

# **SUMMARY OF THE FISCAL YEAR 2007 BUDGET**



SENATE FISCAL SERVICES

JUNE 30, 2006

# OVERVIEW OF THE FISCAL YEAR 2007 BUDGET

## FISCAL YEAR 2007 TOTAL STATE BUDGET

The total state budget for Fiscal Year 2007 (FY07) is \$26.7 billion, which represents an increase of \$5.6 billion, or 26.7 percent, from the Fiscal Year 2006 (FY06) budget. The growth is mainly due to the receipt of disaster recovery funds from the federal government.

State General Fund provides \$7.3 billion of the total means of finance and is virtually unchanged from FY06. Statutory dedications grew for FY07 with an increase of 16.3 percent, including disaster recovery funds. Excluding the disaster recovery funds, the growth was closer to 4 percent. This growth is a function of depositing large sums of money into the protected funds in order to roll the money forward into an ensuing fiscal year.

The receipt of nearly \$5 billion in federal hurricane assistance funds represents the largest single increase in the budget. Once the state's plan for hurricane-damaged housing had been formally approved by the U.S. Department of Housing and Urban Development in early June, the Senate added \$4.8 billion in Community Development Block Grant funds for the Governor's Road Home Program.

A comparison of the budget without federal disaster dollars reveals a total FY07 budget of \$18.9 billion compared to the \$18.7 billion FY06 budget. Without the inclusion of disaster funding for both years, the growth between the two years is \$167 million, or 0.89 percent. To delineate between the traditional means of finance and additional federal hurricane assistance funds, the General Appropriation Bill (House Bill No. 1 or HB 1), contains a new section that specifies, where applicable, expenditures and means of finance as "Additional Federal and Other Funding Related To Hurricane Disaster Recovery."

## MAJOR INITIATIVES FUNDED IN THE FISCAL YEAR 2007 BUDGET

The legislature invested financial resources for specific initiatives, such as:

- Pay Raises for Educational Personnel – A higher education faculty pay raise totaling \$31 million was implemented, as was a \$1,500 pay raise for K-12 teachers totaling \$95 million and a \$500 salary supplement for support workers totaling \$23 million.
- Addressing Uncompensated Care Costs in Community Hospitals – Funding was provided for a one-time \$120 million pool to reimburse non-state, non-rural community hospitals for health care services provided to uninsured individuals.
- Targeted Investments in Higher Education - A workforce development initiative for construction trades totaling \$15 million was added to the budget for FY07 as well as approximately \$15 million for additional library and scientific acquisitions, including enhanced supercomputing for the LONI network, and over \$7 million to match donations for endowed chairs and professorships.

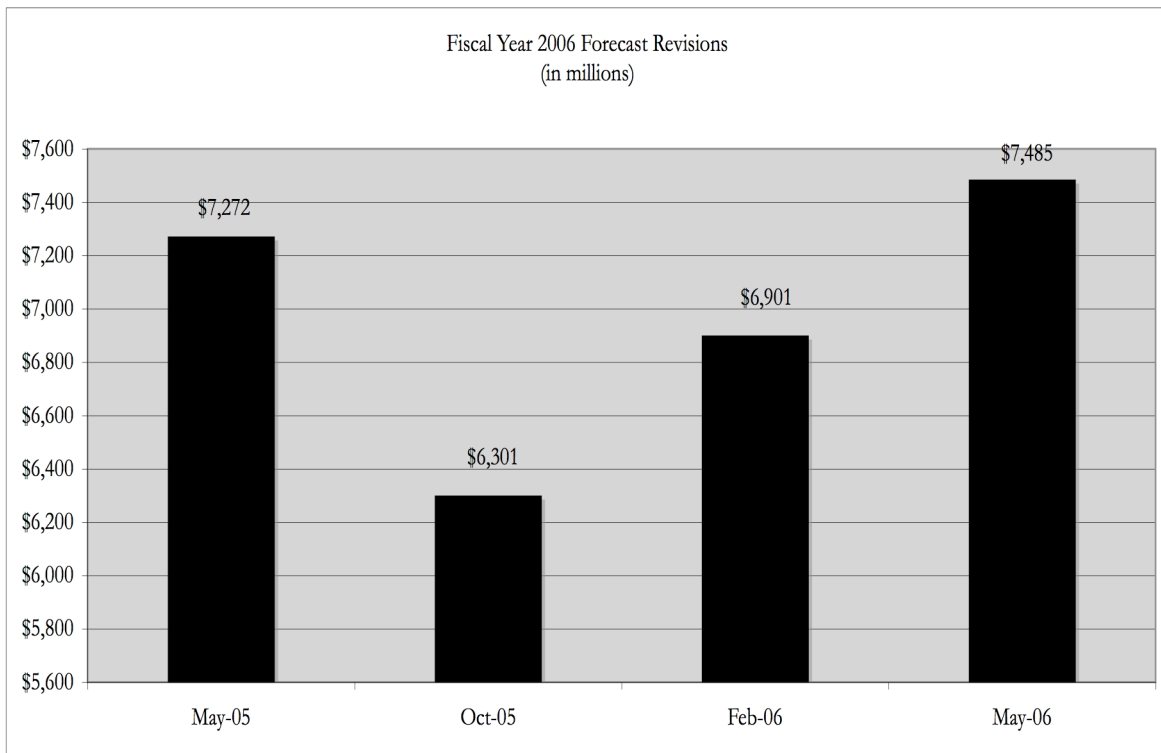
- Salary Increases for Judges and Assistant District Attorneys and Increases in Indigent Defense Funding - An additional \$10 million in funding for the Louisiana Indigent Defense Assistance Board (LIDAB) was provided. Also, over \$2 million in extra funding was appropriated for an increase in salaries for assistant district attorneys, pursuant to enactment of House Bill No. 1178, and nearly \$2 million for an increase in judicial salaries was funded.
- Expanded Medicaid Services for the Elderly or Disabled – Over \$8 million was added to fund 300 new slots in various waiver programs for disabled and/or elderly individuals.

