

# FY 2003 State Budget Highlights



*Louisiana State Senate  
August 16, 2002*

Sen. John J. Hainkel, Jr., President

Sen. Louis J. Lambert, Pres. Pro Tem

# FY 2003 State Budget Highlights



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August 16, 2002

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# Executive Summary

## Balancing the FY03 Budget

- As approved by the Legislature, the FY03 State Budget is in balance. Appropriations from all means of financing, as adopted, total approximately \$16.3 billion, of which State General Fund (Direct) funding amounts to \$6.6 billion. The FY03 total budget represents a 1% increase over the FY02 budget.
- Although the Legislature voted to reduce taxes by roughly \$24 million, the Senate was able to put together a plan to maintain the same expenditure level as proposed in the Executive Budget and fund additional initiatives by utilizing other means of financing. Actions by the Senate Finance Committee that provided additional revenue to support the same expenditure base that was formerly tied to full implementation of the current tax base included the following:
  - \$23.4 million Defeasance – to accomplish a \$23.4 million defeasance, the Senate had to utilize \$23.1 million in Cash Capital Outlay....that is, we reduced cash capital outlay projects by \$23.1 million in order to use the monies for a bond defeasance in FY02. This defeasance freed up money in FY03 without adversely affecting the FY04 budget because the existing debt service schedule will decrease by \$23 million in that year.
  - \$9.1 million in Means of Financing Swaps in the Departments of Education and Agriculture. In the Department of Education, \$6.7 million in federal funds replaced State General Fund. In the Department of Agriculture, \$2.4 million in Louisiana Agriculture Finance Authority (LAFA) monies replaced State General Fund.
  - HB 266 dealing with the licensing tax on insurance premiums was used to address a deficit in the Firefighters' Retirement System. The State will receive roughly \$5.7 in funding from the increase in insurance premiums above the FY02 official forecast.
- In April, the Revenue Estimating Conference recognized an additional \$17.4 million dollars for FY02. The additional money subsequently was used for the FY02 Supplemental Appropriation Bill. The Conference also recognized an additional \$12.1 million for FY03. The recognition of the additional \$12 million for FY03 and an increase in dedicated funds (SELF Funds) helped fund budgetary needs that were not included in the Executive Budget as originally proposed to the Legislature in early Spring.
- Specific Expenditures in HB 1 – “Supplemental Section” expenditures are no longer directly linked or contingent upon specific revenue sources (such as the TOPS program linked directly to the passage of the suspension of the \$25 per child education tax credit). Instead,

the Supplemental Section is contingent on *all* revenue sources that were up for renewal during the 2002 Regular Session.

- At the time of publication of this document, all of the tax measures supporting items in the “Supplemental Section” have been enacted and were recognized and incorporated into the FY03 Official Forecast by the Revenue Estimating Conference at its June 20 meeting.

## The Revenue Picture

### Expiring Taxes Approved by the Legislature

	<u>(In Millions of \$)</u>	
	<u>Revenue as Introduced</u>	<u>Revenue as Passed</u>
Renewal of 1¢ sales tax on food and utilities (HB169 - Act 22)	\$116.5	\$105.8
Renewal of 3¢ sales tax on food and utilities (HB169 - Act 22)	\$349.5	\$349.5
Auto rental excise tax (HB166 - Act 20)	\$4.5	\$4.5
Tobacco tax revenue 4¢ (HB167 - Act 21)	\$14.0	\$14.0
1/2 excess itemized deductions (HB171 - Act 24)	\$90.0	76.4
\$25 per child income tax credit (HB238 - Act 25)	<u>\$18.0</u>	<u>\$18.0</u>
<b>TOTAL</b>	<b>\$592.5</b>	<b>\$568.2</b>

### Major Changes to Existing Revenue Structure

#### Excess Itemized Deduction Increase (HB171 - Act 24)

- In tax year 2001, taxpayers were limited to deducting 50% of their excess itemized deductions (the difference between the itemized deductions included on their federal form and the federal standard deduction).
- However, the new law will permit taxpayers to deduct 57.5% of their excess itemized deductions in tax year 2002 and 65% in tax year 2003. In tax year 2004, Louisiana tax filers will be able to deduct 100% of their excess itemized deductions, unless new legislation is introduced to continue the present law.

#### Sales Tax Exemption Suspension Renewals (HB169 - Act 22)

- In FY02, taxpayers paid a 4% sales tax on food and utility purchases.
- This tax was renewed in the 2002 Regular Session, but with some changes.

- One change was to make one of the pennies permanent.
- The other change was to phase down the rate on the one penny over the course of two fiscal years.
  - Tax rate phased down by 10% for FY03 (Savings to the taxpayers of \$10 million)
  - Tax rate phased down by 20% for FY04 (Savings to the taxpayers of \$20 million)
  - The three non-permanent pennies of the renewed tax will expire on June 30, 2004.

## **New Revenue Enhancements**

### **Additional 12 cents Cigarette Tax (HB157 - Act 19)**

A new 12¢ per pack cigarette tax will be in effect in FY03. It is estimated that the new tax will generate approximately \$27.3 million in FY03. The five-year forecast estimates the tax will produce roughly \$44 million in year two and in the low \$40 million range thereafter. The proceeds of the tax will be allocated as follows:

- 3¢ for the Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans and the Tulane University Health Sciences Center
- 2.04¢ to the Louisiana Cancer Research Center for the creation of smoking prevention mass media programs and evidence-based tobacco control programs within the public hospital system, the public school system, and community based programs. The dedication specifies that Southern University will participate in planning and expenditure of the funds.
- 1.96¢ for the LSU Health Science Center in Shreveport
- 1¢ for the Office of Addictive Disorders
- 1¢ for the LSU Agricultural Center and the Southern University Agricultural Research and Extension Center with a provision that the Southern University Agricultural Center receive \$1 million annually from this dedication.
- 1¢ for the Drug Abuse Resistance Education (D.A.R.E.) program
- 2¢ for the Department of Public Safety

## **Use of Surplus and Non-Recurring Revenues**

- The FY03 Capital Outlay Bill contained several appropriations from non-recurring cash sources. Non-recurring revenues are comprised of the following sources of revenue:
  - The FY01 Surplus totaling \$73.1 million

- \$180 million in Amnesty Collections (less \$28.1 million for the Department of Revenue)
- \$3 million Incentive Fund balance transfer to the State General Fund
- In accordance with the law governing the expenditure of non-recurring revenue, 25% of the total monies had to be deposited into the Budget Stabilization “Rainy Day” Fund. The deposit in the Rainy Day Fund totaled \$57.2 million, thereby increasing the balance in the fund to \$260 million. The remaining non-recurring revenue could be used for either a payment towards the unfunded accrued liability, debt defeasance, and/or capital outlay.
- The Legislature chose to defease debt and fund capital outlay projects with cash. The amount available for cash capital outlay was approximately \$132 million after deposits into the Budget Stabilization Fund, allocations for Special Session Obligations totaling roughly \$16.8 million, and the amount needed for the Defeasance (\$23.1 million).
- Several Statewide and Higher Education Initiatives were funded with the one-time cash sources - the list below highlights some of the major statewide projects (amounts are in million \$):

<b>Use of Fiscal Year 01 Surplus Funds</b>	<b>\$ M.</b>
Statewide Roofing	\$ 2.0
Information Technology Acquisitions	\$ 1.7
Technology Innovation Fund Program	\$ 1.0
Insurance Building Demolition and Replacement	\$ 2.4
Office of Risk Management Technology Acquisition	\$ 2.3
Department of Military Facility Maintenance	\$ 1.2
Wet Lab Business Incubators	\$ 12.0
Economic Development Award Program	\$ 8.7
Louisiana Gene Therapy Research Consortium	\$ 1.8
Major Repairs at State parks	\$ 1.1
Rural Development Bridge and Highway Repairs	\$ 2.0
Rural Parish Road Repair	\$ 6.0
Statewide Repairs in Department of Corrections	\$ 1.7
Office of Public Health Central Laboratory	\$ 2.3
K-12 Computers in the Class Room	\$ 10.0
Higher Education Library and Scientific Acquisitions	\$ 15.0
Governor's Information Technology Initiative	\$ 5.0
Governor's Biotechnology Initiative	\$ 5.8
Neurobiotechnology Program of Louisiana	\$ 2.5
LSU Fire and Emergency Training Institute	\$ 2.0
Performance and Quality Enhancement Pool	\$ 8.5
Work Keys	\$ 1.0
LSU Health Science Center New Orleans - Charity Hospital Nursing School Renovation	\$ 3.0
Southeastern Louisiana University - University Center Roof Panel Repair	\$ 1.0
University of Louisiana at Lafayette – Computer Science Facility	\$ 2.0



# Departmental Budget Overview

## Executive Department

### Urban Affairs & Rural Development Activities

- Added \$3.1 million in enhanced funding for the Office of Urban Affairs for a total funding level of \$10.1 million and an additional \$3.0 million of enhanced funding for the Rural Development Program for a total funding level of \$9.2 million.

### Military Affairs

- \$1.1 million has been included in the budget of the Military Affairs Department for Homeland Security.

### Drug Abuse Resistance Education (D.A.R.E.)

- \$2.9 million has been dedicated from the Tobacco Tax Health Care Fund to provide for the administration and operation of the Drug Abuse Resistance Education program (D.A.R.E.).

### Louisiana Stadium and Exposition District (LSED) – Saints/Hornets Funding

- Provided FY02 Supplemental SGF funding of \$1.75 million for reimbursement to the Charlotte Hornets NBA Limited Partnership for transitional and relocation expenses associated with the move to New Orleans. Requires statutorily dedicated fund to repay these monies to the General Fund (Act 152 of the First Extraordinary Session of 2002).
  - Capital improvement monies were provided as follows:
    - \$10 million for NBA upgrades to the New Orleans Arena (Act 164 of the First Extraordinary Session of 2002).
    - \$6.75 million for construction of an indoor football training facility for the Saints (Act 164 of the First Extraordinary Session of 2002).
- \$6.3 million of new money was provided from the New Orleans Sports Franchise Fund to meet contractual obligations of the State with respect to the New Orleans Saints and Hornets sports franchises. Act 73 of the 2002 First Extraordinary Session redirected a one-percent hotel occupancy tax in Orleans Parish to fund, in part, incentive packages for these teams.
- The LSED operating budget includes \$10.6 million in Saints inducement payments, in addition to any portion of the above Sports Franchise Fund that will be used to meet Saints contractual obligations.

### **Other Significant Budget Items for LSED**

- Provided \$4.2 million in funding for Superdome and New Orleans Arena operations that must be approved by the Joint Legislative Committee on the Budget prior to expenditure.
- Includes \$4.6 million in acquisitions and major repairs for district facilities.

### **Elected Officials**

#### **Attorney General**

- Provided a restoration of funding (\$124,800) and enhanced funding (\$230,000) for the Community Living Ombudsman Program in the Civil Law Program.

#### **Agriculture and Forestry**

- \$1.6 million from dedications of the Louisiana Agricultural Finance Authority Fund for payment of debt service, infrastructure construction and improvements to rail systems and facilities related to the transportation of sugar cane. Of this amount, \$600,000 has been allocated for improvement of facilities and equipment of the rail system.
- The amount of \$945,000 was provided from the Louisiana Agricultural Finance Authority (LAFA) for debt service related to the Boll Weevil Eradication Program. This additional appropriation brings total funding from this source to \$8 million for the debt service on this program. Since inception, the state has expended \$120 million on the Boll Weevil Eradication Program.

#### **Department of State and Commissioner of Elections**

- To meet the costs of three statewide elections in FY03, the budgets of both agencies were increased as follows: \$1.6 million for State and \$5.1 million for Elections.
- Restored \$205,718 for the Outreach Program in the Department of Elections.

### **Economic Development**

- The Louisiana Technology Park received \$4.4 million to meet the third year of a \$37 million, multiple-year commitment by the State for a commercial data center and technology business incubator located at Bon Carre' in Baton Rouge.
- The UNO/Navy contract received \$3 million in funding for the final installment of the state commitment, which provides for the completion of construction of the fourth building at the New Orleans lakefront.

- The UNO/Avondale contract was provided \$5.3 million for the fifth year of a \$50.2 million commitment to fund the construction of a 200,000 square foot ship design facility for Avondale Corporation.
- Several regional economic development organizations were provided funding: MetroVision (New Orleans) — \$450,000; Macon Ridge (Northeast Louisiana) — \$250,000; South La. Economic Council — \$150,000; the Partnership for Greater Baton Rouge — \$350,000; and Baton Rouge Inner City Economic Development District — \$25,000.

- Sports bowl games and tournaments were provided funding as follows:

Sugar Bowl	\$1,100,000
NCAA Men’s Final Four Basketball Championship and Women’s Volleyball Tournament	\$1,000,000
New Orleans Bowl	\$350,000
Bayou Classic	\$100,000
Independence Bowl	\$375,000
Red Fish Tournament	\$75,000

- The budget includes \$1 million in federal funding from the federal Temporary Assistance for Needy Families block grant for the Micro-enterprise Development Program. This program was transferred from the Office of Women’s Services.

**Culture, Recreation and Tourism**

- The Office of State Parks included funding for new facilities that will be operational during the fiscal year:

<u>Site — Purpose</u>	<u>Funding</u>	<u>Positions</u>
Caney Creek Lake State Park — New cabins	\$550,829	10
Poverty Point Reservoir State Park — New park	\$745,485	17
Lake D’Arbonne State Park — New cabins, facilities	\$717,220	10
Audubon Historic Site — New visitor center	\$131,154	4

**Transportation and Development**

- DOTD will operate a significantly reduced highway construction program due to an anticipated decline of about \$100 million in available federal highway funding from the previous fiscal year.

- The operating budget included the following \$1.2 million in State General Fund expenditures:

• Zachary Taylor Parkway Commission	\$70,855
• Poverty Point Lake Commission	\$100,000
• Amite River Basin	\$200,000
• Fifth Levee District	\$150,000
• Millennium Port	\$200,000
• Louisiana Airport Authority	\$451,700

## Corrections Services

### Inmate Population

- As of April 2002, Louisiana had approximately 35,840 adult inmates. Of this total, 19,964 were being held in state facilities and 15,873 were being held in local jails.
- Sheriffs' Housing of State Inmates will no longer be in the Department of Corrections budget starting from FY03 (It has been moved to Schedule 20 - Other Requirements by the Division of Administration). Sheriffs' Housing began the FY03 budget process approximately \$8.7 million under-funded (due to the fact that projected population decreases from sentencing reform legislation passed during the 2001 Regular Legislative Session have yet to be realized) and this funding was not restored during deliberation on HB1.

### Correctional Officers' Pay

- Approximately \$16.8 million was provided in FY02 for a pay raise for prison guards and probation and parole officers. This pay raise has been annualized for FY03, plus additional money for merit increases for FY03.

### Post Release Program

- A total of \$4 million was provided from TANF (Temporary Assistance for Needy Families) for post-release skills programs, like Project Return, to enable newly released inmates to gain employment and life skills. These skills help former inmates learn to provide emotionally and financially for their families and to reduce recidivism. These funds were provided in DSS - Office of Family Support.

## Public Safety Services

### State Trooper Pay Raise

- A \$15.6 million pay raise was provided for Louisiana State Troopers during the 2002 Regular Session of the Legislature. This funding will raise the starting pay of troopers from \$22,048 to \$31,304, with a salary increase to \$36,601 after one year of service.

### Homeland Defense

- For FY03, a total of \$2.4 million and 68 state troopers and civilians, including equipment and supplies, were added for Homeland Defense efforts.

### Other Significant Budget Items

- \$450,000 for enforcement activities for slot machines at race tracks in the Gaming Enforcement Program in the Office of State Police.

## Health and Hospitals

Beyond the \$5.1 billion recommended in the FY03 Governor's Executive Budget for the Department of Health and Hospitals, the Legislature has enhanced the department's funding by approximately \$280 million. Thus, the total operating budget for the Department of Health and Hospitals is \$5.4 billion for FY03.

### Louisiana's Medicaid Program

The total funding for medical services for Medicaid clientele and the uninsured will increase by roughly \$130 million from FY02 to FY03. The total Medicaid budget for FY03 is \$4.4 billion, including \$864.9 million State General Fund.

- \$70 million for private and public providers of medical services to both Medicaid clientele and the uninsured.
- \$25 million for the various existing Home and Community-Based Waiver Programs – MR/DD, Children's Choice, Adult Day Health Care, and Elderly and Disabled Adult - and the development of a new adult waiver program.
- \$16 million for the continuation of the Behavioral Management Program for autistic individuals.
- \$16 million for the expansion of the CommunityCARE program, Primary Care Case Management for Medicaid enrollees, including reimbursement rate increases for primary care services provided by physicians.

- \$4 million for an increase in the cost of Medicare premiums for the state Medicare Buy-Ins program enrolling Medicaid/Medicare dual eligibles in the Medicare program for primary health insurance.

### **Public Health Services**

- Funding has been restored to ensure the continuation of the Hemophilia program (\$2.6 million) and Genetics program (\$1.8 million).
- \$900,000 in funding and 25 positions have been added for the collection and transportation of water samples from the local water systems to the public health labs.
- \$300,000 has been provided through the Office of Public Health for the LSU Veterinary School for encephalitis testing.
- Funding of the parish public health units has also been stabilized with a restoration of \$11.1 million and 231 positions in the Personal Health Service program.

### **Mental Health Services**

- There are sizable increases in community mental health services for children and adolescents - \$4.1 million for crisis intervention services, \$2.2 million for newer medications, and \$1.6 million for assertive community treatment teams.
- Further, \$3.1 million has been cut at Southeast Louisiana State Hospital in Mental Health Area A to eliminate 16 adolescent inpatient beds and 10 child inpatient beds and \$1.4 million has been cut at Central Louisiana State Hospital in Mental Health Area C to eliminate 16 adolescent inpatient beds and 6 child inpatient beds.

### **Services for the Developmentally Disabled**

- For FY03, \$4.9 million State General Fund has been added to the Office for Citizens with Developmental Disabilities (OCDD) budget to build capacity in the community. This State General Fund offsets a reduction of \$3.1 million reduction in Interagency Transfers from the Medicaid program.
- In the facilities, funding has been added to expand community services - \$800,000 for specialized medical/behavior resource centers, \$248,808 for consumer and family training, and \$1.2 million for assertive community treatment teams. At the same time, \$4.4 million has been restored for patient care in the facilities.

### **Addictive Disorders**

- Funding has been stabilized for treatment services for addictive disorders.
- In addition, \$2.3 million is slated for the Office of Addictive Disorders from the Tobacco Tax Health Care Fund per Act 19 (HB 157) of the 2002 Regular Legislative Session.

**Total FY03 Funding for Homeland Security contained in the Departments of Corrections,  
Public Safety, and Health and Hospitals**

In FY03, the state will spend \$10 million on Homeland Security Initiatives in various departments.

**DHH Office of the Secretary**

- DHH has received a federal grant of \$1.9 million for the development of a bio-terrorism response plan in FY03. This project will be cooperative endeavor uniting DHH with the Louisiana Hospital Association and the LSU Health Sciences Center.

**Office of Public Health**

- Continued into FY03, the OPH budget contains \$3.9 million and 44 positions to detect and/or respond to a bio-terrorism event.

**Office of Mental Health**

- \$300,000 and 4 positions are included in OMH's budget for FY03 to train mental health professionals for mass crisis.

**Office of State Police**

- For FY03, a total of \$2.4 million and 68 state troopers and civilians, including equipment and supplies, were added for Homeland Defense efforts.

**Military Affairs**

- \$1.1 million has been included in the budget of the Military Affairs Department for a Homeland Security Initiative.

**Social Services**

- \$5.6 million in the Office of the Secretary was included for a “supervisory management support system for compliance with laws and regulations governing the department,” including internal audit functions.
- \$660,000 for education, training, counseling, and rehab services for released inmates.

**Temporary Assistance for Needy Families (TANF):** The TANF program has undergone several changes since FY02. TANF initiatives as appropriated in the FY03 budget are:

<b>TANF Appropriations FY 03</b>	
<b>Literacy</b>	
Pre-K/LA4	\$29,500,000
Non-public Pre-K	\$6,000,000
Drop-out Prevention	\$7,000,000
After-school enrichment	\$8,000,000
Child Literacy	\$4,750,000
Family Literacy	\$4,000,000
Truancy	\$2,430,193
<b>Employment</b>	
Job Skills Training (Workforce Commission)	\$10,000,000
Micro-enterprise Development	\$1,000,000
Incarcerated Parents Training	\$3,000,000
Post-Release Programs	\$4,000,000
Individual Development Accounts	\$2,000,000
Transportation Initiatives	\$2,000,000
<b>Family Stability</b>	
Utility Assistance	\$3,000,000
Home Ownership	\$375,000
Emergency Home Repair	\$1,000,000
Domestic Violence	\$3,000,000
Family Strengthening	\$875,000
CASA Programs	\$4,000,000
Drug Courts	\$5,000,000
Substance Abuse Treatment	\$4,000,000
Housing Assistance	\$5,000,000
Early Childhood Intervention	\$1,750,000
Parenting Initiatives	\$3,000,000
Youth In Transition	\$419,807
Abortion Alternative Services	\$1,500,000
<b>Other</b>	
Oversight and Evaluation	\$1,000,000
Community Response Initiative	\$6,000,000
2 positions in DSS-OFS	\$100,000



## Higher Education

- \$4 million for a Biotechnology Initiatives and Health Care Workforce Development
- \$7.6 million for Emerging Community and Technical Colleges Pool
- \$6.4 million for the Performance and Quality Improvement Distribution Pool
- \$2.8 million from the Higher Education Initiatives Fund for implementation of the Master Plan
- \$3.2 million for Prisoner Health Care at the LSU Health Science Center - Shreveport
- \$4.3 million for Aid to Independent Colleges
- \$10.6 million for full funding of Classified Employee Merit Increases
- \$15.8 million for full funding of Group Insurance Increases
- \$800,000 for a Teacher Recruitment /Quality program partnered between Board of Regents and BESE
- \$500,000 for the LSU Fire and Emergency Training Institute
- \$2.5 million for Neurobiology Acquisitions in Capital Outlay from non-recurring revenues
- \$5.5 million in Bio-Technology Acquisitions in Capital Outlay from non-recurring revenues

## K-12 Education

- The FY03 budget includes an additional \$43 million for the Minimum Foundation Program (MFP) to be distributed to the state's 66 local public school districts. Half of this money is earmarked for teacher pay raises averaging \$368. Teachers, however, will not receive an across-the-board increase. Rather, the funds will be distributed according to the MFP formula, which takes into account key factors such as student enrollment, a parish's wealth, and how much local funding a parish raises for public education purposes. As a result, the state-funded pay increases for public school teachers across the 66 school districts will range from zero to \$1,410 next fall. Local school boards have the option of granting additional raises from local revenues.
- Next year's spending plan also includes \$20 million for pay raises for support workers, including teacher aides, cafeteria workers, janitors and bus drivers. The average raise amounts to nearly \$500 per worker next year.

