tuition Opportunity Program for Students (TOPS)</li> <li>• Local Housing of State Adult Offenders</li> </ul> <p>Subject to Legislative Discretion</p> <ul style="list-style-type: none"> <li>• Legislative Expenses</li> <li>• Judicial Expenses</li> </ul> <p>Needed for Unavoidable Obligations</p> <ul style="list-style-type: none"> <li>• Group Benefits for Retirees</li> <li>• Maintenance of State Buildings - from state agencies to Division of Administration</li> </ul> <p>Unemployment Compensation</p> <ul style="list-style-type: none"> <li>• Capitol Park Security</li> <li>• Adult Probation and Parole - Field Services Program</li> <li>• Family Preservation and Children Services offered by DSS</li> <li>• DHH-Eastern LA Mental Health System - Forensic Facility</li> </ul> |
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### FEDERAL STIMULUS BILL

The federal stimulus bill has “state budget stabilization funds” to help states cope with the economic downturn. Recall that the REC (at the state level) must first recognize revenue. This means that until REC recognizes the stimulus funds, it is not counted in the budget.

- Feb. 17: President Obama signs stimulus bill into law
- Feb. 18: Will REC recognize federal stimulus money?
  - If REC does, Governor’s Preliminary Executive Budget could be more promising
  - If REC does not, the Governor’s Preliminary Executive Budget will be based on latest estimate of state revenues (meaning it could continue to look bad).
- March 13: Governor’s Preliminary Executive Budget is presented to the Legislature

### What does Stimulus include for us?

- \$575 million for education budget stabilization (mostly K-12)(including infrastructure)
- \$130 million for flexible use in budget stabilization
- \$1.6 billion for Medicaid
- \$460 million for Louisiana for the Army Corps of Engineers
- \$13.3 million for education tech. (deploying high-speed internet , 50% in rural areas)
- Pell Grant increase of \$500 (about 110,000 students in Louisiana)
- Research granting agencies:
  - NSF, \$3.0 billion
  - NIH, \$10.4 billion
  - DOE, \$2.0 billion for research (including \$1.6 billion for Science and \$400 million for Advanced Research Project Agency-Energy, ARPA-E);
  - NIST, \$580 million for the National Institute of Standards and Technology (NIST), including \$180M for a competitive research facilities construction program;
  - NOAA, \$280 million
  - NASA, \$400 million