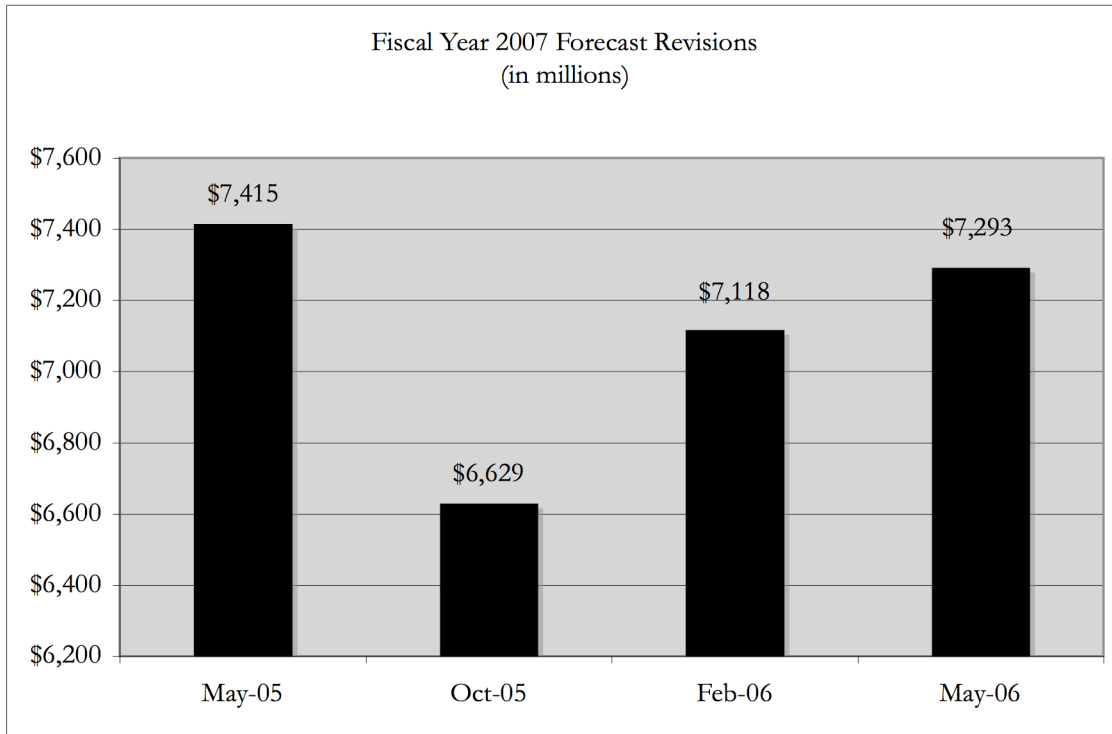
**CHANGES IN THE REVENUE FORECAST FOR FISCAL YEAR 2006 AND FISCAL YEAR 2007**

In May of 2005, the FY06 forecast was set at \$7.3 billion in state general fund. On October 28, 2005, the Revenue Estimating Conference (REC) reduced the Official Forecast by \$971 million to \$6.3 billion in response to Hurricanes Katrina and Rita. In May of 2006, REC adopted a FY06 forecast of \$7.5 billion.

Also at the October meeting, REC adopted a FY07 estimate that showed very little growth over the current year for state general fund revenue. The five-year forecast had projected a FY07 estimate of \$7.4 billion. The original general fund estimate for FY07 adopted in October was \$6.6 billion. At its February meeting, REC raised that estimate to \$7.1 billion, and in May, REC raised the estimate again to \$7.3 billion.