- HB 1 also provides that the first \$11.5 million of any State General Fund (Direct) surplus the state realizes during the next fiscal year would give support workers an extra one-time bonus of \$300. This provision would be implemented only if the state receives more general fund revenues than already budgeted. Vetoed by the Governor - July 1, 2002 (Veto No. 4)
- An initiative in teacher mentoring is funded at \$1.5 million for FY03.
- An additional \$65 million in federal funds has been budgeted to implement the No Child Left Behind Act, which redefines and expands the federal role in public education. Schools will be required to undergo annual performance evaluations, and federal funds will be provided to poorly performing schools. Further, parents will be allowed to transfer their children to better performing schools.
- House and Senate amendments provide approximately \$1.87 million in additional monies for Type 2 Charter School growth.
- Major educational initiatives funded with TANF monies include LA4 (\$29.5 million); after-school enrichment (\$8.0 million); and child literacy (\$4.75 million).

#### **LSU Health Sciences Center — Health Care Services Division**

- Included in the total funding for HCSD is \$17.3 million State General Fund for medical services for state inmates as the federal government will no longer provide federal financial participation through the Disproportionate Share Payments program for inmate health care. This leaves roughly \$18 million in expenditures not funded for the remaining portion of the costs of caring for state inmates and the total costs of providing medical care for local inmates.

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- In April, the Revenue Estimating Conference recognized an additional \$17.4 million dollars for FY02. The additional money subsequently was used for the FY02 Supplemental Appropriation Bill. The Conference also recognized an additional \$12.1 million for FY03.

The recognition of the additional \$12 million for FY03 and an increase in dedicated funds (SELF Funds) helped fund budgetary needs that were not included in the Executive Budget as originally proposed to the Legislature in early Spring.

- Specific Expenditures in HB 1 – “Supplemental Section” expenditures are no longer directly linked or contingent upon specific revenue sources (such as the TOPS program linked directly to the passage of the suspension of the \$25 per child education tax credit). Instead, the Supplemental Section is contingent on *all* revenue sources up for renewal during the 2002 Regular Session. The effect of this change means that in the event a particular tax measure did not pass, all expenditures in the Supplemental Section will share a pro rata reduction.
- At the time of publication of this document, all of the tax measures supporting items in the “Supplemental Section” have been enacted and were recognized and incorporated into the FY03 Official Forecast by the Revenue Estimating Conference at its June 20 meeting.

# The Revenue Picture

## Expiring Taxes Considered by the Legislature

	<u>(In Millions of \$)</u>	
	<u>Revenue as Introduced</u>	<u>Revenue as Passed</u>
Renewal of 1¢ sales tax on food and utilities (HB169 - Act 22)	\$116.5	\$105.8
Renewal of 3¢ sales tax on food and utilities (HB169 - Act 22)	\$349.5	\$349.5
Auto rental excise tax (HB166 - Act 20)	\$4.5	\$4.5
Tobacco tax revenue 4¢ (HB167 - Act 21)	\$14.0	\$14.0
1/2 excess itemized deductions (HB171 - Act 24)	\$90.0	76.4
\$25 per child income tax credit (HB238 - Act 25)	<u>\$18.0</u>	<u>\$18.0</u>
<b>TOTAL</b>	<b><u>\$592.5</u></b>	<b><u>\$568.2</u></b>

### Sales Tax Exemption Suspension Renewals (HB169 - Act 22)

- In FY02, taxpayers paid a 4% sales tax on food and utility purchases.
- This tax was renewed in the 2002 Regular Session, but with some changes.
- One change was to make one of the pennies permanent.
- The other change was to phase down the rate on the one penny over the course of two fiscal years.
  - Tax rate phased down by 10% for FY03 (Savings to the taxpayers of \$10 million)
  - Tax rate phased down by 20% for FY04 (Savings to the taxpayers of \$20 million)
- The three non-permanent pennies of the renewed tax will expire on June 30, 2004.

### Auto Rental Excise Tax Renewal (HB166 - Act 20)

- Extends the levy of the automobile rental excise tax at a rate of 2.5% until June 30, 2012.

**Tobacco tax revenue 4¢ (HB167 - Act 21)**

- Extends the increase of the tax on cigarettes from 20 cents per pack to 24 cents until June 30, 2012.

**Excess Itemized Deduction Increase (HB171 - Act 24)**

- In tax year 2001, taxpayers were limited to deducting 50% of their excess itemized deductions (the difference between the itemized deductions included on their federal form and the federal standard deduction).
- However, the new law will permit taxpayers to deduct 57.5% of their excess itemized deductions in tax year 2002 and 65% in tax year 2003. In tax year 2004, Louisiana tax filers will be able to deduct 100% of their excess itemized deductions, unless new legislation is introduced to continue the present law.

**\$25 per child income tax credit (HB238 - Act 25)**

- Delays the reinstatement of the \$25/child in K-12 education income tax credit until tax year 2005 (FY06).

# Use of FY01 Surplus and Non-Recurring Revenues in FY03

- The FY03 Capital Outlay Bill contained several appropriations from non-recurring cash sources. Non-recurring revenues are comprised of the following sources of revenue:
  - The FY01 Surplus totaling \$73.1 million
  - \$180 million in Amnesty Collections (less \$28.1 million for the Department of Revenue)
  - \$3 million Incentive Fund balance transfer to the State General Fund
  
- In accordance with the law, as non-recurring revenues, 25% of the total monies had to be deposited into the Budget Stabilization “Rainy Day” Fund. The deposit in the Rainy Day Fund totaled \$57.2 million thereby increasing the balance in the fund to \$260 million. The remaining non-recurring revenue could be used for either a payment towards the unfunded accrued liability, debt defeasance and/or capital outlay.
  
- The Legislature chose to defease (pay off early) debt and fund capital outlay projects with cash. The amount available for cash capital outlay was approximately \$132 million after deposits into the Budget Stabilization Fund, allocations for Special Session Obligations totaling roughly \$16.8 million, and the amount needed for the Defeasance (\$23.1 million).
  
- Several Statewide and Higher Education Initiatives were funded with the one-time cash sources - the list below highlights some of the major statewide projects:

Use of Fiscal Year 01 Surplus Funds	\$ M.
Statewide Roofing	\$ 2.0
Information Technology Acquisitions	\$ 1.7
Technology Innovation Fund Program	\$ 1.0
Insurance Building Demolition and Replacement	\$ 2.4
Office of Risk Management Technology Acquisition	\$ 2.3
Department of Military Facility Maintenance	\$ 1.2
Wet Lab Business Incubators	\$ 12.0
Economic Development Award Program	\$ 8.7
Louisiana Gene Therapy Research Consortium	\$ 1.8
Major Repairs at State parks	\$ 1.1
Rural Development Bridge and Highway Repairs	\$ 2.0
Rural Parish Road Repair	\$ 6.0
Statewide Repairs in Department of Corrections	\$ 1.7
Office of Public Health Central Laboratory	\$ 2.3
K-12 Computers in the Class Room	\$ 10.0
Higher Education Library and Scientific Acquisitions	\$ 15.0
Governor's Information Technology Initiative	\$ 5.0
Governor's Biotechnology Initiative	\$ 5.8
Neurobiotechnology Program of Louisiana	\$ 2.5
LSU Fire and Emergency Training Institute	\$ 2.0
Performance and Quality Enhancement Pool	\$ 8.5
Work Keys	\$ 1.0
LSU Health Science Center New Orleans - Charity Hospital Nursing School Renovation	\$ 3.0
Southeastern Louisiana University - University Center Roof Panel Repair	\$ 1.0
University of Louisiana at Lafayette – Computer Science Facility	\$ 2.0

# New 12 Cents Cigarette Tax (HB 157 - Act 19)

A new 12¢ per pack cigarette tax will be in effect in FY03. It is estimated that the new tax will generate approximately \$27.3 million in FY03. The five-year forecast estimates the tax will produce roughly \$44 million in FY04 and in the low \$40 million range thereafter.

All proceeds of the tax will be deposited directly in the Tobacco Tax Health Care Fund and will be expended based on allocations specified in the Act:

- **3¢ for the Louisiana Cancer Research Center of the LSU Health Sciences Center in New Orleans and Tulane University Health Sciences Center**
  - The LSU Health Sciences Center in New Orleans and Tulane University Health Sciences Center are proposing the creation of a new cancer research consortium to join the resources and expertise of the state's two main medical research institutions in the fight against cancer.
  - The ultimate goal of the Louisiana Cancer Research Center is to join the current resources of the two independent cancer centers operated by each university into one coordinated venture that becomes a National Cancer Institute (NCI) designated cancer center capable of attracting a first rate faculty, putting Louisiana on the map in the field of cancer research, including the development of new drug therapies, and providing cutting edge cancer treatments to Louisiana's in Louisiana.
  - The roughly \$6.84 million generated in FY03 by this portion of the new tobacco tax revenues would be dedicated to ensuring the success of this venture.
  - The preliminary plans for this endeavor require the construction of a building to house the Louisiana Cancer Research Center, the acquisition of technologies and equipment necessary for this type of research, and the retention of faculty and staff to operate the center.
- **2.04¢ to the Louisiana Cancer Research Center for Smoking Prevention and Cessation Initiatives**
  - This portion of the monies generated under this legislation is estimated at \$4.65 million for FY03 and will be spent on general smoking prevention, treatment, and cessation programs benefiting the overall health of Louisiana's citizens.
  - Specifically, these proceeds shall be used for the creation of smoking prevention mass media programs and evidence-based tobacco control programs within the public



hospital system and the public school system. The dedication specifies that Southern University will participate in the planning and expenditure of the funds dedicated to creating these programs.

- These funds shall also be used for the creation of community development programs directed at cessation among children and pregnant women.
- Finally, these new funds shall also be used to support the screening, prevention, and treatment of tobacco use and dependence among persons with diseases caused or exacerbated by tobacco use.
- **1.96¢ for the LSU Health Science Center in Shreveport**
  - The LSU Health Sciences Center in Shreveport operates the Feist-Weiller Cancer Center. This Cancer Center will be the primary recipient of these new tobacco tax generated monies.
  - The enhanced funding will be utilized to add 8 positions for a cost of \$665,500 to the Basic Science Research Programs – specifically, the Gene Therapy and Cancer Prevention programs - and Clinical Research Program. Included in this allocation are the recruitment of faculty and a research nurse and the addition of clerical support staff to assist in the operations of the enhanced programs.
  - \$100,000 will be used for operating services and supplies for the Partners in Wellness Program, a prevention and screening program targeting the underserved. These funds will be used specifically for the operation of clinics and the costs of mammograms, prostate exams and pap smears.
  - The remaining \$3.7 million will be used to equip the new clinical cancer facility now under construction that is scheduled for completion in January 2004.
- **1¢ for the Office for Addictive Disorders**
  - Currently, the Office for Addictive Disorders (OAD) has the capacity to meet only nine percent of the needs for adult treatment services and four and one-half percent of the needs for adolescent treatment services.
  - With this new funding of \$2.27 million, OAD will leverage these funds to the fullest extent possible to increase treatment services statewide for those suffering from addictive disorders to better serve the addictive disorder treatment needs of the citizens of Louisiana.
  - OAD also plans to utilize a portion of these funds to fulfill data collection requirements for which funding was requested but not granted during the formulation of the agency's FY03 budget.

- **1¢ for the LSU Agricultural Center and the Southern University Agricultural Research and Extension Center**
  - The \$1.27 million appropriated to the LSU AgCenter from this new tax on tobacco products will be used to fund operating expenses.
  - Act 19 contains a provision dedicating \$1 million of the tax proceeds to the Southern University Agricultural Center. Southern University will use this \$1 million in FY03 to address operating costs of the its Agricultural Center.
- **1¢ for the Drug Abuse Resistance Education (D.A.R.E.) Program**
  - This 1¢ dedication in the Tobacco Tax Health Care Fund will generate roughly \$2.9 million for the administration and operation of the Drug Abuse Resistance Education program (D.A.R.E.) in FY03.
- **2¢ for the Department of Public Safety**
  - The \$4.5 million generated by this dedication in FY03 shall be used in the Department of Public Safety.

# Stelly Plan

- Act 88 (HB 31) and Act 51 (HB 36) by Representative Stelly reduce the personal income tax brackets and eliminate the excess itemized deduction and the current state sales tax on food and residential utilities. Effective January 1, 2003, the state sales and use tax on such items shall not exceed 2 percent, and after June 30, 2003, there shall be no state sales and use tax on such items.
- Current law provides for an individual income tax at the following rates for the following brackets:

Rates	2% of net income	4% of net income	6% of net income
<b>Single</b>	Up to \$10,000	\$10,000 to \$50,000	Over \$50,000
<b>Joint</b>	Up to \$20,000	\$20,000 to \$100,000	Over \$100,000

- Representative Stelly’s proposal would change the income tax bracket structure in the following manner:

Rates	2% of net income	4% of net income	6% of net income
<b>Single</b>	Up to \$12,500	\$12,500 to \$25,000	Over \$25,000
<b>Joint</b>	Up to \$25,000	\$25,000 to \$50,000	Over \$50,000

- Estimates on the impact of the “Stelly Plan” have been completed by the Chief Economist in the Legislative Fiscal Office and by the accounting firm of Postlethwaite and Netterville APAC. Projections from both parties are very similar in their estimates, however there are differences in the way each scenario is presented. The Legislative Fiscal Office estimate presents the *average return for all returns filed (single, married, and head of household) in each tax bracket*. The scenario provided by Postlethwaite and Netterville presents *four specific examples* of a possible return for selected income brackets. Both of the scenarios are included in Appendix A of this document.
- In summary, as estimated by the Legislative Fiscal Office, the net percentage tax change:
  - is an attempt to represent the maximum *combined* effect of changes in *both* income and sales taxes relative to current tax liability;
  - creates a net tax liability *reduction* on the average return earning less than \$60,000 annually;

- provides for a net *increase* in tax liability on the average return of 1% in the \$60,000 - \$80,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$9;
- provides for a net *increase* in tax liability on the average return of 11% in the \$80,000 - \$100,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$219;
- provides for a net *increase* in tax liability on the average return of 21% in the \$100,000 - \$120,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$478;
- provides for a net *increase* in tax liability on the average return of 28% in the \$120,000 - \$140,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$725;
- provides for a net *increase* in tax liability on the average return of 26% in the \$140,000 - \$160,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$830;
- provides for a net *increase* in tax liability on the average return of 23% in the \$160,000 - \$180,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$905;
- provides for a net *increase* in tax liability on the average return of 22% in the \$180,000 - \$200,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$995; and,
- provides for a net *increase* in tax liability on the average return of 12% in the over \$200,000 federal adjusted gross income bracket – the net dollar tax *increase* on the average return is estimated to be \$1811.
- The net tax liability for the average return in each income category would increase progressively above \$60,000. The net percentage change the average taxpayer incurs begins to decline beyond \$160,000. This is due to a fixed maximum effect resulting from bracket compression and the fact that excess federal itemized deductions grow more slowly than income grows beyond the income level of \$160,000 per year. In addition, sales taxes paid do not grow in proportion to growth in income.
- In Louisiana, approximately 20% of the residents itemized deductions in tax year 2000.

### State General Fund Impact of Stelly Plan Implementation

- As outlined in the Legislative Fiscal note for the Stelly plan (see Appendix B) the net impact is as follows:

<b>Fiscal Year</b>	<b>Sales Tax Loss</b>	<b>Income Tax Gain</b>	<b>Net Impact</b>
Fiscal Year 2002-2003	\$64 million	\$55 million	(\$ 9 million)
Fiscal Year 2003-2004	\$240 million	\$244 million	+\$4 million
Fiscal Year 2004-2005	\$245 million	\$263 million	+\$18 million
Fiscal Year 2005-2006	\$249 million	\$282 million	+\$33 million
Fiscal Year 2006-2007	\$254 million	\$304 million	+\$50 million

- The net revenue gain tends to increase over time because of the growth associated with the income tax (projected 7.5% per year trend growth). This growth rate out-paces the growth rate of the sales tax on food and utilities (projected 1.8% per year trend growth) which explains why, after the first year, the State General Fund does not experience a loss – rather the net impact is positive. The Stelly Plan generates revenue above and beyond current income taxes levels because the plan calls for the compression of income brackets and elimination of allowing the deduction of federal excess itemized deductions.

## General Income Tax Information

### Louisiana Returns Tax Year 2000

<i>Federal Adjusted Gross Income Brackets (&gt;-&lt;)</i>	<i>Total Federal Adjusted Gross Income</i>	<i>Number of Returns Filed</i>	<i>Bracket Percentage*</i>	<i>Income Category Percentage**</i>
Less than \$0	\$0	0	0.0%	
0	0	23,417	1.4%	
0-6,000	738,703,400	227,158	13.3%	
6,000-8,000	606,817,303	86,715	5.1%	
8,000-10,000	793,919,309	88,061	5.2%	
10,000-12,000	961,526,106	87,532	5.1%	
12,000-15,000	1,635,235,890	121,484	7.1%	
15,000-20,000	2,860,406,905	164,426	9.6%	
20,000-25,000	2,888,922,442	128,980	7.6%	
	<b><i>0-\$25,000 Category</i></b>			<b><i>54.4%</i></b>
25,000-30,000	2,856,998,710	104,224	6.1%	
30,000-35,000	2,846,562,094	87,770	5.1%	
35,000-40,000	2,815,352,063	75,192	4.4%	
40,000-45,000	2,767,978,223	65,235	3.8%	
45,000-50,000	2,703,197,174	56,974	3.3%	
	<b><i>\$25,000 - \$50,000 Category</i></b>			<b><i>22.8%</i></b>
50,000-60,000	5,280,118,894	96,367	5.6%	
60,000-70,000	4,760,154,545	73,511	4.3%	
70,000-80,000	4,018,246,995	53,782	3.2%	
	<b><i>\$50,000 - \$80,000 Category</i></b>			<b><i>13.1%</i></b>
80,000-90,000	3,239,286,275	38,238	2.2%	
90,000-100,000	2,555,886,801	26,983	1.6%	
	<b><i>\$80,000 - \$100,000 Category</i></b>			<b><i>3.8%</i></b>
100,000-150,000	6,580,952,805	55,354	3.2%	
150,000-250,000	4,618,895,739	24,609	1.4%	
250,000-500,000	4,239,113,472	12,506	0.7%	
500,000-1,000,000	3,063,958,570	4,463	0.3%	
Over 1,000,000	8,933,577,094	2,714	0.2%	
	<b><i>\$100,000 - over \$1,000,000 Category</i></b>			<b><i>5.8%</i></b>
<b>Total</b>	<b>\$71,765,810,809</b>	<b>1,705,695</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Louisiana Department of Revenue / Annual Report

**States that do not tax personal income:**

- Alaska
- Florida
- Nevada
- New Hampshire
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming

**States that allow for the deduction of federal income taxes:**

- **Louisiana**
- Alabama
- Iowa
- Montana

**States that allow for the deduction of federal income taxes with some adjustments:**

- Missouri      Deduction is limited to \$10,000 for joint returns and \$5,000 for individuals
- Oklahoma      The rate range reported is for single persons not deducting federal income tax. For married persons filing jointly, the same rates apply to income brackets ranging from \$2,000 to 421,000. Separate schedules, with rates ranging from 0.5% to 10% apply to taxpayers deducting federal income taxes.
- Oregon          Deduction is limited to \$5,000
- Utah             One half of the federal income taxes are deductible.

## Federal Excess Itemized Deduction Allowances By State

States Allowing Federal Itemized Tax Deductions	States Not Allowing Federal Itemized Deductions	States Adjusting Federal Itemized Deductions	States Only Adjusting Federal Itemized Deductions for State Income Taxes
New Mexico	Connecticut	Alabama	Colorado
Oklahoma	Illinois	Arizona	Idaho
Rhode Island	Indiana	Arkansas	Kansas
Vermont	Massachusetts *	California	Maryland
	Michigan	Delaware	Mississippi
	New Jersey	District of Columbia	Nebraska
	Ohio	Georgia	North Carolina
	Pennsylvania	Hawaii	Utah
	West Virginia	Iowa	
	Wisconsin **	Kentucky	
		<b>Louisiana</b>	
		Maine	
		Minnesota	
		Missouri	
		Montana	
		New York	
		North Dakota	
		Oregon	
		South Carolina	
		Virginia	

\* Massachusetts has state itemized deductions.

\*\* Wisconsin provides for a credit allowed based on specific federal itemized deductions.

Source: Louisiana Department of Revenue



**STATE****STATE ADJUSTMENTS**

Alabama	Adjustments for medical expenses, state & foreign income taxes & other items
Arizona	Adjustments for medical expenses
Arkansas	Adjustments for medical expenses, state taxes, & charitable gifts
California	Adjustments for state & foreign income taxes, federal estate taxes, interest, & other items
Delaware	Adjustments for state & foreign income taxes, charitable mileage, & self-employed health insurance
DC	Adjustments for state income taxes & certain deductions passing to shareholder of small business corporations
Georgia	Adjustments for state income taxes & expenses connected with exempt income
Hawaii	Adjustments for state taxes & other items
Iowa	Adjustments for state taxes, charitable mileage, & other items
Kentucky	Adjustments for state income taxes, charitable contributions, & other items
<b>Louisiana</b>	<b>Decreased by 50%</b>
Maine	Adjustments for state income taxes & other items
Minnesota	Adjustments for state income taxes & other items
Missouri	Adjustments for state income taxes & cultural contributions
Montana	Adjustments for state income tax, insurance expenses, contributions, & other items
New York	Adjustments for state & foreign income taxes, interest, & other items
North Dakota	Adjustments for state income taxes & medical expenses
Oregon	Adjustments for state income taxes, medical expenses, & other items
South Carolina	Adjustments for state income taxes & other items
Virginia	Adjustments for state income taxes & other items

Source: Louisiana Department of Revenue

# Tobacco Settlement Funds

## Settling the Tobacco Lawsuit

In the late 1990's Louisiana joined in a nationwide suit to sue the tobacco industry for the costs incurred to the states for treating smoking related illnesses. In 1998, in an unprecedented victory, the states won the suit and are now receiving payments in perpetuity from the tobacco companies as specified in the Master Settlement Agreement.

## Trusting the Tobacco Settlement Proceeds

- The Louisiana Legislature proposed a constitutional amendment to trust the monies received from the Master Settlement Agreement similar to the manner in which the state chose to trust monies received in the settlement agreement between the State of Louisiana v. United States relative to monies attributable to mineral production activities or leasing activities on the Outer Continental Shelf. Monies from that settlement are deposited in the Louisiana Education Quality Trust Fund, commonly referred to as the 8(g) settlement.
- The amendment to trust the tobacco settlement proceeds was ratified by the Louisiana voters in October 1999.

## The Trust Funds

### The Millennium Trust

- The Millennium Trust received and/or will receive the following allocations from tobacco settlement proceeds:
  - Fiscal 2000-2001, forty-five percent of the total monies received that year.
  - Fiscal Year 2001-2002, sixty percent of the total monies received that year.
  - Fiscal Year 2002-2003, and each year thereafter, seventy-five percent of the total monies received that year.
- For Fiscal Years 2001 through 2003, 10% of the total monies received in the Millennium Trust will be credited to the Education Excellence Fund for various educational purposes.
- The Millennium Trust Fund is divided into three individual funds:

- The **Health Excellence Fund** receives one-third of the Settlement Agreement proceeds deposited each year into Millennium Trust and one-third of all investment earnings on the investment of the Millennium Trust. Appropriations from the Health Excellence Fund are restricted to:
  - Initiatives to ensure optimal development of Louisiana's children through the provision of appropriate health care.
- The **Education Excellence Fund** receives one-third of the Settlement Agreement proceeds deposited each year into Millennium Trust and one-third of all investment earnings on the investment of the Millennium Trust. Appropriations from the Education Excellence Fund are restricted to:
  - Initiatives and funding for public and private elementary and secondary schools
- The **TOPS Fund** receives one-third of the Settlement Agreement proceeds deposited each year into Millennium Trust and one-third of all investment earnings on the investment of the Millennium Trust. Appropriations from the TOPS Fund are restricted to:
  - Support of state programs for financial assistance for students attending Louisiana institutions of postsecondary education.

**The Louisiana Fund**

- The Louisiana Fund receives all monies after deposits into the Millennium Trust Fund.
- Appropriations from the Louisiana Fund are restricted to:
  - Initiatives to ensure the optimal development of Louisiana's children through enhancement of educational opportunities and the provision of appropriate health care, which includes but is not limited to:
    - Early childhood intervention programs targeting children from birth through age four, including programs to reduce infant mortality
    - Support of state programs for children's health insurance
    - School-based health clinics, rural health clinics, and primary care clinics
  - Initiatives to benefit the citizens of Louisiana with respect to health care through pursuit of innovation in advances health care sciences, provision of comprehensive chronic disease management services and expenditures for capital improvements for state health care facilities.

- Provision of direct health care services for tobacco-related illnesses.
- Initiatives to diminish tobacco-related injury and death to Louisiana's citizens through educational efforts, cessation assistance services, promotion of a tobacco-free lifestyle, and enforcement of the requirements if the Settlement Agreement by the Attorney General.

## Securitization of the Tobacco Settlement Proceeds

- Act 1145 of the 2001 Regular Session provided for the securitization of a portion of Louisiana's tobacco settlement. The purpose of securitizing a portion of the monies was to hedge the prospect of tobacco companies going bankrupt and the State losing future prospective earnings.
- In November of 2001, the state executed the securitization of 60% of tobacco settlement monies and netted approximately \$1.2 billion.
- All proceeds from the sale were deposited into the Millennium Trust and allocated as specified in the Constitution.

<b>SUMMARY OF TOBACCO SETTLEMENT PROCEEDS EXPENDITURES</b>			
<b>EXPENDITURES BY FUND</b>	<b>FISCAL YEAR 2001</b>	<b>FISCAL YEAR 2002</b>	<b>FISCAL YEAR 2003</b>
<b>LOUISIANA FUND</b>			
Settlement Enforcement by the Attorney General	\$350,000	\$357,247	\$342,074
LaCHIP	\$13,000,000	\$15,407,900	\$6,412,429
Medicaid	\$31,000,000	\$19,222,100	\$5,800,000
School-Based Health Centers	\$5,760,863	\$6,620,000	\$6,620,000
Public Health Smoking Prevention and Cessation Grants	\$500,000	\$600,000	\$600,000
Starting Points Preschool Program	\$1,489,137	\$1,489,137	\$1,489,137
Higher Education Health Care Science Grants	\$10,000,000	\$17,767,277	\$11,340,000
LSU Health Sciences Center - New Orleans	\$0	\$3,100,000	\$0
LSU Health Sciences Center - Shreveport	\$0	\$3,500,000	\$0
LSU Health Sciences Center - Health Care Services Division - Disease Management Program	\$0	\$3,550,000	\$3,494,000
<b>TOTAL</b>	<b>\$62,100,000</b>	<b>\$68,063,661</b>	<b>\$36,097,640</b>
<b>EDUCATION EXCELLENCE FUND</b>			
Fund Investment Fees	\$0	\$0	\$257,033
Per Pupil Allocation to Special Schools Operated by the State	\$255,000	\$543,139	\$378,356
K-12 Educational Programs Operated by Local Schools, Includes the Allocations for Public, Private, and Charter Schools	\$14,300,604	\$116,701,861	\$9,064,611
<b>TOTAL</b>	<b>\$14,555,604</b>	<b>\$117,245,000</b>	<b>\$9,700,000</b>
<b>HEALTH EXCELLENCE FUND</b>			
Fund Investment Fees	\$0	\$0	\$257,033
LaCHIP	\$0	\$200,000	\$5,351,205
Higher Education Health Care Science Grants	\$300,000	\$1,400,000	\$300,000
<b>TOTAL</b>	<b>\$300,000</b>	<b>\$1,600,000</b>	<b>\$5,908,238</b>
<b>TOPS FUND</b>			
Fund Investment Fees	\$0	\$0	\$257,033
TOPS	\$300,000	\$2,114,941	\$4,313,478
<b>TOTAL</b>	<b>\$300,000</b>	<b>\$2,114,941</b>	<b>\$4,570,511</b>

# Legislation Passed During the 2002 Regular Session Posing a Significant Fiscal Impact

The following chart exhibits legislation passed during the 2002 Regular Session that had a significant impact on state revenue. The chart is not inclusive of all legislation passed with a fiscal note. The chart does present those instruments that had a fiscal note estimate of \$500,000 or more. The total fiscal impact of all instruments enacted during the 2002 Regular Session is approximately \$29 million dollars.

2002 Regular Session	FY03	FY04	FY05	FY06	FY07
<b>General Sales tax</b>					
<b>Act 49</b> - Continues a state and local sales and use tax exemption through June 2004 for purchases of utilities by certain steelworks and blast furnaces.	(\$794,000)	(\$794,000)	-	-	-
<b>Act 61</b> - Excludes from state sales and use tax purchases of certain types of digital conversion equipment by broadcast television stations.	(\$1,100,000)	(\$605,000)	(\$67,000)	(\$629,000)	(\$642,000)
<b>Act 70</b> - Excludes from state and local sales and use tax purchases by nonprofit blood banks and blood collection centers.	(\$596,000)	(\$596,000)	(\$596,000)	(\$596,000)	(\$596,000)
<b>Corporate Income and Franchise</b>					
<b>Act 60</b> - Provides a tax credit for 25% of the costs incurred for the rehabilitation of historic structures in certain development districts. Effective for tax periods ending prior to January 1, 2005.	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	-	-
<b>Act 66</b> - Provides a tax credit for investments in Community Development Entities that are subsequently used to make investments in low-income communities in the state. The credit is 1% in the first three years and 2% for the next four years. Aggregate credits are capped at \$5 million per year.	(\$970,000)	(\$970,000)	(\$970,000)	(\$1,940,000)	(\$1,940,000)
<b>Act 84</b> - Allows new capital into the CAPCO program until December 31, 2003. This will generate 80 million of additional premium tax credits and \$4 million of additional income tax credits. The income tax credits are shown to the right.	(\$2,000,000)	(\$2,000,000)	-	-	-
<b>Personal Income Tax</b>					
<b>Act 30</b> - Provides an income tax exclusion to S-bank shareholders where net income flows through to the individual shareholders for tax purposes. That income is excluded from state income tax. Effective for tax periods beginning on or after January 1, 2003.	-	(\$884,000)	(\$884,000)	(\$884,000)	(\$884,000)
<b>Severance Tax</b>					
<b>Act 74</b> - Reauthorizes applications for severance tax exemptions on production from the re-entry of inactive wells.	(\$3,100,000)	(\$2,600,000)	(\$3,600,000)	(\$3,900,000)	(\$3,100,000)
<b>Excise License Tax (Insurance Premium Tax)</b>					
<b>Act 84</b> - Allows new capital into the CAPCO program until December 31, 2003. This will generate \$80 million of additional premiums tax credits and \$4 million of additional income tax credits. The premium tax credits are shown to the right.	-	-	(\$5,000,000)	(\$10,000,000)	(\$10,000,000)
<b>Motor Vehicle Sales Tax</b>					
<b>Act 2</b> - Extends through June 30, 2004 sunset of a state and local sales and use tax exemption for certain trucks, trailers, and buses.	(\$1,000,000)	(\$1,000,000)	-	-	-

Note: The dashes (-) represent cells intentionally left blank.

Source: Legislative Fiscal Notes

# FY03 Budget Summary

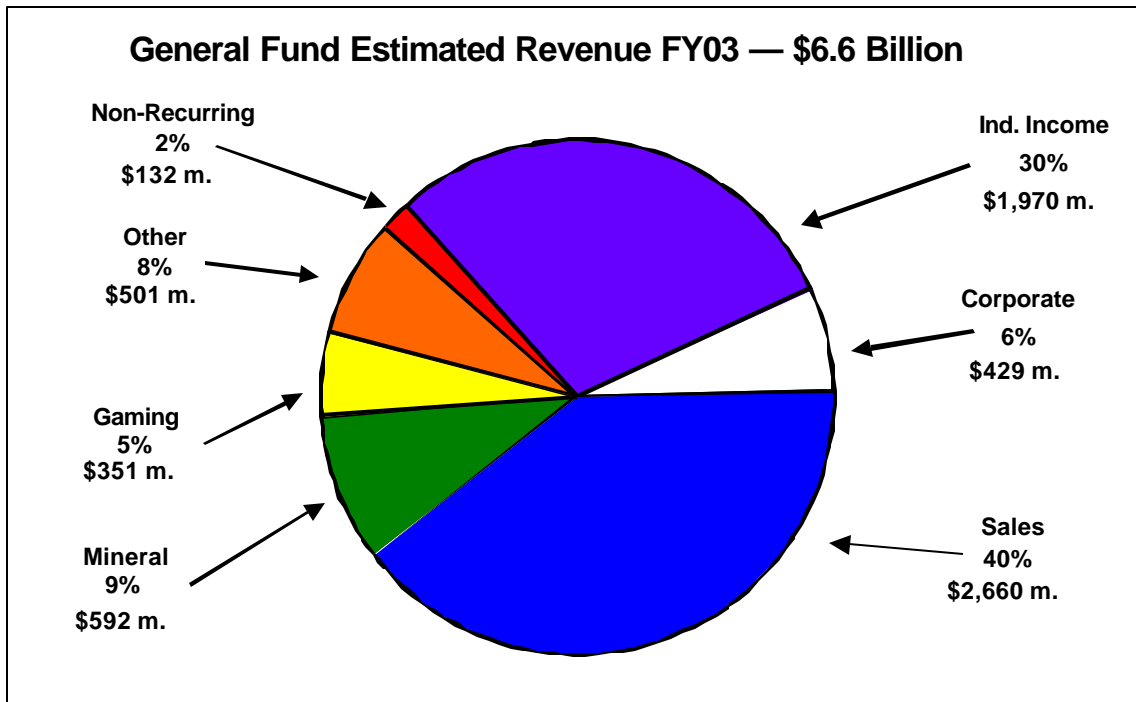
## Means of Financing and Expenditures

### State General Fund Revenue Sources

The official State General Fund revenue estimate adopted by the REC at its June 20th meeting is \$6.503 billion. However, an additional \$131.6 million in non-recurring State General Fund are included in State General Fund Expenditures, thus resulting in the \$6.6 billion total for SGF Revenue. This represents growth of \$91.1 million over the last official forecast for FY02.

Sales and use taxes comprise the largest source (nearly 40 percent or \$2.7 billion) of such monies in the General Fund. Revenues from individual income taxes account for the next largest source generating 30 percent, or \$2 billion. Other major sources include mineral revenues which make up 9 percent (\$592 million), corporate income tax which accounts for about 6 percent, or \$429 million, and gaming monies which amount to about 5 percent, or \$351 million. (The \$351 million reflected for gaming revenue is only a portion of the total \$714.4 million generated by gaming activities across the state. The difference is deposited into various special funds such as the \$136 million deposited into the SELF Fund.) A variety of smaller sources provide 8 percent of the total (roughly \$501 million).

### General Fund Estimated Revenue FY03 — \$6.6 Billion

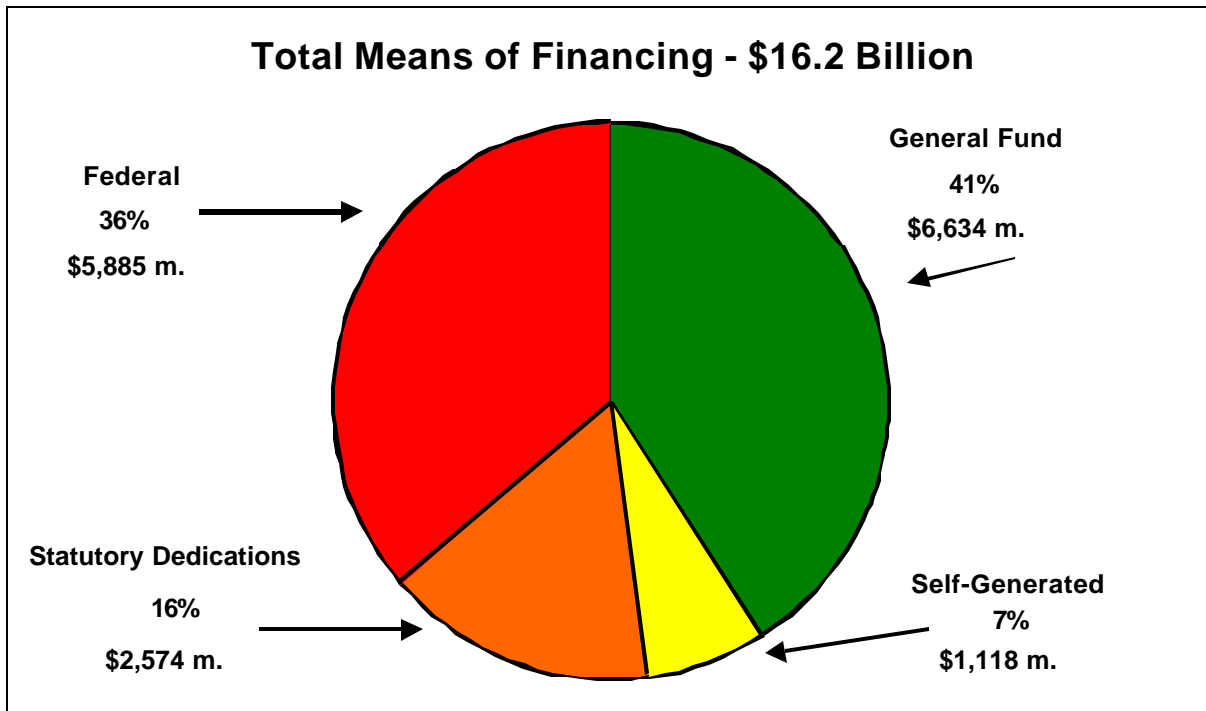


## Total Means of Financing for FY03

The total means of financing supporting state spending in FY03 is \$16.2 billion which is an increase of slightly more than \$111 million (less than 1 percent) over FY02. State General Fund (Direct) and Federal funding accounts for 77 percent of the monies supporting state FY03 expenditures.

State General Fund (Direct) funds comprise 41 percent or \$6.6 billion of the FY03 total budget. Federal funds provide 36 percent of the total, or \$5.9 billion. Statutory Dedications make up 16 percent, or \$2.6 billion. The smallest group of monies supporting the budget come from Fees and Self-generated monies which provide 7 percent of the total, or \$1.1 billion.

## Total Means of Financing FY03

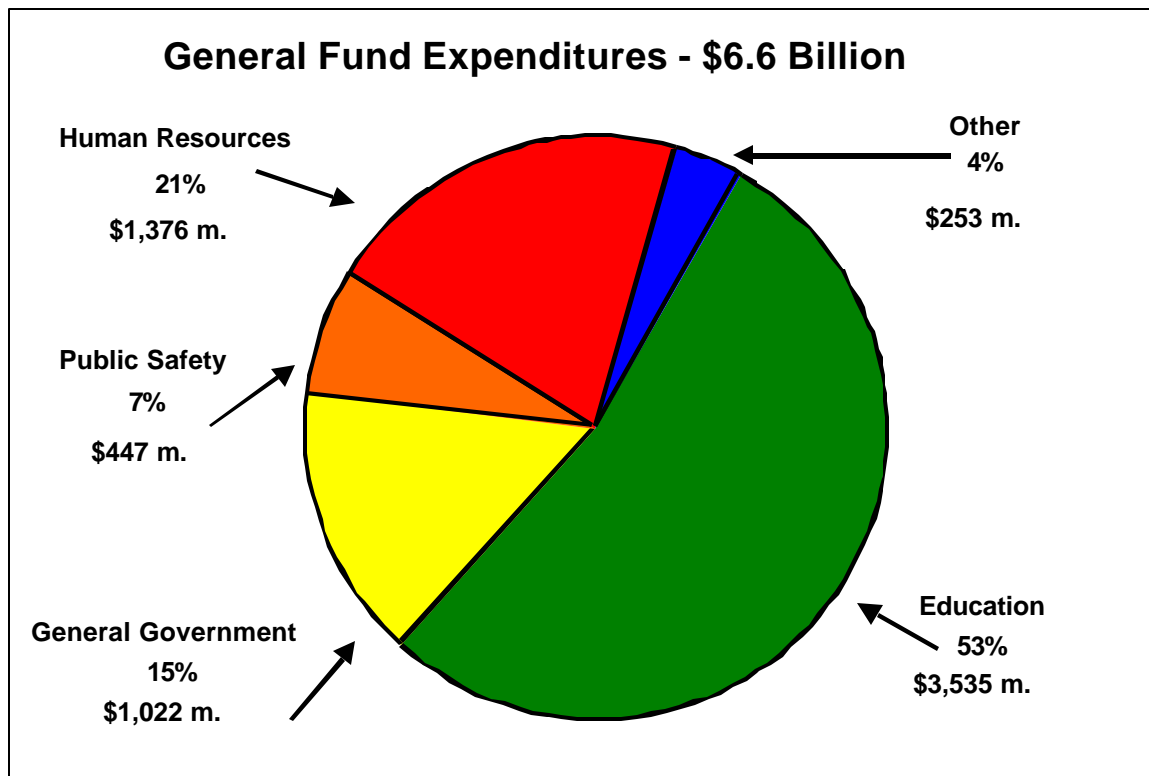


## FY03 Appropriations

In terms of expenditures, education and health and human services account for the majority of state spending in FY03.

Relative to the \$6.6 billion State General Fund Budget, education spending accounts for over 53 percent, or \$3.5 billion. Nearly 21 percent, or \$1.4 billion, of the SGF spending is for health and human resources. Spending on general government agencies amounts to 15 percent, or a little more than \$1 billion; public safety functions cost nearly 7 percent (\$447 million) of the General Fund; and spending on other various functions such as economic development and infrastructure amount nearly 4 percent (\$253 million) of the total.