The following tables illustrate the revisions made to the official forecast for FY06 and FY07.





## **UTILIZING STATE REVENUES**

The Governor's FY07 Executive Budget contained the increases to the revenue forecasts recognized at the February meeting of the Revenue Estimating Conference. Funded from the additional FY06 revenues recognized in February was the original appropriation of \$161 million for deposit into the State Disaster or Emergency Relief Fund, which was later amended to be named the FEMA Reimbursement Fund, for expenses associated with the hurricanes.

Increases to the forecasts made at the May meeting were worked into the FY06 and FY07 budgets while the various appropriation bills were in the House Appropriations Committee. Primarily, the additional funds were used to fund hurricane relief and recovery activities. The increased funding was also used to provide a revenue source for new or existing initiatives at the various colleges and universities and for health care services. A one-time payment of \$40 million was made on the unfunded accrued liability of the state employees and teachers' retirement systems.

The Department of Education received money to fully fund the Minimum Foundation Program, to restore LA4, and to provide revenue sources for the Distinguished Educators program, non-public education assistance costs for required services and transportation, charter schools, and other departmental needs. A \$500 salary supplement for support workers was also funded at a total cost of nearly \$23 million.

Further, the House added nearly \$270 million to the deposit into the FEMA Reimbursement Fund for the repayment of the state's share of hurricane-related expenses producing a total for deposit into the fund of roughly \$428 million. Finally, the State Emergency Response Fund received an appropriation for the deposit of \$150 million for expenses associated with hurricane evacuations and other disasters.

## **SENATE FINANCE COMMITTEE ACTION**

Even with the large influx of total dollars worked into the budget, statewide needs still remained in the closing days of the session. The Finance Committee addressed needs that required restoration, reconfiguration, and/or new funding sources:

- Provided \$16 million for additional trauma services at University Hospital;
- Provided \$15 million for the Louisiana State University Health Sciences Center - New Orleans to offset their projected deficit;
- Restored \$11 million for the Office of Developmental Disabilities;
- Provided \$3 million for 100 additional New Opportunity Waiver slots;
- Added nearly \$2 million for Medicaid pediatric dental services; and,
- Provided over \$1 million each for research initiatives at the Pennington Biomedical Research Center and the LSU School of Veterinary Medicine.

In addition, the Finance Committee restructured the Uncompensated Care Costs pool to direct a greater share of the funding to the hurricane-affected areas. The pool remained at \$120 million with those hospitals serving the highest percentage of uncompensated care receiving the highest level of reimbursement. Hospitals in the non-hurricane impacted areas will not be paid for the uninsured care costs below 3.5 percent of total costs. For hospitals in the New Orleans and Lake Charles areas, all costs will be considered in the payments. This difference in payment calculations is to target payments for the hospitals most impacted by the ailing health care system currently in place because of the hurricanes.

## **FISCAL YEAR 2007 FUNDING FOR MAJOR PROGRAMS, INITIATIVES AND SERVICES**

### **MEDICAID PROGRAM**

The FY07 budget for the Medicaid program is \$5.5 billion, an increase of \$178 million over the current fiscal year.

- Increases in the Medicaid reimbursement rates for medical transportation, physicians, hospitals, nursing homes, and pediatric dental services are planned for FY07 at an estimated cost of \$127 million.
- The use of \$120 million to fund a one-year pool for disproportionate share payments to non-rural community hospitals is intended to help ease the additional burden hospitals statewide are facing due to the upheaval the hurricanes caused on Louisiana's already fractured health care system. These payments will be disbursed at varying levels depending upon a hospital's location and percent of uninsured care provided as a factor of the hospital's total cost.

- The legislature also added approximately \$6 million to fund 200 additional slots to the New Opportunities Waiver (NOW) program to continue efforts to address the waiting list for community-based services for the disabled.
- To respond to the need for community-based services to provide an alternative to nursing homes, over \$2 million was added in FY07 to fund an additional 100 Elderly and Disabled Adults Waiver slots.

## **STATE HOSPITALS**

The projection of total revenue collections for the Louisiana State University Health Care Services Division in FY07 is \$737 million. This projection includes nearly \$27 million in growth over the FY06 post-hurricanes budget. Overall funding for the hospitals is still down \$183 million from its pre-hurricanes level.

These projections assume a November 1, 2006 reopening of the University Hospital campus and the full return of trauma services in New Orleans by December 1, 2006. The Senate added nearly \$16 million for trauma operations in FY07.

## **OTHER HEALTH CARE SERVICES**

Although overall funding for public health services declined due to the non-recurring of excess federal funding for hurricane-related activities, over \$10 million was added to insure that personal and environmental health services would continue at the same level in FY07 as FY06 and additional funding has been provided for certain initiatives.