## General Fund Expenditures FY03

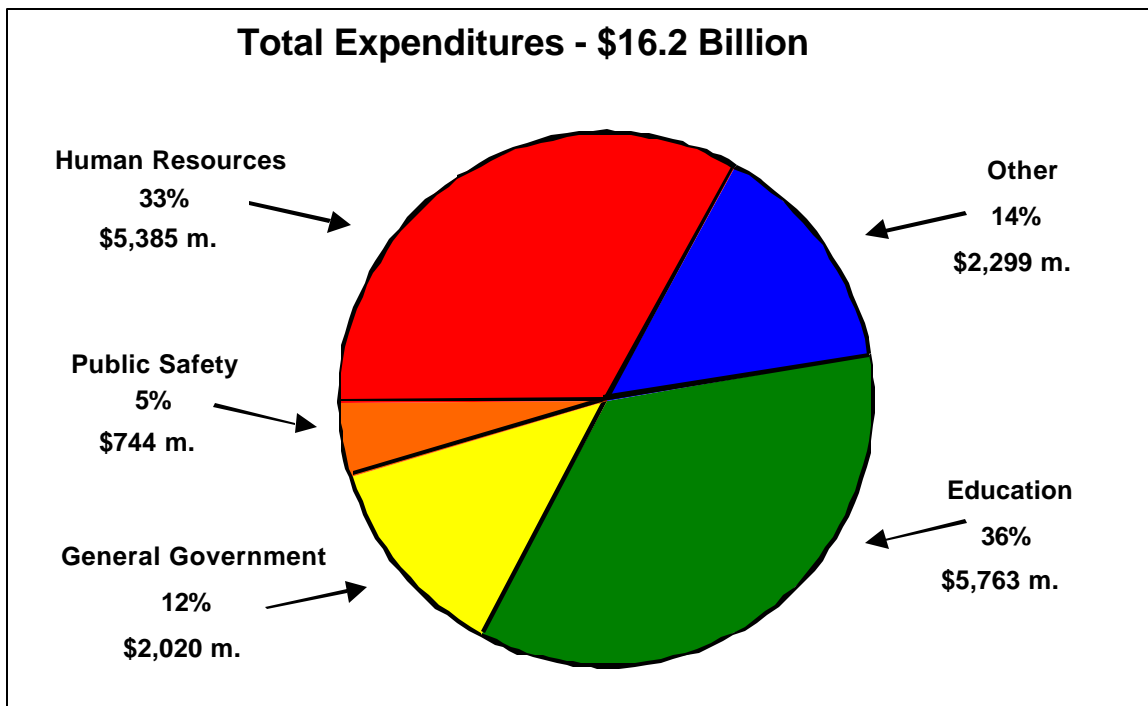




## Total Expenditures FY03

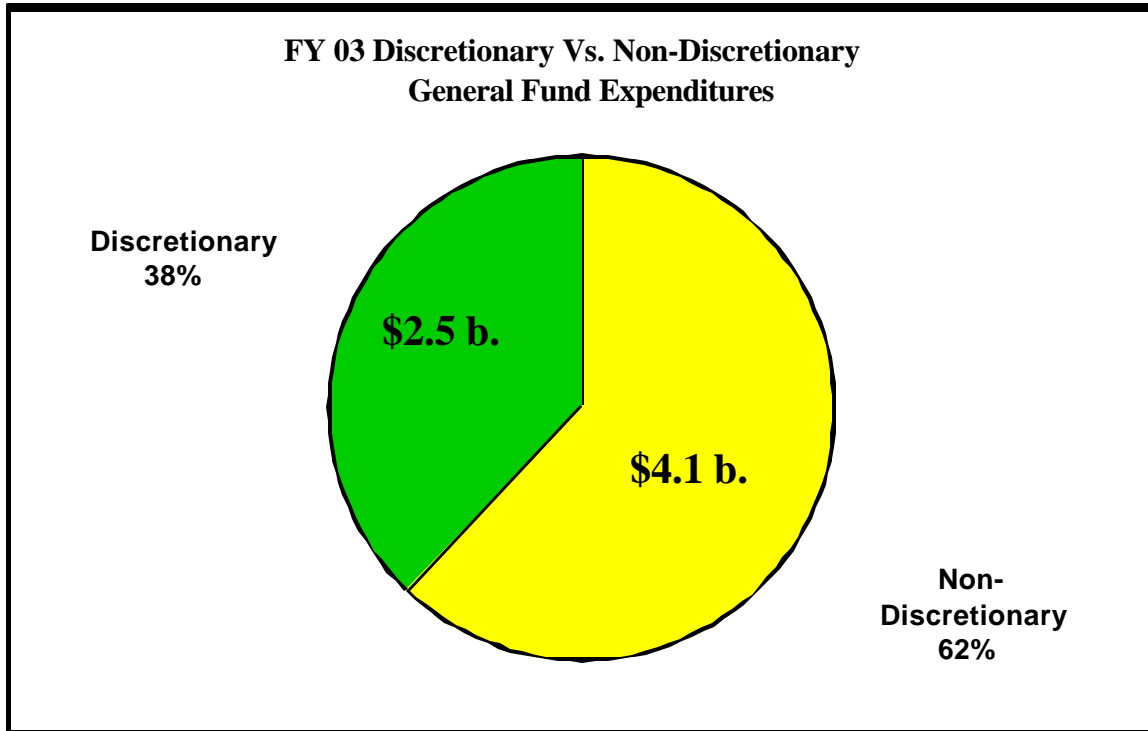
Relative to the Total State Budget of \$16.2 billion, expenditures for education amount to nearly 36 percent (or \$5.8 billion) and spending on health and human resources accounts for more than 33 percent (\$5.4 billion). Spending on general government, public safety functions and other areas is reflected in the chart below.

## Total Expenditures FY03



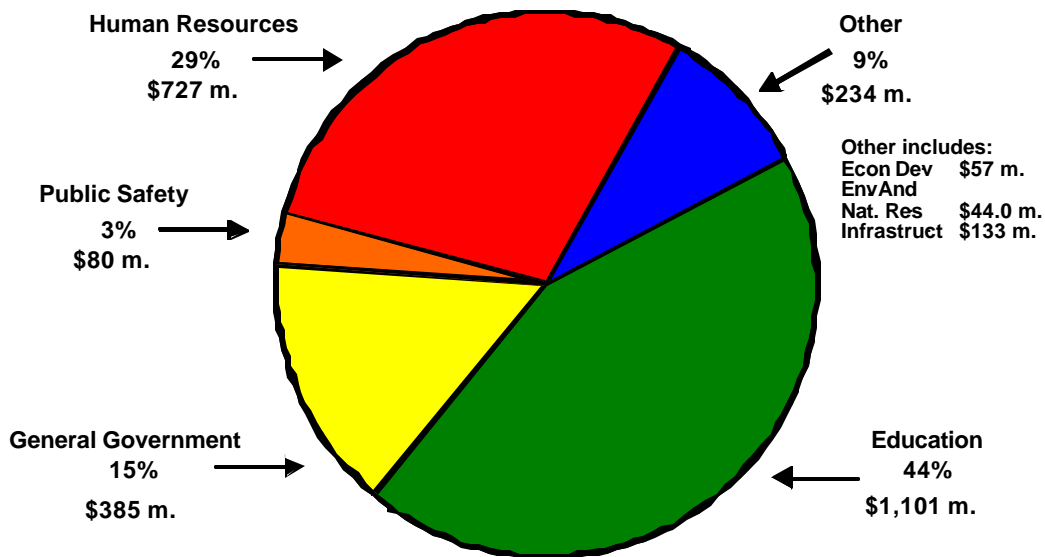
## Discretionary, Non-Discretionary General Fund Expenditures

The following chart displays the spending associated with the portions of the State General Fund budget which are discretionary (38 percent or \$2.5 billion) and which are non-discretionary (62 percent or \$4.1 billion).

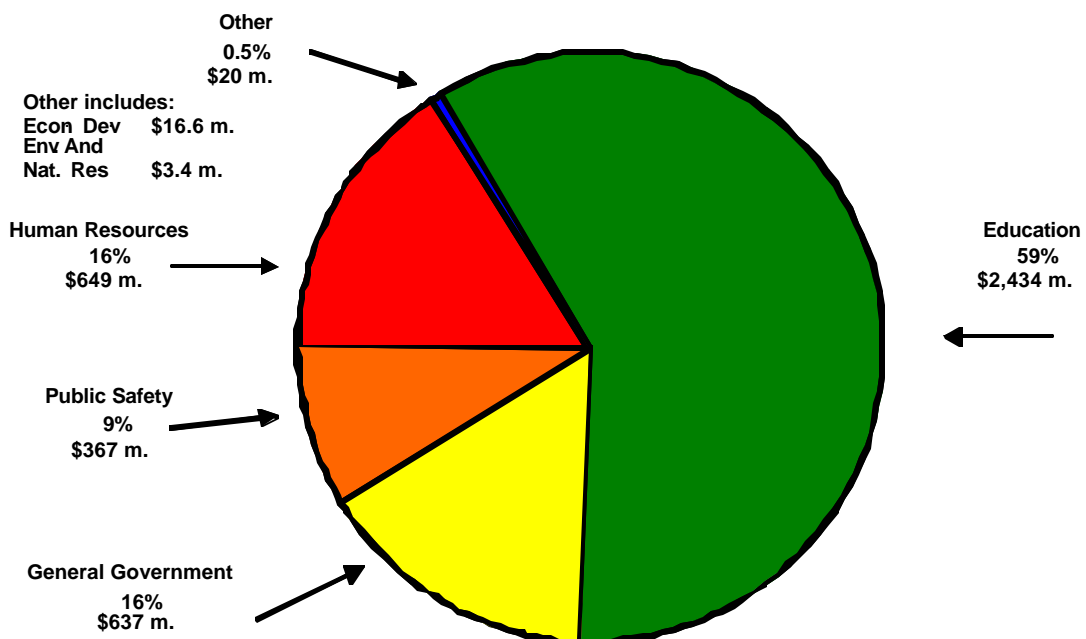


Most of the \$4.1 non-discretionary SGF spending provides for mandated education funding such as the Minimum Foundation Program. The following pie charts show the break down of discretionary and non-discretionary SGF expenditures by function.

### Discretionary General Fund Expenditures FY03 — \$2,527 m.



### Non-Discretionary General Fund Expenditures FY03 — \$4,107 m.



# Departmental Budget Overview

## FY03 Budget Enhancements

Priorities in the FY03 Budget focused primarily on enhancements in Higher Education, Economic Development, and maintaining Health Care Services. Some of the enhancements in the FY03 Budget include:

- Increased funding to Urban Affairs \$3.2 m.
- Increased funding to Rural Development \$3.0 m.
- Computer-related adjustments \$2.2 m.
- Funding for Homeland Security \$10.7 m.
- NCAA Men's Final Four and Women's Volleyball Tournament \$1.0 m.
- Partnership of Greater Baton Rouge \$0.4 m.
- Hornets Transition to New Orleans \$1.8 m.\*
- Compaq Classic Golf Tournament \$0.3 m.
- Pay Increase for State Troopers \$15.6 m.
- Adds 325 slots to the Medicaid MR/DD Waiver Program and creates up to 100 slots in a new waiver program for the developmentally disabled \$6.1 m.
- Increase for Community and Technical College Pool \$6.6 m.
- Performance and Quality Improvement Pool \$6.4 m.
- Higher Education Merit Increases and Group Benefits Increases \$26.4 m.
- Teacher Quality Program \$0.8 m.
- Governor's Bioscience Initiative at LSU \$4.0 m.
- The MFP and Teacher Pay \$45.2 m.

\* To be reimbursed to the State General Fund from the avails of an existing 1-cent sales tax on hotel/motel room rentals in New Orleans.

# Executive Department

## FY03 Appropriation Level

<b>Executive</b>	<b>State General Fund</b>	<b>\$133,297,357</b>
	<b>Total Means of Financing</b>	<b>\$486,775,646</b>

### Urban Affairs and Rural Development

- Added \$3.1 million in enhanced funding for the Office of Urban Affairs for a total funding level of \$10.1 million and an additional \$3.0 million of enhanced funding for the Rural Development Program for a total funding level of \$9.2 million.

### Military Affairs

- \$1.1 million has been included in the budget of the Military Affairs Department for a Homeland Security Initiative.

### Drug Abuse Resistance Education (D.A.R.E.)

- \$2.9 million has been dedicated from the Tobacco Tax Health Care Fund to provide for the administration and operation of the Drug Abuse Resistance Education program (D.A.R.E.) in the budget for the Louisiana Commission on Law Enforcement.

### Saints/Hornets Funding

- A total of \$35.4 million in state funds was provided during the special and regular sessions for the purpose of funding New Orleans Saints and Charlotte Hornets incentive agreements.

### Special Session

- Provided FY02 Supplemental State General Fund funding of \$1.75 million for reimbursement to the Charlotte Hornets NBA Limited Partnership for transitional and relocation expenses associated with the move to New Orleans. Requires statutorily dedicated fund to repay these monies to the General Fund (Act 152 of the First Extraordinary Session of 2002).
- Capital improvement monies were provided as follows:
  - \$10 million for NBA upgrades to the New Orleans Arena (Act 164 of the First Special Session of 2002).

- \$6.75 million for construction of an indoor football training facility for the Saints (Act 164 of the First Special Session of 2002).

#### Regular Session

- New funding in the amount of about \$6.3 million was provided from the New Orleans Sports Franchise Fund to meet contractual obligations of the State with respect to the New Orleans Saints and Hornets sports franchises. Act 73 of the 2002 First Extraordinary Session redirected a one-percent hotel occupancy tax in Orleans Parish to fund, in part, incentive packages for these teams.
- The Louisiana Stadium and Exposition District operating budget includes \$10.6 million in Saints inducement payments, in addition to any portion of the above Sports Franchise Fund that will be used to meet Saints contractual obligations.

#### **Other Significant Budget Items for the Louisiana Stadium and Exposition District**

- Provided \$4.2 million in funding for Superdome and New Orleans Arena operations that must be approved by the Joint Legislative Committee on the Budget prior to expenditure.
- Provided \$4.6 million in acquisitions and major repairs for district facilities.

# Elected Officials

## Attorney General

### FY03 Appropriation Level

<b>Attorney General</b>	<b>State General Fund</b>	<b>\$11,304,416</b>
	<b>Total Means of Financing</b>	<b>\$36,345,347</b>

- Provided a restoration of funding (\$124,800) and enhanced funding (\$230,000) for the Community Living Ombudsman Program in the Civil Law Program.

## Lieutenant Governor

### FY03 Appropriation Level

<b>Lieutenant Governor</b>	<b>State General Fund (Direct)</b>	<b>\$1,181,996</b>
	<b>Total Means of Financing</b>	<b>\$6,132,621</b>

- The budget of the Louisiana Retirement Development Commission included an additional \$150,000 for marketing and advertising expenses. This funding represents the first year of funding for such activities.
- The budget was reduced by \$500,000 in statutorily dedicated funds formerly passed through this agency to the New Orleans Visitor and Information Center. Act 73 of the First Extraordinary Session of 2002 redirected a one-percent hotel occupancy tax in Orleans Parish from tourism and economic development purposes to fund the contractual obligations of the state with respect to professional football and basketball team incentive agreements.

## Commissioner of Agriculture

### FY03 Appropriation Level

<b>Agriculture and Forestry</b>	<b>State General Fund</b>	<b>\$29,224,944</b>
	<b>Total Means of Financing</b>	<b>\$107,525,674</b>

- The budget provides \$1.6 million from dedications of the Louisiana Agricultural Finance Authority Fund for payment of debt service, infrastructure construction and improvements to rail systems and facilities related to the transportation of sugar cane. Of this amount, \$600,000 has been allocated for improvement of facilities and equipment of the rail system.
- The amount of \$945,000 was provided from the Louisiana Agricultural Finance Authority Fund (LAFA) for debt service related to the Boll Weevil Eradication Program. This additional appropriation brings total funding from this source to \$8 million for the debt service on this program.
- In addition to the LAFA funds provided for debt service, the amount of \$34.2 million was provided toward the program from the Boll Weevil Eradication Fund. The Boll Weevil Eradication Program provides for various activities, such as spraying and trapping, to eliminate the boll weevil from agricultural interests. Since inception in FY98, the state has expended \$120 million on the Boll Weevil Eradication Program.

## Secretary of State

### FY03 Appropriation Level

<b>Secretary of State</b>	<b>State General Fund</b>	<b>\$4,677,710</b>
	<b>Total Means of Financing</b>	<b>\$15,107,062</b>

- To meet the costs of three statewide elections in FY 02-03, the budget was increased by \$1.6 million.
- Nominal federal funding was appropriated to the Secretary of State in the event that federal election reform materializes during the fiscal year. If these funds materialize, the Joint Legislative Committee on the Budget has the authority to incorporate them into the proper budget.



## Commissioner of Elections

FY03 Appropriation Level		
Commissioner of Elections	State General Fund	\$27,645,554
	Total Means of Financing	\$30,440,870

- To meet the costs of three statewide elections in FY 02-03, the budget was increased by \$5.1 million.
- Restored \$205,718 for the Outreach Program in the Department of Elections.
- Nominal federal funding was appropriated to the Commissioner of Elections in the event that federal election reform materializes during the fiscal year. If these funds materialize, the Joint Legislative Committee on the Budget has the authority to incorporate them into the proper budget.

# Economic Development

## FY03 Appropriation Level

<b>Economic Development</b>	<b>State General Fund</b>	<b>\$26,430,377</b>
	<b>Total Means of Financing</b>	<b>\$51,781,149</b>

- The Louisiana Technology Park received \$4.4 million to meet the third year of a \$37 million, multiple-year commitment by the State for a commercial data center and technology business incubator located at Bon Carre' in Baton Rouge.
- Act 23, the Capital Outlay Act, provided \$30 million (\$12 million in State General Fund non-recurring revenues and \$18 million in General Obligation Bonds – Priority 5) for the planning and construction of three Wet-Laboratory Business Incubators in Shreveport, New Orleans and Baton Rouge to provide laboratory facilities that may be leased to qualified bioscience research firms. These wet labs will attempt to recruit new businesses to capitalize on university based bioscience research conducted at Louisiana institutions of higher education.
- The amount of \$3 million was appropriated for the final installment of the state commitment in the UNO/Navy contract, which provides for the completion of construction of the fourth building at the University of New Orleans Research and Technology Parks located at the New Orleans lakefront area. The Park has formed partnerships between UNO academic departments and the approximately 50 tenants, with the Naval Information Technology Center serving as the anchor tenant.
- The UNO/Avondale contract was funded at \$5.3 million for the fifth year of a \$50.2 million commitment to fund the construction of a 200,000 square foot ship design facility for Avondale Corporation.
- Several regional economic development organizations received funding for FY03: MetroVision (New Orleans) – \$450,000; Macon Ridge (Northeast Louisiana) – \$250,000; South Louisiana Economic Council – \$150,000; Partnership for Greater Baton Rouge – \$350,000; and Baton Rouge Inner City Economic Development District – \$25,000.

- Sports bowl games and tournaments were funded as follows:

Sugar Bowl	\$1,100,000
NCAA Men's Final Four Basketball Championship and Women's Volleyball Tournament	\$1,000,000
New Orleans Bowl	\$350,000
Bayou Classic	\$100,000
Independence Bowl	\$375,000
Red Fish Tournament	\$75,000

- The budget includes \$1 million in federal funding from Temporary Assistance for Needy Families block grant funds for the Micro-enterprise Development Program. This program was transferred from the Office of Women's Services.

# Culture, Recreation, and Tourism

## FY03 Appropriation Level

<b>Culture, Recreation and Tourism</b>	<b>State General Fund</b>	<b>\$39,984,395</b>
	<b>Total Means of Financing</b>	<b>\$67,860,078</b>

- The budget was reduced by \$800,000 in statutorily dedicated funds formerly passed through the Office of the Secretary for tourism and economic development projects in New Orleans. Act 73 of the First Extraordinary Session of 2002 redirected these funds to support the contractual obligations of the state with respect to professional football and basketball team incentive agreements.
- The Office of State Parks included funding for new facilities that will be operational during the fiscal year:

<u>Site – Purpose</u>	<u>Funding</u>	<u>Positions</u>
Caney Creek Lake State Park – New cabins	\$550,829	10
Poverty Point Reservoir State Park – New park	\$745,485	17
Lake D’Arbonne State Park – New cabins & facilities	\$717,220	10
Audubon Historic Site – New visitor center	<u>\$131,154</u>	<u>4</u>
<b>Total</b>	<b>\$2,144,688</b>	<b>41</b>

- Funding for the Audubon Golf Trail was provided at \$250,000 in State General Fund. These expenses were funded at \$450,000 in the prior fiscal year.
- Expenditures in the Office of Tourism include \$9.8 million in self-generated revenues for the advertising and public relations contract.
- The Office of Tourism included the following State General Fund expenditures:

Sci-Port Discovery Center in Shreveport	\$200,000
Bass Masters Tournament at Toledo Bend	\$50,000
Natchitoches Christmas Festival	\$50,000
Lester E. Kabacoff School of Hotel	
Restaurant and Tourism at UNO	\$100,000
Tourism initiative at UNO	\$200,000

# Transportation and Development

## FY03 Appropriation Level

<b>Transportation and Development</b>	<b>State General Fund</b>	<b>\$1,418,910</b>
	<b>Total Means of Financing</b>	<b>\$380,105,495</b>

- DOTD will operate a significantly reduced highway construction program due to an anticipated decline of \$96 million in available federal highway funding from the previous fiscal year. Although the Transportation Equity Act for the Twenty-first Century (TEA-21) federal transportation legislation guarantees specific annual funding levels for highways through Federal Fiscal Year 2003, the law provides for annual adjustments to reflect actual receipts and revised projections of available revenues.
- Act 23 of 2002, the Capital Outlay Act, provides \$335 million in federal highway funds compared to \$431 million in the prior fiscal year. The amount of state trust funds appropriated declined from \$139.3 million in FY02 to \$102.1 million FY03.
- The operating budget included the following \$1.2 million in State General Fund expenditures:
  - Zachary Taylor Parkway Commission \$70,855
  - Poverty Point Lake Commission \$100,000
  - Amite River Basin \$200,000
  - Fifth Levee District \$150,000
  - Millennium Port \$200,000
  - Louisiana Airport Authority \$451,700

# Public Safety & Corrections - Corrections Services

## FY03 Appropriation Level

<b>Corrections Services</b>	<b>State General Fund</b>	<b>\$448,922,903</b>
	<b>Total Means of Financing</b>	<b>\$506,786,915</b>

Administration	\$39,123,471
Phelps Correctional Center	\$16,297,542
Louisiana State Penitentiary	\$97,084,505
Avoyelles Correctional Center	\$19,179,862
La. Correctional Institute for Women	\$16,263,166
Winn Correctional Center	\$16,248,509
Allen Correctional Center	\$16,272,312
Dixon Correctional Institute	\$27,896,559
Work Training Facility — North	\$7,309,340
Hunt Correctional Center	\$40,665,569
Wade Correctional Center	\$29,313,744
Washington Correctional Institute	\$20,861,549
Adult Probation and Parole <sup>1</sup>	\$29,906,483
Office of Youth Development	\$127,671,308
Adult Community-Based Rehabilitation	\$2,692,996

<sup>1</sup>Plus \$11,949,000 tied to issuance of Louisiana Correctional Facilities Corporation Lease Revenue Refunding Bonds, Series 2002.

### Corrections Bond Refinancing

- As mentioned above, \$11.9 million in funding for 259 positions in Probation and Parole will be realized due to a reduction in debt service if the Louisiana Correctional Facilities Corporation can complete a sale of Corporation Lease Revenue Refunding Bonds in FY03.
- The bond sale was approved by the State Bond Commission on June 20, 2002.
- As of the August meeting of the Joint Legislative Committee on the Budget, Corrections indicated the Department was having trouble obtaining insurance for the bonds. Thus, they have not yet been issued.

- When the bonds are finally issued, a BA-7 will be submitted to the Joint Legislative Committee on the Budget for approval of the funds and associated T.O. of 259 positions for Probation and Parole.
- The situation creating the need to issue this bond sale is a complex one.
  - The Department liquidated two unused parcels of land belonging to the Louisiana Correctional Facilities Corporation for the purpose of using the funds to match federal grant money for prison construction and maintenance. These two parcels of land are part of an original bond issuance in 1986 (refinanced in 1993), which included a total of five parcels of land. Correctional facilities were built on three of the five parcels, which has left the two parcels in question. Corrections currently leases these parcels, (one in Union Parish, one in East Carroll Parish), for agricultural purposes and uses the proceeds to offset lease payments made to the Correctional Facilities Corporation.
  - The Louisiana Correctional Facilities Corporation sought to issue revenue refunding bonds not to exceed \$45 million for the purposes of defeasing the bonds issued in 1993, thus allowing the two vacant parcels of land to be freed from their current status as security for the bonds. This refunding allowed for the defeasance of the 1993 bonds by paying the costs of issuance of the bonds and funding an escrow fund, and including any bond insurance policy premium and any debt service reserve policy. This refunding increased debt service for Corrections because the 1993 bonds cannot be prepaid. The additional debt service time period has been set at five years beyond the original term of the 1993 bonds, to 2008. Corrections will repay the debt service on the refunded bonds from rental payments made to the Louisiana Correctional Facilities Corporation. This action will effectively reduce the annual debt service payments from \$17 million to \$5 million, thus freeing up approximately \$12 million to be used to fund the Probation and Parole positions mentioned above.
  - Corrections anticipates the sale of the two vacant parcels of land will bring approximately \$3 million. This money will be used to match federal funds at approximately a 10:1 rate, thus bringing in about \$30 million in federal grant money. This money will be used for a variety of Corrections projects, particularly the skilled nursing component at Elayn Hunt Correctional Center. It should be noted that the federal VOITIS (Violent Offender Incarceration Truth In Sentencing) funds Corrections seeks to match will expire in two years, thus the necessity of the Department obtaining liquid funds as soon as possible.

### **Inmate Population**

- As of April 2002, Louisiana had approximately 35,840 adult inmates. Of this total, 19,964 were being held in state facilities and 15,873 were being held in local jails.
- Sheriffs' Housing of State Inmates will no longer be in the Department of Corrections budget from FY03 onward (It has been moved to Schedule 20 – Other Requirements by the Division of Administration). The program was appropriated \$144,921,284 in HB1 for FY03. This amount is approximately \$8.7 million under-funded due to the fact that projected population

decreases from sentencing reform legislation passed during the 2001 Regular Legislative Session has yet to be realized. This funding was not restored during deliberation on HB1, although \$472,949 extra was appropriated for 71 work-release beds at the Lafayette Community Correctional Center.

### **Correctional Officers' Pay**

- Approximately \$16.8 million was provided in FY02 for a pay raise for prison guards and probation and parole officers. This pay raise has been annualized for FY03, plus additional money for merit increases for FY03.

### **The Tallulah Situation**

#### Background on Swanson Correctional Center for Youth – Madison Parish Unit (formerly Tallulah Correctional Center for Youth)

- The Louisiana Department of Corrections took over operation of Swanson-Madison on Sept. 25, 1999, after several years of allegedly incompetent management by the private management company, investigations by the U.S. Department of Justice, and negative public outcry about conditions at the institution. The facility had first opened its doors in 1994.
- In FY 01, the Legislature reduced the appropriation for Swanson-Madison by \$400,000, which eliminated funding for inflation on debt service payments (Total FY 01 budget — \$20 m.). In FY 02, the Legislature reduced the appropriation for Swanson-Madison by \$1 million. For FY 03, the budget for Swanson-Madison was held at its FY 02 level prior to the \$1 million cut (Total FY 03 budget — \$17.2 m.).
- It currently costs the state \$115.49 a day to house a juvenile offender at Swanson-Madison. Of that total, \$23.19 is spent to cover lease payments for the facility, and \$92.30 is spent for operational costs.
- As of May 30, 2002, there were 371 juvenile offenders housed at Swanson-Madison.
- The debt service paid on Swanson-Madison by the state is approximately \$3.2 million per year. The debt service on the facility was refinanced in 1997 at \$32 million for 20 years. Corrections indicates that approximately \$26 million is in reserve on this refinancing. If the state were to buy the facility outright at \$26 million, Corrections estimates it would cost the state \$2 million a year, which is \$1.2 million less than the current annual debt service payment.

#### Recent Action

- During the 2002 Regular Legislative Session, the situation involving Swanson Correctional Center for Youth — Madison Parish (formerly the Tallulah Correctional Center for Youth) Unit was the cause of much debate on both sides of the Capitol.



- In the House Appropriations Committee, approximately \$17.2 million for Swanson—Madison was cut from HB1, and transferred to another portion of the Office of Youth Development’s budget. Under the House Appropriations Committee plan, the \$17.2 million was to be used for relocation expenses for the juvenile offenders housed at Swanson-Madison. During action on the House floor, however, this money was restored to Swanson-Madison to be used for housing juvenile offenders. The capacity at Swanson-Madison is 408 juvenile offenders, although the facility is rarely filled to capacity.
- Once HB1 crossed over to the Senate, the Finance Committee considered re-cutting Swanson-Madison from HB1, but ultimately rejected the idea largely due to differing reports on how long it would take the Department of Corrections to safely relocate the juvenile offenders currently in Swanson-Madison (some scenarios called for temporarily relocating some of the juveniles into segregated areas of adult facilities, an act which could invite scrutiny by the Federal government); whether or not Corrections would need to build new cell blocks at existing institutions; and whether or not juveniles currently housed in other state facilities would need to be moved to make room for transferees from Swanson-Madison.
- Another complication in the ongoing deliberation concerning Swanson-Madison was the threat from some rating agencies to lower the state’s bond rating if it failed to appropriate funds for Swanson-Madison. Most of this controversy is based upon a clause in the contract between the Department of Corrections and the Town of Tallulah and Trans-American Development Associates, Inc. This clause seems to indicate the contract for the facility could be terminated if the Legislature ceases its funding. The rating agencies maintain that the state should honor its contractual obligations, even if the contract for the Tallulah facility is regarded as a “bad deal” for the state by some, because the debt service on the facility would still be outstanding, leaving the bonding agencies and insurers holding the bag. The rating agencies have threatened to lower the state’s bond rating if the Tallulah contract is terminated.

# Public Safety & Corrections - Public Safety Services

## FY03 Appropriation Level

<b>Public Safety Services</b>	<b>State General Fund</b>	<b>\$3,814,001</b>
	<b>Total Means of Financing</b>	<b>\$253,932,620</b>

### State Trooper Pay Raise

- A \$15.6 million pay raise was provided for Louisiana State Troopers during the 2002 Regular Session of the Legislature. This funding will raise the starting pay of troopers from \$22,048 to \$31,304, with a salary increase to \$36,601 after one year of service. Louisiana had ranked last in a comparison with 14 other Southern states. Top-ranked North Carolina pays its state troopers \$33,672 to start, over \$11,000 more than Louisiana previously offered.

### Homeland Defense

- For FY03, a total of \$2.4 million and 68 state troopers and civilians, including equipment and supplies, were added for Homeland Defense efforts.

### Other Significant Budget Items

- \$1,029,099 in Statutory Dedications from the Criminal Identification and Information Fund for thirty-five positions to perform criminal background checks.
- \$1,000,000 in State General Fund for operations of the State Crime Laboratory, including development of a plan for equitable distribution of funds to crime laboratories in the state subject to review and approval by the Joint Legislative Committee on the Budget.
- \$450,000 for enforcement activities for slot machines at race tracks in the Gaming Enforcement Program in the Office of State Police.
- \$369,540 in State General Fund for salary funding of 9 information technology positions in the Office of Management and Finance.
- \$225,981 in State General Fund for additional administrative hearings for the Legal Program in the Office of Legal Affairs.

# Health and Hospitals

<b>FY03 Appropriation Level</b>		
<b>Health &amp; Hospitals</b>	<b>State General Fund (Direct)</b>	<b>\$1,168,258,030</b>
	<b>Total Means of Financing</b>	<b>\$5,419,241,540</b>

The Governor’s Executive Budget for FY03 reduced the Department of Health and Hospitals’ budget by \$514.6 million and 763 positions.

In response, the Legislature increased the department’s proposed funding level by approximately \$280 million and restored 739 positions during the appropriation process to the \$5.1 billion recommended in the FY03 Governor’s Executive Budget.

The total operating budget for the Department of Health and Hospitals is \$5.4 billion FY03. The Department has 12,763 authorized positions for FY03.

## **Louisiana’s Medicaid Program**

- The total funding for medical services for Medicaid clientele and the uninsured will increase by roughly \$130 million from FY02 to FY03. The total Medicaid budget for FY03 is \$4.4 billion, including \$864.9 million State General Fund.
  - \$70 million for private and public providers of medical services to both Medicaid clientele and the uninsured
  - \$25 million for the various existing Home and Community-Based Waiver Programs – MR/DD, Children’s Choice, Adult Day Health Care, and Elderly and Disabled Adult – and the development of a new adult waiver program
  - \$16 million for the continuation of the Behavioral Management Program for autistic individuals
  - \$16 million for the expansion of the CommunityCARE program, Primary Care Case Management for Medicaid enrollees, including reimbursement rate increases for primary care services provided by physicians
  - \$4 million for an increase in the cost of Medicare premiums for the state Medicare Buy-Ins program enrolling Medicaid/Medicare dual eligibles in the Medicare program for primary health insurance

- Built into the FY03 Medicaid budget is the expansion of Medicaid eligibility to pregnant women with a family income at or below 200% of the federal poverty limit beginning in January 2003. It is estimated that 2,611 additional pregnant women will now be eligible for Medicaid in FY03.
- This investment in prenatal health care ties in directly with LaCHIP, Louisiana's Medicaid eligibility expansion program for children under age 19 living at or below 200% of the federal poverty limit, to ensure continuous access to health care services from conception to age 19 for Louisiana's poorest children. Since 1999, the LaCHIP program has assisted in reducing the number of uninsured children in Louisiana by 207,535. LaCHIP is fully funded in FY03 as well.
- Finally, the Breast and Cervical Cancer Program implemented in January 2002 will be fully operational in FY03.

### **Public Health Services**

- For FY03, the Office of Public Health's budget is \$249.1 million and contains 1,991 authorized positions. This is an increase of \$5.8 million and 6 positions over FY02.
- The Legislature made a series of adjustments to OPH's budget to ensure adequate funding in FY03:
  - Restored funding for the full operation of the Hemophilia program (\$2.6 million) and Genetics program (\$1.8 million)
  - Added \$900,000 and 25 positions for the collection and transportation of water samples from the local water systems to the public health labs
  - \$300,000 has been added through the Office of Public Health for the LSU Veterinary School for encephalitis testing
  - Funding of the parish public health units has also been stabilized with a restoration of \$11.1 million and 231 positions in the Personal Health Service program
- In Act 23, the Capital Outlay Appropriation Act, OPH received funding for a new central laboratory. \$2.3 million in non-recurring State General Fund and \$20.2 million in Priority 5 General Obligation Bonds.

### **Mental Health Services**

- For FY03, the total budget for mental health services is \$245.9 million and includes 3,560 authorized positions. This is an increase of \$18.6 million and 33 positions over FY02.

- In FY03, the Office of Mental Health (OMH) will begin to restructure its provision of services to children and adolescents placing the greatest emphasis on community-based care. As such, there are sizable increases in community mental health services for children and adolescents in FY03 – \$4.1 million for crisis intervention services, \$2.2 million for newer medications, and \$1.6 million for assertive community treatment teams.
- In return, \$3.1 million has been cut at Southeast Louisiana State Hospital in Mental Health Area A to eliminate 16 adolescent inpatient beds and 10 child inpatient beds and \$1.4 million has been cut at Central Louisiana State Hospital in Mental Health Area C to eliminate 16 adolescent inpatient beds and 6 child inpatient beds.
- Beyond this reallocation of resources, the Legislature made a series of adjustments to OMH's budget to ensure adequate funding in FY03:
  - \$1.2 million was added to increase funding for inpatient acute psychiatric services provided through the facilities of the Louisiana State University Health sciences Center – Health Care Services Division.
  - \$10.1 million and 123 positions has been added to avoid a reduction of 328 civil adult inpatient beds across the state.
  - \$933,328 and 9 positions has been restored to the Mental Health State Office for administrative services.

### **Services for the Developmentally Disabled**

- For FY03, the total budget for the Office for Citizens with Developmental Disabilities (OCDD) is \$223.2 million and includes 4,557 authorized positions. This is an increase of \$18.0 million and a reduction of 10 positions from FY02.

AGENCY		FY 2002		FY 2003		DIFFERENCE		PERCENT	
		Funding	Pos.	Funding	Pos.	Funding	Pos.	CHANGE	
09-330	OMH	\$12,783,686	45	\$17,589,470	61	\$4,805,784	16	37.59%	35.56%
09-331	Area C	\$44,138,081	685	\$46,872,562	682	\$2,734,481	(3)	6.20%	-0.44%
09-332	Area B	\$90,588,424	1,512	\$96,953,050	1,532	\$6,364,626	20	7.03%	1.32%
09-333	Area A	\$79,746,154	1,285	\$84,488,199	1,285	\$4,742,045	0	5.95%	0.00%
TOTAL		\$227,256,345	3,527	\$245,903,281	3,560	\$18,646,936	33	8.21%	0.94%

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AGENCY		FY 2002		FY 2003		DIFFERENCE		PERCENT CHANGE	
		Funding	Pos.	Funding	Pos.	Funding	Pos.		
09-340	OCDD	\$34,587,522	195	\$36,743,177	190	\$2,155,655	(5)	6.23%	-2.56%
09-342	Metropolitan DC (Includes Peltier-Lawless	\$28,267,450	690	\$30,994,452	688	\$2,727,002	(2)	9.65%	-0.29%
09-344	Hammond DC	\$32,291,993	804	\$36,828,283	803	\$4,536,290	(1)	14.05%	-0.12%
09-346	NW DC	\$14,234,763	399	\$15,271,207	399	\$1,036,444	0	7.28%	0.00%
09-347	Pinecest DC (Includes Columbia DC	\$78,234,386	1,986	\$83,824,825	1,987	\$5,590,439	1	7.15%	0.05%
09-348	Ruston DC	\$7,310,482	218	\$8,095,940	218	\$785,458	0	10.74%	0.00%
09-349	SW DC	\$10,235,772	275	\$11,424,093	272	\$1,188,321	(3)	11.61%	-1.09%
<b>TOTAL</b>		<b>\$205,162,368</b>	<b>4,567</b>	<b>\$223,181,977</b>	<b>4,557</b>	<b>\$18,019,609</b>	<b>(10)</b>	<b>8.78%</b>	<b>-0.22%</b>

- For FY03, the OCDD will begin to restructure its provision of services placing greater emphasis on community-based care. As such, \$4.9 million State General Fund has been added to the OCDD budget to build capacity in the community. This State General Fund increase offsets a reduction of \$3.1 million reduction in Interagency Transfers from the Medicaid program for institutional services.
- In the facilities, funding has been added to expand community services - \$800,000 for specialized medical/behavior resource centers, \$248,808 for consumer and family training, and \$1.2 million for assertive community treatment teams. At the same time, \$4.4 million has been restored for patient care in the facilities.
- Also funded in FY03 for the various OCDD agencies is \$10.2 million for employee salaries. Included in the additional funding is the annualization of the position reallocations started in FY02, increased funding for group benefits and true funding of the costs of personnel merit increases.

#### **Services for persons with Addictive Disorders**

- For FY03, the total budget for the Office for Addictive Disorders (OAD) is \$65.8 million and includes 464 authorized positions. This is a reduction of \$6.9 million and of 1 position from FY02.
- Overall, funding has been stabilized for treatment services for addictive disorders.
- The biggest change in OAD's budget is the removal of \$8.2 million of State General Fund from the base budget for the expenditures associated with drug courts. These funds will be budgeted directly in the Supreme Court's budget for FY03. OAD is still committed to provide approximately \$1.5 million in treatment for the individuals enrolled in the drug court treatment slots.

- New in the budget for FY03 is \$2.3 million for the Office of Addictive Disorders from the Tobacco Tax Health Care Fund for operating expenses per Act 19 (HB 157) of the 2002 Regular Legislative Session.

## **Homeland Defense Measures**

### DHH Office of the Secretary

- DHH has received a federal grant of \$1.9 million from the DHHR Health Resources & Services Administration – Bio-terrorism Hospital Preparedness Program for the development of a bio-terrorism medical response plan in FY03.
- This project will be cooperative endeavor uniting DHH with the Louisiana Hospital Association and the LSU Health Sciences Center.
- The ultimate goal of this program is the development and implementation of a series of comprehensive medical response plans dividing the state on a regional basis to coordinate health care services providers and emergency response agencies to effectively respond to and manage the health consequences of an incident resulting from the use of a biological, chemical, radiological, nuclear, or explosive Weapon of Mass Destruction.

### Office of Public Health

- Continued into FY03, the OPH budget contains \$3.9 million and 44 positions to detect and/or respond to a bio-terrorism event.
- This funding will be used to address biological and/or chemical threats to the citizens of Louisiana by providing training and assessment of the statewide competence of health care staff in this arena, by coordinating emergency response activities in the medical community, and by performing infectious disease surveillance for the early detection of potential bio-terrorist event.
- OPH is also in the process of securing a multi-million grant from the federal government to assist in Louisiana's efforts to prepare its health care infrastructure for a mass casualty/destruction incident.

### Office of Mental Health

- \$300,000 and 4 positions are in OMH's budget for FY03 to train mental health professionals for the psychological fallout that will occur in the event a mass crisis strikes Louisiana. This is an increase of \$150,000 over the amount added by BA-7 in FY02.



# Social Services

FY03 Appropriation Level		
<b>Social Services</b>	<b>State General Fund (Direct)</b>	<b>\$190,360,014</b>
	<b>Total Means of Financing</b>	<b>\$924,974,706</b>

## Temporary Assistance for Needy Families (TANF)

The TANF program has undergone several changes since FY02. The TANF initiatives as appropriated in the FY03 budget are:

TANF Appropriations FY 03	
<b>Literacy</b>	
Pre-K/LA4	\$29,500,000
Non-public Pre-K	\$6,000,000
Drop-out Prevention	\$7,000,000
After-school enrichment	\$8,000,000
Child Literacy	\$4,750,000
Family Literacy	\$4,000,000
Truancy	\$2,430,193
<b>Employment</b>	
Job Skills Training	\$10,000,000
Micro-enterprise Development	\$1,000,000
Incarcerated Parents Training	\$3,000,000
Post-Release Programs	\$4,000,000
Individual Development Accounts	\$2,000,000
Transportation Initiatives	\$2,000,000
<b>Family Stability</b>	
Utility Assistance	\$3,000,000
Home Ownership	\$375,000
Emergency Home Repair	\$1,000,000
Domestic Violence	\$3,000,000
Family Strengthening	\$875,000
CASA Programs	\$4,000,000
Drug Courts	\$5,000,000
Substance Abuse Treatment	\$4,000,000
Housing Assistance	\$5,000,000
Early Childhood Intervention	\$1,750,000
Parenting Initiatives	\$3,000,000
Youth In Transition	\$419,807
Abortion Alternative Services	\$1,500,000
<b>Other</b>	
Oversight and Evaluation	\$1,000,000
Community Response Initiative	\$6,000,000
2 positions in DSS-OFS	\$100,000

### **Other Significant Budget Items**

- \$5.6 million in the Office of the Secretary was included for a “supervisory management support system for compliance with laws and regulations governing the department,” including internal audit functions.
- DSS has approximately \$8.2 million built into its budget for information technology projects.
- DSS had a gubernatorial position reduction of 270 with a corresponding reduction of \$10 million in total funding (\$8 million State General Fund). The vast majority of these positions are in the Office of Family Support.