- The Louisiana Emergency Response Network (LERN) received over \$3 million and 11 positions for the phase-in of the regional emergency response systems and to establish a statewide coordinating office.
- General funding for school-based health centers will increase by \$1 million in FY07. The increase includes funding to establish six new clinics and expand services at existing clinics by 8 percent. An additional \$600,000 was added to the FY07 budget for the operation of school-based health centers in the Recovery School District in New Orleans.

Despite the net loss of over \$6 million and 105 positions due to the closure of the acute and crisis intervention units in New Orleans, total funding for mental health services will increase by \$21 million in FY07 to \$285 million. Over \$6 million and 90 positions were restored by the legislature for operations in the New Orleans region to partially address the dire need to restore mental health services in that area.

Roughly \$252 million is budgeted for community-based and institutional services for the developmentally disabled in FY07.

- The Senate added approximately \$11 million for community and institutional services to insure the near continuation of FY06 service levels in FY07.

- The Senate also added \$1 million for renovations to create an evacuation center and multi-purpose center for disabled individuals and frail elderly persons at Pinecrest Developmental Center.

In response to multiple evacuations and its location, the Metropolitan Developmental Center is slated for closure as a residential facility in FY07. Community-based services will still be offered from that location to serve the population in that region. Due to an agreement to have the costs of care follow the residents as they move to other developmental centers, group homes or community settings, there are no anticipated savings expected to result from the change in Metropolitan's mission.

## **K-12 EDUCATION**

The Minimum Foundation Program (MFP) is fully funded at \$2.7 billion for FY07. This is an increase of nearly \$55 million over FY06. The MFP includes \$95 million for a \$1,500 Teacher Pay Raise as well as \$23 million for a \$500 Support Worker Pay Raise.

The Recovery School District (RSD) in New Orleans will receive over \$33 million in bridge funding from the State Emergency Response Fund for building repair costs. The loan will be repaid upon the RSD's receipt of federal funds.

Funding for other initiatives in K-12 education is included in the FY07 budget:

- The Recovery School District in New Orleans will receive \$10 million from the Academic Improvement Fund;
- An additional \$3.5 million has been provided to enhance and expand LA4; and,
- Over \$1 million has been provided for \$5,000 stipends for 249 new nationally certified teachers.

## **TOPS**

The TOPS program is budgeted \$120.5 million for over 42,000 awards in FY07. The pre-hurricane TOPS level was \$123.6 million.

## **HIGHER EDUCATION**

The total FY07 appropriation for Higher Education is \$2.6 billion, an increase of \$115 million over the prior fiscal year.

Most of the additional funding provided to Higher Education for FY07 is targeted toward specific initiatives:

- A faculty pay raise plan totaling over \$31 million;
- Offsetting a projected deficit in capital for operating expenses, including resident and faculty supervisor salaries, and enhancing faculty recruitment at the LSU Health Sciences Center – New Orleans for a total of \$19 million;

- Over \$17 million for hurricane-related expenses, including enrollment management shifts and resolution of accounts receivable and non-reimbursable hurricane expenses;
- Approximately \$19 million for library and scientific acquisitions at the various campuses, including enhanced supercomputing for the LONI network and medical equipment at the LSU Health Sciences Center - Shreveport;
- A workforce development initiative for construction trades amounting to \$15 million;
- Over \$7 million to match private donations for endowed chairs and professorships at the various colleges and universities;
- The use of \$5 million to fund a Community and Technical College Development Pool; and,
- The addition of \$1 million for the expansion of nutrition and brain development research at Pennington Biomedical Research Center.

#### **HURRICANE RECOVERY ACTIVITIES**

To address past and future hurricane-related expenses, substantial additions have been made to the state's budget for FY07.

- First, \$4.8 billion in additional disaster recovery funding from the Community Development Block Grant (CDBG) for The Road Home program, including 27 new positions, has been added to the budget for FY07. The Joint Legislative Committee on the Budget approved over \$368 million for this program in FY06.
- The FY07 budget includes an appropriation of approximately \$25 million for one evacuation and sheltering event from the State Emergency Response Fund, which received a deposit of \$150 million for such purposes.
- The Louisiana Recovery Authority (LRA) is budgeted at nearly \$4 million, including 30 positions, to direct our state's resurgence from the effects of Hurricanes Katrina and Rita.
- Finally, Homeland Security and Emergency Preparedness has been budgeted \$2 billion in additional federal funding from FEMA related to hurricane disaster recovery.

#### **JUDICIAL/LEGAL FUNCTIONS**

To address a growing need in the court system, the FY07 budget includes an additional \$10 million funding for the Louisiana Indigent Defense Assistance Board (LIDAB) producing a total appropriation of approximately \$20 million for this function. Also, over \$2 million in additional funding was appropriated to fund an increase in salaries for assistant district attorneys pursuant to enactment of House Bill No. 1178. Finally, nearly \$2 million was provided for an increase in judicial salaries.