# Natural Resources

## FY03 Appropriation Level

<b>Natural Resources</b>	<b>State General Fund (Direct)</b>	<b>\$10,392,443</b>
	<b>Total Means of Financing</b>	<b>\$109,462,450</b>

### Atchafalaya Basin Program

- \$810,713 and four positions for the Atchafalaya Basin Program were included in the departmental budget for FY03 in the Office of the Secretary. This program was originally below-the-line.

### Compliance Database

- Approximately \$500,000 was added to DNR's base budget in the Office of Conservation to fund this database, recommended by the Office of Information Technology.

### Rent for LaSalle Building

- DNR will be paying approximately \$400,000 in rent expenses for its new office space in the LaSalle Building.

### Computer Network Connections

- DNR has approximately \$400,000 in funding in the Office of the Secretary for a "Data Dial Tone" for computer network connections.

### Other Significant Budget Items

- \$564,279 for funding for the Coast 2050 Plan
- \$197,510 and five positions to the Mineral Resources Management Program

# Revenue

## FY03 Appropriation Level

<b>Revenue</b>	<b>State General Fund</b>	<b>\$5,455,284</b>
	<b>Total Means of Financing</b>	<b>\$78,783,781</b>

- The budget includes funds for the first phase of the new integrated tax system estimated to cost \$13.9 million over three years. The total cost includes \$2 million for software, \$400,000 annually for maintenance, and \$235,000 annually for a third party project manager. The state has expended \$13.8 million to date on the former tax reengineering project. The total cost of implementing the system is anticipated to be \$27.7 million.

# Wildlife and Fisheries

## FY03 Appropriation Level

<b>Wildlife and Fisheries</b>	<b>State General Fund</b>	<b>\$289,519</b>
	<b>Total Means of Financing</b>	<b>\$75,983,106</b>

- The budget provides \$3.6 million from the Department of Natural Resources for various projects under the Coastal Impact Assistance Program (\$1.5 million in Wildlife and \$2.1 million in Fisheries).
- The budget includes \$2.2 million from the Department of Natural Resources to Office of Wildlife for a \$4 per nutria payment to trappers.

# Higher Education

## FY03 Appropriation Level

<b>Higher Education</b>	<b>State General Fund</b>	<b>\$961,290,067</b>
	<b>Total Means of Financing</b>	<b>\$2,009,839,216</b>

- **\$4 million for a Biotechnology Initiatives and Health Care Workforce Development**

The biotechnology initiative is designed to replicate the success of the Information Technology Initiative by providing funds to universities to enhance research capacity in emerging fields tied to the state's economic development efforts outlined in Vision 20/20. The biotechnology initiative funding will provide for investment in faculty, facilities and research equipment at institutions with demonstrated expertise in specified areas of research under the broad heading of "biotechnology". These funds will be allocated based upon a competitive, peer-reviewed evaluation process. A portion of these funds are designated specifically for the "neurobiotechnology" initiative currently underway at LSU Health Sciences Center - New Orleans, LSU Health Sciences Center - Shreveport, and Tulane University Health Sciences Center.

- **\$7.6 million for Emerging Community and Technical Colleges Pool**

The \$7.6 million Community and Technical Colleges Development Pool Fund has been allocated for the growth in the existing community colleges and for the enrollment, expansion, and development of new community colleges around Louisiana. This fund will help such projects as the creation of the new Delta Community College in northeast Louisiana and the growing enrollment from 3,000 to 4,300 students at the Baton Rouge Community College.

- **\$6.4 million for the Performance and Quality Improvement Distribution Pool**

These funds will be used to assist colleges and universities in improving performance in targeted focus areas outlined in the Master Plan for Public Post-Secondary Education. The focus areas include enhancement of quality teacher education programs, state and regional economic development efforts, improved competitiveness of graduate student stipends, and further implementation of enrollment management strategies including the admissions criteria framework at four-year universities.

- **\$2.8 million from the Higher Education Initiatives Fund for implementation of the Master Plan**

Funding will be used to implement the Master Plan for Public Post-Secondary Education as adopted in 2001. The new plan addresses student enrollment issues, the overall direction of higher education and specific mission standards for each institution.

- **\$4.3 million for Aid to Independent Colleges**

The \$4.3 million is used to pay for eligible Louisiana resident students at the following colleges and universities: Centenary College, Dillard University, Louisiana College, Loyola University, Our Lady of Holy Cross, Tulane University, Tulane University Health Sciences Center, Xavier University, Our Lady of the Lake College, and St. Joseph Seminary College.

- **\$10.6 million for full funding of Classified Employee Merit Increases and \$15.8 million for full funding of Group Insurance Increases**

The combination of funding merit and group benefit increases totaled roughly \$26 million. The act of providing new general funds dollars for these costs means that the universities can utilize all other funding resources on other operating expenses and initiatives designed to increase student achievement.

- **\$800,000 for a Teacher Recruitment /Quality program partnered between the Board of Regents and Board of Elementary and Secondary Education**

The “No Child Left Behind Act” requires all states to have 100 percent highly qualified (certified) teachers in all classrooms in all schools within six years. The additional \$800,000 for the teacher recruitment and quality program is designed to improve the quantity and quality of applicants in alternative track university based teacher practitioner programs. Primarily, the monies will be used to recruit quality teachers for Louisiana’s K-12 classrooms.

- **\$500,000 in General Appropriations and \$2 million in Capital Outlay for the LSU Fire and Emergency Training Institute**

The \$500,000 additional appropriation for the LSU Fire and Emergency training Institute is designed to help fund advanced training of firemen and address homeland security issues. Additionally, the Fire and Emergency Training Institute also received \$2 million in the Capital Outlay Act to provide new equipment for the operations of the center and conduct major repairs and renovations.

- **\$2.5 million for Neurobiotechnology Acquisitions in Capital Outlay from non-recurring revenues**

Funding will be used to compliment existing operating funds in the field of neurobiotechnology. The non-recurring monies will be used to purchase the latest equipment in this field, bringing together the LSU Health Science Center and Tulane University Health Science Center in their research in neurobiotechnology.

- **\$5.8 million in Biotechnology Acquisitions in Capital Outlay from non-recurring revenues**

The one-time funding of \$5.5 million in the Capital Outlay Act will compliment the operating funds provided in Act 13, the General Appropriation Act, for Biotechnology Initiatives and Health Care Workforce Development (\$4 million) and will be used to purchase equipment to enhance research capabilities.

- **\$15 million in Library and Scientific Acquisition from non-recurring revenues**

An investment of \$15 million in the Capital Outlay Act from one-time recurring revenue will help assist the state’s public universities in purchasing comprehensive up-to-date technology for library research and services. This appropriation is applicable to library, academic, scientific (including research), and instructional equipment acquisitions. In accordance with a plan approved by the Board of Regents, the highest priority should be placed on acquisitions that address institutional or specific discipline accreditation, national and/or industry certification needs and technology needs with an emphasis on teacher education programs. Items used in the conduct of agricultural research will be allowed with proper justification.. Plans, approved by each management board, are to be submitted with operating budgets and include a description of goals and accomplishment of the plan.

- **\$3.2 million for State Prisoner Health Care at the LSU Health Sciences Center – Shreveport**

This \$3.2 million State General Fund is required to fund medical services for state inmates as the federal government will no longer provide federal financial participation through the Disproportionate Share Payments program for inmate health care. This does not fully fund these costs or address the costs of medical services for local inmates.

- **Several Higher Education Initiatives were funded with the one-time cash sources. The list below highlights some of the major initiatives that were funded in the higher education community:**

Louisiana Gene Therapy Research Consortium	\$1.8 m.
Higher Education Library and Scientific Acquisitions	\$15.0 m.
Governor's Information Technology Initiative	\$5.0 m.
Governor's Biotechnology Initiative	\$5.8 m.
Neurobiotechnology Program of Louisiana	\$2.5 m.
LSU Fire and Emergency Training Institute	\$2.0 m.
Performance and Quality Enhancement Pool	\$8.5 m.
LSU Paul M. Herbert Law Center	\$1.0 m.
Work Keys	\$1.0 m.
LSU Health Sciences Center - New Orleans – Charity Hospital Nursing School Renovation	\$3.0 m.
Southeastern Louisiana University – University Center Roof Panel Repair	\$1.0 m.
University of Louisiana at Lafayette – Computer Science Facility	\$2.0 m.



# Other Schools and Commissions

## FY03 Appropriation Level

<b>Other Schools &amp; Commissions</b>	<b>State General Fund</b>	<b>\$135,209,777</b>
	<b>Total Means of Financing</b>	<b>\$227,354,387</b>

The total means of financing for Special Schools and Commissions is funded at 97.7% of the department's FY02 operating budget. Further, Special Schools and Commissions' Table of Organization (T.O.) was increased by 1 position to 1,045 for FY03.

### TOPS Reduction

- The FY03 appropriation for TOPS is \$93.9 million, an \$8.2 million reduction from FY02.
- The reduction was necessitated by the fact that the Legislature included the 1997 high school graduates in the implementation of TOPS in FY99. As a result, FY02 included five (5) classes for TOPS awardees. Since TOPS awards are limited to four (4) years of funding, the FY02 budget included the last year of funding for the 1997 and 1998 graduates. The \$8.2 million reduction reduces the TOPS budget to fund only four (4) classes beginning in FY03.
- Further, the Office of Student Financial Assistance (OSFA), in its June 6, 2002, testimony before the Senate Finance Committee, projected that TOPS may cost as much as \$100.9 million in FY03, resulting in a \$7.0 million shortfall impacting nearly 2,700 student awards.
- Despite OSFA's recent improvements in its TOPS projection methodologies, it is still difficult to make an exact projection of TOPS awardees each year. As a result, Act 13 treats the TOPS appropriation as "more or less estimated", thus allowing the Legislature and the Governor to make mid-year budgetary adjustments to fully fund the program, provided sufficient revenue is available. In recent years, slight cuts have been made in other budgets and/or supplemental appropriations have been made to cover any TOPS shortfalls.

## Recent TOPS Funding History

Fiscal Year	TOPS Expenditures	Student Awards	Average Award
<b>1995 - 1996*</b>	\$ 12,746,565	5,735	\$ 2,223
<b>1996 - 1997*</b>	\$ 14,723,396	6,706	\$ 2,196
<b>1997 - 1998*</b>	\$ 17,491,475	7,823	\$ 2,236
<b>1998 - 1999*</b>	\$ 53,954,995	23,524	\$ 2,294
<b>1999 - 2000*</b>	\$ 66,907,996	28,881	\$ 2,317
<b>2000 - 2001*</b>	\$ 90,891,825	35,585	\$ 2,554
<b>2001 - 2002**</b>	\$ 102,976,309	41,656	\$ 2,472
<b>2002 - 2003***</b>	\$ 93,945,360	35,789	\$ 2,625

\* *Actual Expenditures*

\*\* *Appropriated @ June 30, 2002*

\*\*\* *Appropriated @ July 1, 2002*

### **8(g) Fund Revenue Projection**

- Revenue projections adopted by the Revenue Estimating Conference (REC) boosted the interest earnings for the 8(g) Fund from \$31.7 million in FY02 to \$33.5 million in FY03.
- This \$1.8 million increase will help the Board of Elementary and Secondary Education (BESE) to continue to provide “flow-through” funds to the State Department of Education (DOE), school boards, and non-public schools to accomplish the following constitutionally-allowed 8(g) programs in FY03:

#### **LOUISIANA QUALITY EDUCATION SUPPORT [8(g)] FUND**

<b>Exemplary Competitive Programs</b>	<b>\$ 4,200,000</b>
<b>Exemplary Block Grant Programs</b>	<b>\$ 15,100,000</b>
<b>Exemplary Statewide Programs</b>	<b>\$ 11,208,603</b>
<b>Research or Pilot Program</b>	<b>\$ 850,000</b>
<b>Superior Textbooks and Instructional Materials</b>	<b>\$ 1,200,000</b>
<b>Foreign Language</b>	<b>\$ 200,000</b>
<b>Management and Oversight</b>	<b>\$ 769,139</b>
<hr/>	
<b>TOTAL</b>	<b>\$ 33,527,742</b>

### **Group Insurance Adjustment**

- Agencies in Special Schools and Commissions experienced an overall \$0.6 million increase in various means of financing to provide adequate employer contributions to the SEGBP. Of this amount, \$0.4 million was provided by the Deficit Elimination/Capital Outlay Escrow Replenishment Fund to address prior outstanding claims.

### **UNO Teleplex**

- LETA was appropriated \$0.5 million for continuation of “flow-through” funding to the UNO Research and Technology Center on behalf of the WLAE/WYES Teleplex. This amount represents the second of a multi-year funding commitment to expand educational television services into the Greater New Orleans area.

# Education

## FY03 Appropriation Level

<b>Elementary &amp; Secondary Education</b>	<b>State General Fund Total Means of Financing</b>	<b>\$2,438,754,879 \$3,604,537,794</b>
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The total means of financing for the Department of Education (DOE) is funded at 104.9% of the department's FY02 operating budget.

The department's Table of Organization (T.O.) was reduced by 14 positions to 1,037 for FY03.

### The MFP and the Teacher Pay Raise

- The FY03 budget includes an additional \$43.1 million for the Minimum Foundation Program (MFP) to be distributed to the state's 66 local public school districts.
- Half of this money is earmarked for teacher pay raises averaging \$368. Teachers, however, will not receive an across-the-board increase.
- Rather, the funds will be distributed according to the projected MFP equalization formula, which takes into account key factors such as student enrollment, a parish's wealth and how much local funding a parish raises for public education purposes. Local school boards have the option of granting additional raises from local revenues.
- Had the Legislature mandated a pay raise across the board, teachers in 34 school districts would have lost money.
- According to the following table, the projected state-funded pay increases for public school teachers may range from zero in nine (9) districts to \$1,410 in Evangeline Parish next fall. Since they are part of the MFP, the projected raises may actually vary from these projections because official enrollments will not be determined until October 2002, and MFP allocations to the districts will be set in January 2003.

**PROJECTED FY03 TEACHER PAY RAISES PER MFP**

<b>SCHOOL DISTRICTS</b>	<b>AVERAGE RAISE PER TEACHER</b>	<b>SCHOOL DISTRICTS</b>	<b>AVERAGE RAISE PER TEACHER</b>
ACADIA	\$ 99	MOREHOUSE	\$ 143
ALLEN	\$ 606	NATCHITOCHE	\$ 361
ASCENSION	\$ 665	ORLEANS	\$ -
ASSUMPTION	\$ 973	OUACHITA	\$ 668
AVOUELLES	\$ 398	PLAQUEMINES	\$ 215
BEAUREGARD	\$ 317	POINTE COUPEE	\$ 469
BIENVILLE	\$ -	RAPIDES	\$ -
BOSSIER	\$ 790	RED RIVER	\$ -
CADDO	\$ 141	RICHLAND	\$ 266
CALCASIEU	\$ 289	SABINE	\$ 375
CALDWELL	\$ 420	ST. BERNARD	\$ 405
CAMERON	\$ 45	ST. CHARLES	\$ 229
CATAHOULA	\$ -	ST. HELENA	\$ 437
CLAIBORNE	\$ 1,246	ST. JAMES	\$ 179
CONCORDIA	\$ 394	ST. JOHN THE BAPTIST	\$ 264
DESOTO	\$ 23	ST. LANDRY	\$ 842
EAST BATON ROUGE	\$ 32	ST. MARTIN	\$ 611
EAST CARROLL	\$ 248	ST. MARY	\$ 337
EAST FELICIANA	\$ 381	ST. TAMMANY	\$ 666
EVANGELINE	\$ 1,410	TANGIPAHOA	\$ 524
FRANKLIN	\$ 219	TENSAS	\$ -
GRANT	\$ 543	TERREBONNE	\$ 468
IBERIA	\$ 632	UNION	\$ 794
IBERVILLE	\$ -	VERMILION	\$ 286
JACKSON	\$ 423	VERNON	\$ 247
JEFFERSON	\$ 252	WASHINGTON	\$ 487
JEFFERSON DAVIS	\$ 493	WEBSTER	\$ 411
LAFAYETTE	\$ 475	WEST BATON ROUGE	\$ -
LAFOURCHE	\$ 647	WEST CARROLL	\$ 350
LASALLE	\$ 489	WEST FELICIANA	\$ 260
LINCOLN	\$ 701	WINN	\$ -
LIVINGSTON	\$ 971	CITY OF MONROE	\$ 877
MADISON	\$ 187	CITY OF BOGALUSA	\$ 994
<b>STATEWIDE AVERAGE: \$368</b>			

**AVERAGE TEACHER SALARIES FY02**

<b>SCHOOL DISTRICTS</b>	<b>AVERAGE SALARY</b>	<b>SCHOOL DISTRICTS</b>	<b>AVERAGE SALARY</b>
ACADIA	\$ 32,284	MOREHOUSE	\$ 29,577
ALLEN	\$ 30,242	NATCHITOCHE	\$ 32,072
ASCENSION	\$ 36,858	ORLEANS	\$ 35,103
ASSUMPTION	\$ 33,459	OUACHITA	\$ 37,056
AVOUELLES	\$ 31,230	PLAQUEMINES	\$ 37,351
BEAUREGARD	\$ 32,822	POINTE COUPEE	\$ 33,485
BIENVILLE	\$ 33,055	RAPIDES	\$ 33,976
BOSSIER	\$ 34,610	RED RIVER	\$ 28,915
CADDO	\$ 38,545	RICHLAND	\$ 29,497
CALCASIEU	\$ 35,255	SABINE	\$ 31,194
CALDWELL	\$ 30,316	ST. BERNARD	\$ 35,465
CAMERON	\$ 37,309	ST. CHARLES	\$ 37,390
CATAHOULA	\$ 27,265	ST. HELENA	\$ 30,751
CLAIBORNE	\$ 30,489	ST. JAMES	\$ 36,989
CONCORDIA	\$ 31,696	ST. JOHN THE BAPTIST	\$ 36,564
DESOTO	\$ 37,282	ST. LANDRY	\$ 36,796
EAST BATON ROUGE	\$ 36,116	ST. MARTIN	\$ 34,963
EAST CARROLL	\$ 29,588	ST. MARY	\$ 34,840
EAST FELICIANA	\$ 29,334	ST. TAMMANY	\$ 38,455
EVANGELINE	\$ 34,214	TANGIPAHOA	\$ 37,945
FRANKLIN	\$ 27,833	TENSAS	\$ 26,550
GRANT	\$ 30,819	TERREBONNE	\$ 34,265
IBERIA	\$ 36,483	UNION	\$ 32,892
IBERVILLE	\$ 37,525	VERMILION	\$ 35,719
JACKSON	\$ 26,910	VERNON	\$ 31,915
JEFFERSON	\$ 36,182	WASHINGTON	\$ 33,734
JEFFERSON DAVIS	\$ 36,747	WEBSTER	\$ 35,944
LAFAYETTE	\$ 35,159	WEST BATON ROUGE	\$ 34,810
LAFOURCHE	\$ 32,907	WEST CARROLL	\$ 28,627
LASALLE	\$ 31,374	WEST FELICIANA	\$ 36,448
LINCOLN	\$ 35,077	WINN	\$ 28,922
LIVINGSTON	\$ 36,060	CITY OF MONROE	\$ 32,505
MADISON	\$ 28,897	CITY OF BOGALUSA	\$ 32,174
<b>STATEWIDE BUDGETED AVERAGE: \$35,179</b>			

- Louisiana's 59,000 public school teachers received a \$2,060-per-year across-the-board raise in the FY02 state budget adopted by the Legislature in the 2001 Regular Session.
- The FY03 pay raise equates to a 1.0 percent increase. The average budgeted teacher salary in Louisiana in FY02 was \$35,179. The appropriated increase will raise the average to \$35,547.
- The average teacher salary in the sixteen state region of the Southern Regional Education board was \$39,698 in FY02.
- Under the MFP resolution (SCR 139 of 2001) proposed by BESE and adopted by the Legislature during the 2001 Regular Session, 50 percent of the future growth in state aid for public schools must be used to boost teacher pay for the next few years (FYs 03, 04 and 05) until teacher salaries in Louisiana reach the Southern average.
- Since no new MFP resolution for FY03 was proposed by BESE during the 2002 Regular Session, SCR 139 of 2001 remains in effect.
- The MFP's growth funding is usually used by local school systems for supplies and administrative costs. Some school district superintendents have complained that under SCR 139 of 2001, they have lost flexibility over how their growth money will be spent and will not have sufficient revenues to address several areas that will be increasing in cost, such as health insurance and utilities. Accommodating the school districts' needs in the face of mandates imposed by the MFP is a future issue to be dealt with by the Legislature.
- Further, the latest DOE projections for the FY03 MFP allocations indicate that the MFP may be under-funded by as much as \$11.0 million. Act 13 treats the MFP appropriation as "more or less estimated", thus allowing the Legislature and the Governor to make mid-year budgetary adjustments to fully fund the program, provided sufficient revenue is available. In recent years, cuts have been made in other budgets and/or supplemental appropriations have been made to cover any MFP shortfalls.

### **The No Child Left Behind (NCLB) Act of 2001**

The FY03 budget provides for an additional \$64.5 million in federal funds to implement the NCLB Act, which redefines and expands the federal role in public education. Major elements of the Act include:

- Annual testing for all students
- Annual yearly progress expectations for all students
- Accountability measures for schools failing to meet expectations
- Instructional staff quality requirements
- New reading program standards

- Additional flexibility for states
- Increased school choice opportunities for students in low-performing schools
- School performance “report cards” for parents
- Expanded support for rural schools

Whereas NCLB provides \$64.5 million in new federal funding for education in Louisiana, the federal share of all revenues received by Louisiana local education agencies (LEAs) has already been averaging 11.7 percent over the last several years, as opposed to the national average of 7.0 percent.

The Act also mandates annual assessments and accountability structures, but much of what the Act seeks to accomplish is already either part of or has grown out of Louisiana’s recent education reform activities. Nonetheless, the concerns raised by both DOE and LEAs are the following:

- Shortening the amount of time to reach state goals, along with the cost and interference of nationally mandated annual assessments.
- Making Louisiana sharply increase the ranks of “highly qualified” certified teachers in the midst of a teacher shortage, especially in the areas of math and science.
- Requiring lagging schools to use some of their federal money to pay for outside tutoring. Otherwise, there exists the potential for over-identification of schools failing to meet annual yearly progress that would trigger mandated “corrective actions”. DOE estimates that nearly 75% of the state’s schools would land in “corrective action” under NCLB’s legal guidelines.
- Making the state use different tests. NCLB requires states to give tests based on their curriculum in third through eighth grades. Louisiana’s LEAP test covers that in the fourth and eighth grades. In the other grades, Louisiana uses the Iowa Test of Basic Skills.
- Requiring the state to show progress among minority students, students who do not speak English at home, or come from low-income families.

Louisiana’s DOE has prepared a preliminary plan to comply with NCLB, and that plan is currently under review in Washington. Act 13 requires that the DOE submit to the Joint Legislative Committee on the Budget (JLCB) its NCLB-related (1) performance indicators (by August 15, 2002) and (2) detailed expenditure plan (by October 1, 2002).



## **The School Support Worker Pay Raise**

- Next year's spending plan also includes \$20 million for pay raises for about 38,000 school support workers, including teacher aides, cafeteria workers, janitors and bus drivers.
- The Governor's Executive Budget had provided \$12 million for a nearly \$300 raise. The Legislature added an additional \$8 million to bring the raise closer to \$500. The average school support worker earned about \$14,750 in FY02, so the appropriated raise equates to about a 3.2 percent increase.
- A Senate Floor amendment to the General Appropriation Bill (HB 1) provided that the first \$11.5 million of any surplus the state realized during FY03 would give school support workers an extra one-time bonus of \$300. The Governor line-item vetoed this \$300 bonus amendment for school support workers, maintaining that the bonus amounted to "a hollow promise", since the money would only materialize if the state had a surplus of at least \$11.5 million. The governor's veto message maintained that while a surplus of this magnitude has occurred in recent fiscal years, such a situation cannot be definitely predicted.

## **LA 4 and Other TANF-Funded Programs**

- The Department of Education (DOE) received a net \$20.8 million increase in interagency transfers from the Department of Social Services' (DSS) Temporary Assistance for Needy Families (TANF) program.
- Act 1146 of the 2001 Regular Session established a pre-kindergarten education program for at-risk 4-year-olds. Pilot programs were underway by January 2002, and served about 1,700 of the 3,800 available slots for students. Smaller school districts had problems participating in the pre-kindergarten program because of certain programmatic requirements mandated by Act 1146.
- Act 25 of the 2002 First Extraordinary Session made it easier for school districts to participate in early childhood development programs without retreating from Act 1146's original commitment to high quality programs.
- The program was renamed "LA 4". Consequently, LA 4's TANF funding was increased by \$14.5 million in order to both expand to eight (8) additional school districts, and to expand existing programs in seven (7) school districts to reach more students. In FY03, the total number of at-risk 4-year-olds served will total about 5,000.
- Other TANF-funded initiatives in DOE saw increases in the following programs: After-School Enrichment (+\$8.0 million); Child Literacy (+\$4.8 million); and Family Literacy (+\$4.0 million).
- TANF-funded reductions were made to the following programs: Pre-GED/Skills Options (renamed Dropout Prevention) (-\$6.5 million); Adult Education and training (-\$2.2 million); and Community-Based Tutorial(-\$2.2 million).

### **Group Insurance Adjustment**

- DOE budget units experienced an overall \$32.5 million increase in various means of financing to provide adequate employer contributions to the SEGBP. Of this amount, \$32.2 million was provided by the Deficit Elimination/Capital Outlay Escrow Replenishment Fund to address prior outstanding claims. Almost the entire increase will be applied to claims in the state's 66 school districts.

### **Charter School Growth**

- Act 13 provides \$7.7 million for charter schools across the state, including \$2.5 million for enrollment growth and the addition of grades in existing charter schools. The Belle Chasse Charter School of Plaquemines Parish will receive \$3.6 million in FY03, and the Sabis International School of New Orleans will receive \$1.6 million.

### **Teacher Mentoring**

- An initiative in teacher mentoring is funded at \$1.5 million for FY03.
- The state's Blue Ribbon Commission on Teacher Quality recommended that the Louisiana Teacher Assistance and Assessment Program be enhanced and expanded so as to provide better support and training for new teachers.
- The mentor supplement is \$400 per year (\$466 with employer benefits) per new teacher. Approximately 3,220 new teachers are expected to need mentoring in FY03 (3,220 x \$466 = \$1,500,520).

### **School Accountability and Improvement**

- In FY 01-02, the Legislature provided \$10.0 million in new state money to fully fund rewards for high-performing schools. This \$10 million is eliminated from the FY03 budget since the rewards are granted only every other year.

### **Education Excellence Fund (EEF) Reductions**

- Due to the sale of 60% of the Tobacco settlement in 2001, the FY03 budget reflects an \$8.5 million reduction in EEF expenditures for public schools, non-public schools, state special schools, and charter schools.
- Since future tobacco proceeds and their interest earnings will be reduced, this reduction was necessary.

### **Professional Improvement Program (PIP) Reduction**

- The PIP budget for FY03 was reduced by \$3.0 million to reflect the declining number of active teachers eligible for the program's educational stipends.

### **K-12 Classroom-Based Technology**

- Act 23, the FY03 Capital Outlay Act, provides \$10 million for K-12 instructional technology. These funds were derived from nonrecurring general fund revenues. This appropriation will allow the state's schools to continue equipping their classrooms with new internet-ready computers and will update aging classroom computers.

### **EEF and the Nonpublic Schools**

- Act 26 provides for supplemental appropriations for FY02. The act distributes \$99.3 million in Education Excellence Fund (EEF) monies to the state's public schools (\$81.4 million), nonpublic schools (\$17.4 million), and special schools (\$0.4 million).
- These funds were originally derived from the 2001 sale of 60 percent of the state's tobacco settlement.
- The state's 66 public school districts maintain that neither the nonpublic schools nor the special schools are entitled to these EEF monies. The public districts contend that the 1999 constitutional amendment establishing the EEF directs 10 percent of total annual tobacco settlement proceeds to only public schools starting in FY 00-01. Neither the nonpublic schools nor the state special schools received any of the 10 percent amount in FY 00-01.
- At this writing, the State District Judge sided with the school districts suing the state to prevent the disbursement of the funds to the nonpublic and state special schools and issued a preliminary injunction.

# LSU Health Sciences Center – Health Care Services Division

## FY03A appropriation Level

<b>Health Care Services Division</b>	<b>State General Fund Total Means of Financing</b>	<b>\$17,746,824 \$17,746,824</b>
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### Budget Status

- The overall FY03 funding level for the state “charity” hospital system will remain relatively constant from FY02.
- Most recent projections suggest HCSD will generate revenues in the range of \$781.0 million to \$794.5 million in FY03, producing a worst case scenario of a two percent reduction in total revenues generated as compared to the prior fiscal year.
- As per R.S. 17:1519.4(E)(1), HCSD’s total operating budget shall be set by the LSU Board of Supervisors and reported to the Joint Legislative Committee on the Budget. HCSD is currently working to finalize its FY03 revenues and expenditure projections for the board’s approval.

### Paying for Prisoner Health Care Services

- \$17.3 million State General Fund has been appropriated to fund medical services for state inmates as the federal government will no longer provide federal financial participation through the Disproportionate Share Payments program for inmate health care in FY03.
- The State General Fund partially offsets a \$21 million reduction in payments from the Medicaid program per this change in federal policy.
- This leaves roughly \$18 million in expenditures not funded for the remaining portion of the costs of caring for state inmates and the total costs of providing medical care for local inmates.

### Unfunded Costs

- No adjustments were made to compensate in the budget for employee merit increases or the increased costs of group insurance premiums.

# Other Requirements

## Supplemental Payments to Law Enforcement Personnel

- A total of \$70,371,575 was provided for Supplemental Pay for law enforcement officers during the 2002 Regular Legislative Session. Municipal police, firefighters, and deputy sheriffs receive \$300 per month in supplemental pay, while constables and justices of the peace receive \$75 per month.

Municipal Police	\$23,950,000
Firefighters	\$18,564,700
Constables and Justices of the Peace	\$720,000
Deputy Sheriffs	\$27,136,875

## State Aid to Local Government Entities

- A total of \$6.5 million is appropriated to various public and quasi-public entities for local governmental purposes. Of this amount, \$5.9 million is from State General Funds.

# Summary of Total FY03 Funding for Homeland Security Contained in HB1

In FY03, Louisiana will spend \$10 million on Homeland Security Initiatives.

## **DHH Office of the Secretary**

- DHH has received a federal grant of \$1.9 million for the development of a bio-terrorism response plan in FY03. This project will be cooperative endeavor uniting DHH with the Louisiana Hospital Association and the LSU Health Sciences Center.

## **Office of Public Health**

- Continued into FY03, the OPH budget contains \$3.9 million and 44 positions to detect and/or respond to a bio-terrorism event.

## **Office of Mental Health**

- \$300,000 and 4 positions are maintained in OMH's budget for FY03 to train mental health professionals for mass crisis.

## **Office of State Police**

- For FY03, a total of \$2.4 million and 68 state troopers and civilians, including equipment and supplies, were added for Homeland Defense efforts.

## **Military Affairs**

- \$1.1 million has been included in the budget of the Military Affairs Department for a Homeland Security Initiative.

# FY03 Gubernatorial Veto Messages

July 1, 2002

Mr. Alfred W. Speer  
Clerk of the House of Representatives  
State Capitol  
Baton Rouge, Louisiana 70804

Mr. Michael S. Baer, III  
Secretary of the Senate  
State Capitol  
Baton Rouge, Louisiana 70804

RE: **House Bill No. 1** of the 2002 Regular Session of the Legislature of Louisiana

An Act making appropriations for the ordinary expenses of the executive branch of state government, pensions, public schools, public roads, public charities, and state institutions and providing with respect to the expenditure of said appropriations.

Dear Gentlemen:

As authorized by Article III, Section 18(B), and more particularly, Article IV, Section 5(G)(1) of the Constitution of Louisiana, I have exercised my right to veto six items or provisions of the General Appropriation Bill.

**VETO MESSAGE NO. 1:**

Page 118, Lines 28 through 35

This item, which can be interpreted to be a statewide surplus, not necessarily a Department of Health and Hospitals surplus, stipulates that in the event of any budget surplus in the amount of \$50 million an additional \$7 million from that surplus shall be used for additional supplemental payments to non-state public hospitals that participate in agreements or certification to the maximum extent. It further states that for each additional \$50 million in budget surplus, an additional \$7 million would be paid to these hospitals. Article VII, Section 10(E), of the Louisiana Constitution of 1974 provides that "Balanced Budget. Appropriations by the legislature ...shall not exceed the official forecast in effect at the time the appropriations are made." An appropriation such as this seems inconsistent with the intent of this Constitutional provision. If additional revenue becomes available, it should be appropriated to address needs which exist at the time it is recognized. Further appropriation of funds which may or may not become available can represent a hollow promise to those expecting such appropriations.

Mr. Speer and Mr. Baer  
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July 1, 2002

If the surplus language is limited to the Department of Health and Hospitals and the department has a \$50 million surplus, a Mid-Year Budget Adjustment, upon approval of both the commissioner of administration and the Joint Legislative Committee on the Budget, could be processed for any additional payments to non-state public hospitals.

**VETO MESSAGE NO. 2:**

Page 125, Lines 28 through 37

This item is to increase reimbursement of uncompensated care costs for payments to LSU Health Care Services Division-Leonard J. Chabert Medical Center. This would be an increase to a hospital with a budget of approximately \$56.6 million before this amendment. The legislation creating the LSU Health Care Services Division mandates that the advisory board for each hospital undertake to assess unmet health needs within the community and make recommendations on ways to meet such needs. In addition, SR 61 of the 2002 Regular Session urges and requests the Senate Committee on Health & Welfare and the Senate Committee on Senate & Governmental Affairs to study and make recommendations relative to certain aspects of Medicaid and uncompensated care expenditures. In particular, SR 61 requires the study to include "The most efficient mix of resources that will provide the needed services to the targeted population." Until such time as that assessment has been completed, this item should not be funded.

**VETO MESSAGE NO. 3:**

Page 207, Lines 38 through 49

The purpose of this amendment is to transfer \$400,000 of the Rockefeller Wildlife Refuge Trust and Protection Fund monies to the Louisiana Fur and Alligator Advisory Council for marketing and education efforts. Per a letter dated June 13, 2002 from the regional director of the U.S. Department of the Interior's Fish and Wildlife Service, "such use of the Trust Fund would be a violation of the Deed of Donation and associated documents. The primary purpose of the Trust is to support the operations and management of the Rockefeller Wildlife Refuge....There is, however, no provision for participation in the development of commercial markets for the exchange of alligator hides." Therefore, funding this item would place the Fund and state ownership of the Rockefeller Wildlife Refuge in jeopardy.

**VETO MESSAGE NO. 4:**

Page 286, Lines 27 through 49 and Page 287, Lines 1 through 12

This section of the bill provides \$11,500,000 in general fund to provide for a \$300 per employee salary increase for school support personnel contingent on the recognition of additional revenue by the Revenue Estimating Conference. Article VII, Section 10(E), of the Louisiana Constitution



Mr. Speer and Mr. Baer  
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of 1974 provides that "Balanced Budget. Appropriations by the legislature... shall not exceed the official forecast in effect at the time the appropriations are made." An appropriation such as this seems inconsistent with the intent of this constitutional provision. If additional revenue becomes available it should be appropriated to address needs which exist at the time it is recognized. Further appropriation of funds which may, or may not become available can represent a hollow promise to those expecting such appropriations.

**VETO MESSAGE NO. 5:**

Page 314, Lines 39 through 40

This item provides funding for Rapides Parish Law Enforcement. This item is local in nature and any costs of its operations should be borne by the local governing authorities.

Sincerely,

M.J. "Mike" Foster, Jr.

Jw

# Ancillary Enterprises

## State Employees' Group Benefits Program

- In the Ancillary Appropriations Bill (Act 43 of the 2002 Regular Legislative Session), the Office of Group Benefits was funded at \$711,664,846 for FY03.
- Also included in funding for this agency was a line-item amendment of \$111,950,700 in Fees and Self-generated Revenue to cover expenses associated with the 17% rate increase for the PPO and EPO plans, and the 12% rate increase for HMO rates.

## Supplemental Appropriations for FY02

The May fiscal status statement presented to the Joint legislative Committee on the Budget reflected a positive balance of approximately \$79 million. Additionally, savings from a mid-year Executive Order Freeze Order - \$9.8 million, \$12.8 million in a substitute of SELF Funds for State General Fund and other selected revisions to the budget provided approximately \$108 million for FY02 Supplemental Appropriations. Act 152 of the First Extraordinary Session of 2002 appropriated a portion of the monies for the Hornets relocation and the remaining was appropriated in the 2002 Regular Session as contained in Act 26. Selected FY02 supplemental appropriations include, but are not limited to, the following items (items in bold were appropriated during the 1st Extraordinary Legislative Session).

- \$66.8 million – La. Medical Assistance Trust Fund
- **\$17.0 million – Temporary Assistance for Needy Families (TANF) Supplemental Federal Grant**
- \$ 9.3 million – State Match for FEMA Funds for Tropical Storm Allison
- \$ 7.2 million – Sheriffs' Housing of State Inmates
- \$ 5.7 million – Homeland Security in State Police and Military Department
- \$ 3.7 million – Partial restoration of funding to local schools due to FY02 MFP reduction
- \$ 2.7 million – State Police - to offset shortage in Riverboat Gaming Enforcement Fund
- \$ 2.4 million – Louisiana Bicentennial celebration
- \$ 2.4 million – Higher Education Initiatives Fund
- **\$ 1.8 million – Hornets Relocation and NBA expenses**
- \$ 1.6 million – Professional Improvement Program (PIPS)
- **\$ 1.0 million – Atchafalaya Basin Program Hydrilla Control in Henderson Lake**
- **\$ 1.0 million – Unemployment Insurance Program**

# Summary of Legislation Passed in the First Extraordinary Session of 2002

## Enticements for the Saints and the Hornets

### **Act 73 (HB 46) changes the dedications of the revenues from a one-percent hotel occupancy levied in Orleans Parish.**

- This legislation redirects the one percent hotel occupancy tax levied in Orleans Parish that is currently credited to the New Orleans Area Tourism and Economic Development Fund, which provides \$3.3 million to nine specific tourism and economic development agencies in Orleans Parish and the remainder to a legislative grant program administered by the La. Stadium and Exposition District (LSED).
- The bill redirects the first \$2 million of these collections to the Ernest N. Morial Convention Center Phase IV Expansion Project Fund for construction of the proposed Phase IV of the Morial Convention Center. The remaining funds will be credited to the New Orleans Sports Franchise Fund, administered by the LSED, to fund contractual obligations of the state relative to any National Football League or National Basketball Association franchise located in Orleans Parish.
- The bill further provides that an amount not to exceed \$1.75 million will be transferred to the State General Fund from any unexpended balance from the sports fund for Hornets transitional and relocation expenses. Any funds remaining would then be provided to the New Orleans Area Tourism and Economic Development Fund.
- The legislation prohibits the appropriation of state general funds for any of the purposes covered by Act 73. In order to provide funding for anticipated current year expenditures associated with Saints and Hornets contractual obligations, the bill provides several sources of funds. These sources include the funds collected that would otherwise be provided to the legislative grant program (estimated at \$2.5 million), any surplus or carry forward funds (\$2.3 million likely derived from the Superdome Renewal and Replacement Fund), and the remainder of unencumbered grant funds from previous fiscal years (\$5.3 million).

### **Act 152 (HB 103) provides for supplemental appropriations for the 2001-2002 Fiscal Year.**

- This Act provides a supplemental appropriation of \$1.75 million in State General Fund for FY02 to the Office of Business Development within the Department of Economic Development to reimburse the Charlotte Hornets for their NBA application fee and for transitional and relocation expenses incurred in relocating the franchise to New Orleans. The bill provides for reimbursement to the State General Fund from the first \$1.75 million deposited to the New Orleans Area Tourism and Economic Development Fund. Should the

Charlotte Hornets fail to gain NBA approval of the relocation to New Orleans, this appropriation shall be null and void.

**Act 153 (HB 144) revises the quality jobs program.**

- This legislation expands, with respect to eligibility and benefits, the Quality Jobs Program administered by the La. Department of Economic Development. The bill restructures the program to align eligibility with certain Vision 2020 cluster industries including medical and biomedical; micro-manufacturing, software, auto regulation, internet and telecommunication technologies; environmental technologies, food technologies; and materials.
- The bill reduces the eligibility requirement for gross payroll for new jobs from \$1 million to \$250,000 for a minimum of five new direct jobs after three years. Other general aspects of the program include employer payment of 75% of the total premium for health insurance coverage, pay 1.5 times the federal minimum hourly wage for a 5% benefit rate, pay 2 times the federal minimum hourly wage for a benefit rate of 6%, must create jobs in a distressed region (parish in lowest quarter of all parishes based on per capita income or in a census tract group below the state median per capita income), the distressed region designation is maintained for the period of the initial quality jobs contract, the employer be categorized in a traditional or seed cluster.
- With respect to the Hornets memorandum of understanding, this legislation expands eligibility to include as a qualifying entity a National Basketball Association Team which relocates to Louisiana prior to November 1, 2003. A quality jobs program contract with such teams shall limit the total tax rebate to \$3.65 million in any given year; shall not include the salary of an owner with greater than twenty-five percent interest, may be renewed for five years; shall be awarded with no more than a net benefit rate of five percent; and shall allow players and coaches to be nonresidents of the state.

**Act 164 (HB 67) amends 2001 Capital Outlay Act to add projects for NBA upgrades to the New Orleans Arena and for construction of an indoor football practice facility for the New Orleans Saints.**

- This bill amends the current fiscal year Capital Outlay Act to appropriate to the Louisiana Stadium and Exposition District for projects related to possible Hornets and Saints contractual obligations. The bill provides \$10 million in non-recurring State General Fund for planning and construction of NBA upgrades to the New Orleans Arena. The bill provides \$6.75 million for the New Orleans Saints Training Facility for planning and construction of an indoor football practice facility for the New Orleans Saints, related facilities and equipment.

# Legislation Passed in the 2002 Extraordinary Session Posing a Significant Fiscal Impact

The following chart exhibits legislation passed during the 2002 Extraordinary Session that had a significant impact on state revenue. The chart is not inclusive of all legislation passed with a fiscal note. The chart does present those instruments that had a fiscal note estimate of \$500,000 or more. The total fiscal impact of all instruments enacted during the 2002 Extraordinary Session is approximately \$13 million dollars.

<b>2002 First Extraordinary Session</b>					
<b>General Sales tax</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
<b>Act 7</b> - Excludes custom computer software from state sales and use tax. Phases in the exclusion evenly over four years. Authorizes local governments to provide a similar exemption at their discretion.	(\$2,500,000)	(\$5,000,000)	(\$7,500,000)	(\$10,000,000)	(\$10,000,000)
<b>Act 3</b> - Excludes capital expenditures for new research equipment purchased by biotechnology companies from state and local sales and use tax.	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	\$0
<b>Act 5</b> - Excludes expenditures made in connection with motion pictures or commercials from state sales and use tax. Expenditures must be at least \$250,000 for all projects in a year.	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)
<b>Corporate Income and Franchise</b>					
<b>Act 9</b> - Provides an 8% or 25% tax credit for the state's apportioned share of eligible research expenditures if the taxpayer claims a federal tax credit under 26 U.S.C.A. §41(a). Also provides an 8% tax credit to taxpayers who receive Small Business Innovation Research Grant from the U.S. Dept. of Commerce, Small Business Admin. These two credits are phased in evenly over four years beginning with expenditures made in calendar year 2003. Expires December 31, 2006.	\$0	(\$2,530,000)	(\$5,061,000)	(\$7,591,000)	(\$10,121,000)
<b>Act 110</b> - Expands the Quality Jobs Program to include the Hornets NBA basketball organization. Certain restrictions apply. The program provides ten years if payroll subsidy through refundable tax credits. Effective May 1, 2002.	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)
<b>Act 153</b> - Makes changes to the Quality Jobs Program with the goal of expanding applicability of the program. The program provides ten years of payroll subsidy through refundable tax credits. No new applications to the program shall be approved after January 1, 2005. Effective May 2002.	(\$2,400,000)	(\$9,400,000)	(\$14,100,000)	(\$18,800,000)	(\$23,500,000)
<b>Act 1</b> - Provides a tax credit to motion picture production companies based on aggregate payroll during a year, with certain restrictions. The credit is 10% if the level of investment is \$300,000 to \$1 million, and 15% if it exceeds \$1 million. Effective July 1, 2002 and expires January 1, 2007.	(\$550,000)	(\$1,100,000)	(\$1,100,000)	(\$1,100,000)	(\$1,100,000)
<b>Act 6</b> - Provides a tax credit to motion picture production companies based on the level of investment in state-certified productions. The credit is 10% if the level of investment is \$300,000 to \$1 million and 15% if it exceeds \$1 million. Effective July 1, 2002	(\$650,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)

# Joint Legislative Committee on the Budget Requirements (HB1 et al.)

Throughout Act 13, there are several appropriations which are contingent upon Joint Legislative Committee on the Budget (JLCB) approval. When warranted, notification to, submission of reports to, and/or review from the Joint Legislative Committee on the Budget may be necessary from departments and/or the Division of Administration to be in compliance with Act 13. While some of the requirements are customary to Joint Legislative Committee on the Budget procedures, others are new requirements giving the Joint Legislative Committee on the Budget greater control over state fiscal matters. The following section lists such matters and provides page and line numbers in Act 13 for reference.

In addition to requirements in Act 13 by the Joint Legislative Committee on the Budget, there were several pieces of legislation enacted during the 2002 Regular and Extraordinary Sessions of the Legislature which also require action by the Joint Legislative Committee on the Budget. Attached to this document is a listing of all instruments requiring the committee's attention.

## Preamble

- *Page 1, lines 13 and 22*

Section 2. All money from federal, interagency, statutory dedication, or self-generated revenues shall be available for expenditure in the amounts herein appropriated. Any increase in such revenues shall be available for allotment and expenditure by an agency on approval of an increase in the appropriation by the commissioner of administration and the **Joint Legislative Committee on the Budget**. Any increase in such revenues for an agency without an appropriation from the respective revenue source shall be incorporated into the agency's appropriation on approval of the commissioner of administration and the **Joint Legislative Committee on the Budget**. In the event that these revenues should be less than the amount appropriated, the appropriation shall be reduced accordingly. To the extent that such funds were included in the budget on a matching basis with state funds, a corresponding decrease in the state matching funds may be made. Any federal funds which are classified as disaster or emergency may be expended prior to approval of a BA-7 by the **Joint Legislative Committee on the Budget** upon the secretary's certifying to the governor that any delay would be detrimental to the state. The **Joint Legislative Committee on the Budget** shall be notified in writing of such declaration and shall meet to consider such action, but if it is found by the committee that such funds were not needed for an emergency expenditure, such approval may be withdrawn and any balance remaining shall not be expended.

- *Page 2, line 9*

Section 3. Notwithstanding any other law to the contrary, the functions of any department, agency, program, or budget unit of the executive branch, except functions in departments, agencies, programs, or budget units of other statewide elected officials, may be

transferred to a different department, agency, program, or budget unit for the purpose of economizing the operations of state government by executive order of the governor. Provided, however, that each such transfer must, prior to implementation, be approved by the commissioner of administration and **Joint Legislative Committee on the Budget**. Further, provided that no transfers pursuant to this Section shall violate the provisions of Title 36, Organization of the Executive Branch of State Government.

- *Page 3, lines 5 and 8*

Section 4. Unless expressly provided in this Act, funds cannot be transferred between departments or schedules receiving appropriations. However, any unencumbered funds which accrue to an appropriation within a department or schedule of this Act due to policy, programmatic, or cost-saving/avoidance measures may, upon approval by the commissioner of administration and the **Joint Legislative Committee on the Budget**, be transferred to any other appropriation within that same department or schedule. Each request for the transfer of funds pursuant to this Section shall include full written justification. The commissioner of administration, upon approval by the **Joint Legislative Committee on the Budget**, shall have the authority to transfer between departments funds associated with lease agreements between the state and the Office Facilities Corporation.

- *Page 4, line 4*

(3) The number of authorized positions approved in this Act for each department, agency, or program may also be increased by the commissioner of administration when sufficient documentation of other necessary adjustments is presented and the request is deemed valid. The total number of such positions so approved by the commissioner of administration may not be increases in excess of three hundred fifty. However, any request which reflects an annual aggregate increase in excess of twenty-five positions for any department, agency, or program must also be approved by the **Joint Legislative Committee on the Budget**.

- *Page 4, line 13*

(6) The commission of administration, upon approval of the **Joint Legislative Committee on the Budget**, shall have the authority to transfer positions between departments, agencies, or programs or to increase or decrease positions and associated funding necessary to effectuate such transfers.

- *Page 7, lines 15 through 17 and 19, 22, and 24*

Section 14. All BA-7 budget transactions, including relevant changes to performance information, submitted in accordance with this Act or any other provisions of law which require approval by the **Joint Legislative Committee on the Budget** or joint approval by the commissioner of administration and the **Joint Legislative Committee on the Budget** shall be submitted to the commissioner of administration, **Joint Legislative Committee on the Budget** and Legislative Fiscal Office a minimum of sixteen working days prior to



consideration by the **Joint Legislative Committee on the Budget**. Each submission must include full justification of the transaction requested but submission in accordance with this deadline shall not be the sole determinant of whether the item is actually placed on the agenda for a hearing by the **Joint Legislative Committee on the Budget**. Transactions not submitted in accordance with the provisions of this Section shall only be considered by the commissioner of administration and **Joint Legislative Committee on the Budget** when extreme circumstances requiring immediate action exist.

- *Page 8, line 25*

B.(1) No funds appropriated in this Act shall be transferred to a public or quasi public agency or entity which is not a budget unit of the state unless the intended recipient of those funds presents a comprehensive budget to the legislative auditor and the transferring agency showing all anticipated uses of the appropriation, an estimate of the duration of the project, and a plan showing specific goals and objectives for the use of such funds, including measures of performance. In addition, and prior to making such expenditure, the transferring agency shall require each recipient to agree in writing to provide written reports to the transferring agency at least every six months concerning the use of the funds and the specific goals and objectives for the use of the funds. In the event the transferring agency determines that the recipient failed to use the funds set forth in its budget within the estimated duration of the project or failed to reasonably achieve its specific goals and objectives for the use of the funds, the transferring agency shall demand that any unexpended funds be returned to the state treasury unless approval to retain the funds is obtained from the division of administration and the **Joint Legislative Committee on the Budget**. Each recipient shall be audited in accordance with R.S. 24:513. If the amount of the public funds received by the provider is below the amount for which an audit is required under R.S. 24:513, the transferring agency shall monitor and evaluate the use of the funds to ensure effective achievement of the goals and objectives.

- *Page 10, line 10*

E. Any unexpended or unencumbered reward monies received by any state agency during Fiscal Year 2001-2002 pursuant to the Exceptional Performance and Gainsharing Incentive Program may be carried forward for expenditure in Fiscal Year 2002-2003, in accordance with the respective resolution granting the reward. The commissioner of administration shall implement any internal budgetary adjustments necessary to effectuate incorporation of these monies into the respective agencies' budgets for Fiscal Year 2002-2003, and shall provide a summary list of all such adjustments to the Performance Review Subcommittee of the **Joint Legislative Committee on the Budget** by September 15, 2002.

## **Louisiana Stadium and Exposition District**

- *Page 22, line 49*

Payable out of the State General Fund by  
Fees and Self-generated Revenues for expenses

related to the operations of the Superdome and  
the New Orleans Arena

\$ 4,216,100

Provided, however, that of the \$4,216,100 appropriated above, no funds shall be expended without prior approval from the **Joint Legislative Committee on the Budget**.

### Department of Economic Development

- *Page 56, line 27*

Payable out of the State General Fund (Direct) to the Business Services Program for the establishment of a South Louisiana Council Technology Center on the Nicholls State University Campus, in the event that the Department of Economic Development certifies to the commissioner of administration and the **Joint Legislative Committee on the Budget** the commitment of \$500,000 from the private sector and \$1,000,000 in federal funds

\$ 500,000

### Department of Public Safety

- *Page 98, line 16*

Payable out of the State General Fund (Direct) for operations of the State Crime Laboratory, provided, however, that none of the funding appropriated herein shall be used for costs not directly related with the State Crime Laboratory; the Department of Public Safety and Corrections shall also develop a plan for equitable distribution of the funds appropriated herein to crime laboratories in the state and said plan shall be submitted to the **Joint Legislative Committee on the Budget** for its review and approval

\$ 1,000,000

### Department of Health and Hospitals

- *Page 104, lines 31, 46, 51 and 52*

For Fiscal Year 2002-2003, cash generated by each budget unit within Schedule 09 may be pooled with any other budget unit within Schedule 09 to avoid a cash deficit. No budget unit may expend more revenues than are appropriated to it in this Act except upon the approval of the Division of Administration and the **Joint Legislative Committee on the Budget**, or as may otherwise be provided for by law.

The secretary shall implement reductions in the Medicaid program as necessary to control expenditures to the level approved in this Schedule. Notwithstanding any law to the contrary, the secretary is hereby directed to utilize various cost-containment measures to accomplish these reductions, including but not limited to precertification, preadmission screening, diversion, fraud control and utilization review, and other measures as allowed by federal law. Notwithstanding any law to the contrary and specifically R.S. 39:82(E), for Fiscal Year 2002-2003 any over-collected funds, including interagency transfers, fees and self-generated revenues, federal funds, and surplus statutory dedicated funds generated and collected by any agency in Schedule 09 during Fiscal Year 2001-2002 may be carried forward and expended in Fiscal Year 2002-2003 in the Medical Vendor Program. Revenues from refunds and recoveries in the Medical Vendor Program are authorized to be expended in Fiscal Year 2002-2003. No such carried forward funds, which are in excess of those appropriated in this Act, may be expended without the express approval of the Division of Administration and the **Joint Legislative Committee on the Budget**.

Notwithstanding any law to the contrary, the secretary of the Department of Health and Hospitals may transfer up to twenty-five (25) authorized positions within Schedule 09 from one budget unit to any other budget unit within the department except that not more than an aggregate of 100 positions may be transferred between budget units without the approval of the Commissioner of Administration and the **Joint Legislative Committee on the Budget**. The secretary shall provide written notice to the **Joint Legislative Committee on the Budget** of any positions transferred between budget units for which approval by the committee is not necessary.

- *Page 105, lines 12,15, 21, 26, 30, 39, and 46*

In the event this Act provides for increases or decreases in funds for agencies within Schedule 09 which would impact services provided by 09-300 (Jefferson Parish Human Services Authority) and 09-302 (Capital Area Human Services District), the commissioner of administration is authorized to transfer funds on a pro rata basis within the budget units contained in Schedule 09 in order to effect such changes. The commissioner shall provide written documentation of all such transfers approved after the initial notifications of the appropriation to the **Joint Legislative Committee on the Budget**.

Provided, however, that the department shall submit a plan detailing the programmatic allocations of appropriations for the Medical Vendor Program in this Act to the **Joint Legislative Committee on the Budget** for its review no later than September 1, 2002, and monthly thereafter. The report shall present a detailed account of actual Medical Vendor Program expenditures for Fiscal Year 2001-2002 from schedule 09-306; this report shall include the department's most recent projection of comparable Medical Vendor Program expenditures for Fiscal Year 2002-2003.

Provided, however, that by October 15, 2002, the assistant secretary for the Office of Mental Health shall submit a report to the **Joint Legislative Committee on the Budget** reflecting a detailed plan for redirecting child and adolescent mental health services from inpatient care

provided through state facilities to community-based mental health services, and he shall report quarterly thereafter on the implementation of such plan.

Provided, however, that by October 15, 2002, the assistant secretary for the Office of Mental Health shall submit a report to the **Joint Legislative Committee on the Budget** reflecting a detailed plan to address the increasing demand for forensic mental health services, and he shall report quarterly thereafter on the implementation of such plan.

The secretary, shall with the concurrence of the commissioner of administration and the **Joint Legislative Committee on the Budget**, shall have the authority to consolidate the patient Care and Community Support programs in the state developmental centers when such consolidation supports the transfer of residents in intermediate care facilities with sixteen or more beds to appropriate placements that utilize home or community-based care services, or increase family and provider capacity to maintain persons with complex medical or behavioral needs in a community setting.

Provided, however, that the performance data which coincides with the appropriations contained herein for 09-331, 09-332, and 09-333 shall be submitted no later than August 15, 2002 by the assistant secretary for the Office of Mental Health to the commissioner of administration and the **Performance Review Committee of the Joint Legislative Committee on the Budget** for approval and incorporation into the Fiscal Year 2002-2003 budget. All key and supporting objectives, performance indicators and performance standards for Fiscal Year 2002-2003 shall be included in this submission.

The secretary is authorized to fully implement the Nursing Home Intergovernmental Transfer Program as authorized by R.S. 46:2692 and in accordance with the Cooperative Endeavor Agreements between DHH and the qualifying nursing facilities. The department shall submit a written report to the **Intergovernmental Transfer Subcommittee of the Joint Legislative Committee on the Budget** after each quarterly intergovernmental transfer.

- *Page 118, line 44*

Provided, further, that prior to making the supplemental payments authorized herein, the secretary of the department shall submit a plan for the distribution of the supplemental payment to the **Joint Legislative Committee on the Budget** for approval.

- *Page 119, line 40*

EXPENDITURES:

Payments to Private Providers – For up to 325 additional MR/DD waiver slots and for the development and implementation of a

new waiver, such as an adult capped expenditure waiver program or one of the Independence Plus waiver programs not to exceed 100 slots	<u>\$6,113,384</u>
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TOTAL EXPENDITURES	<u>\$6,113,384</u>
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MEANS OF FIANCE:

State General Fund by:

Statutory Dedications:

Louisiana Medical Assistance Trust Fund	\$1,770,436
Federal Funds	<u>\$4,342,948</u>

TOTAL MEANS OF FINANCE	<u>\$6,113,384</u>
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Provided, however, that prior to enrolling persons in this new waiver program, the secretary shall submit a detailed programmatic plan with cost projections for at least three fiscal years to the **Joint Legislative Committee on the Budget** for review and approval.

- *Page 122, line 34*

Provided, however, that no funds appropriated for Medical Vendor Payments herein shall be used to expand the number of funded MR/DD Waiver slots beyond 4,251 slots without the approval of the **Joint Legislative Committee on the Budget**.

**Department of Social Services**

- *Page 180, lines 22 and 29*

These funds shall be expended in accordance with an implementation plan, which provides for geographically balanced distributions, needs assessment, program evaluation recommendations, and encourages the use of faith-based and community-based collaborative in the implementation of new initiatives and existing initiatives. Such implementation plan shall be approved by the Division of Administration no later than August 1, 2002 and the **Joint Legislative Committee on the Budget** at the earliest opportunity after approval of Implementation Plan from the Division of Administration. The Division of Administration in collaboration with the Department of Social Services shall report quarterly to the **Joint Legislative Committee on the Budget** regarding the status. The Department of Social Services shall provide the Division of Administration Federal reporting form titled ACF-196, which accounts for the Temporary Assistance to Needy Families Block Grant expenditures, on a quarterly basis prior to federal submission deadline for joint approval. A copy of approved ACF-196 shall be submitted to the **Joint Legislative Committee on the Budget** prior to federal submission deadline.

## Louisiana State University Board of Supervisors

- *Page 220, line 40*

Out of the funds appropriated herein to the LSU Board of Supervisors, the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## Southern University Board of Supervisors

- *Page 233, line 40*

Out of the funds appropriated herein to the Southern University Board of Supervisors, the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## University of Louisiana Board of Supervisors

- *Page 241, line 4*

Out of the funds appropriated herein to the University of Louisiana Board of Supervisors (ULS), the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## Louisiana Community and Technical Colleges Board of Supervisors

- *Page 251, line 15*

Out of the funds appropriated herein to the Board of Supervisors of Community and Technical Colleges, the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## Department of Education

- *Page 280, line 42*

Provided, however, that a complete expenditure plan along with objectives and performance indicators related to these Federal Funds from the “No Child Left Behind Act of 2001” (NCLB Act) Public Law 107-110 shall be submitted by the Department of Education no later than October 1, 2002 for approval by the Commissioner of Administration and the **Joint Legislative Committee on the Budget**.

- *Page 284, line 35*

Objectives and performance indicators related to “No Child Left Behind Act of 2001” (NCLB Act) Public Law 107-110 shall be submitted by the Department of Education no later than August 15, 2002, for approval by the commissioner of administration and the **Joint Legislative Committee on the Budget**.

- *Page 285, line 47*

Provided, however, that of the State General Fund (Direct) appropriated for Type 2 Charter Schools, the amount of \$16,520,203 is to be allocated to existing Type 2 Charter Schools. After allocations are made for existing Type 2 Charter Schools and funds are available, the Board of Elementary and Secondary Education may make allocations to other approved Type 2 Charter Schools, subject to review and revision by the **Joint Legislative Committee on the Budget**.

- *Page 286, line 20*

Provided, however, that a complete expenditure plan along with objectives and performance indicators related to these Federal Funds from the “No Child Left Behind Act of 2001” (NCLB Act) Public Law 107-110 shall be submitted by the Department of Education no later than October 1, 2002 for approval by the Commissioner of Administration and the **Joint Legislative Committee on the Budget**.

- *Page 288, line 52*

If a student reported in the October 1, 2001 MFP student Count transfers to a Type 2 Charter School as of October 1, 2002 for whom funding is contained in the appropriation herein, the commission of administration is authorized, with the approval of the **Joint Legislative Committee on the Budget**, to transfer the state pupil amount for that student to Subgrantee Assistance for Type 2 Charter Schools.

**2001 Enrolled Legislation with impact upon Joint Legislative Committee on the Budget**

JLCB=Joint Legislative Committee on the Budget LFO=Legislative Fiscal Office CAFR=Comprehensive Annual Fiscal Report DHH=Department of Health and Hospitals USDHHS=United States Department of Health and Human Services HCFA=Health Care Financing Administration 1ES=First Extraordinary Session RS=Regular Session

Session- 1ES    INSTRUMENT TYPE    SR    INSTRUMENT NO.    14    Title    Senator    AUTHOR:    Jones, C. D.    EFFECTIVE DATE:    Signature of the Senate President

**SUMMARY:**

To urge and request the Joint Legislative Committee on the Budget to urge financial support to rural town and communities, in addition to other towns and communities in the state.

...the ability to protect all citizens of the state from threats and acts of terrorism, in particular threats that may involve weapons of mass destruction, depends upon the resources available to the state and local emergency response and law enforcement agencies;

...the vulnerability to a terrorist attack in Louisiana is heightened given its numerous natural gas pipelines, petrochemical facilities and rail lines that are scattered all across the state;

...obtaining the law enforcement and emergency response resources needed to protect each citizen of the state requires that local governing units have the necessary financial means to protect citizens;

...it is essential that this financial support be distributed equitably to all towns and communities, rural or urban, because all citizens should be afforded the same protections from harm.

**IMPACT:**

**Urge and request**

Session- 1ES    INSTRUMENT TYPE    SB    INSTRUMENT NO.    60    Title    Senator    AUTHOR:    Bajjioe, D. , et al    EFFECTIVE DATE:    Signature

**SUMMARY:**

To enact R.S. 13:1312(D), relative to the Judicial Expense Fund of the Civil District Court for the Parish of Orleans and the First and Second City Courts of the city of New Orleans; to authorize the judges en banc to utilize the fund for the planning, designing, and construction of a new courthouse to house: Civil District Court, First and Second City Courts, Juvenile Courts. ...

(4) Before any construction of a new courthouse is begun, the plans and costs shall be submitted to and approved by the Joint Legislative Committee on the Budget

**IMPACT:**

**Prior approval**



**2001 Enrolled Legislation with impact upon Joint Legislative Committee on the Budget**

JLCB=Joint Legislative Committee on the Budget LFO=Legislative Fiscal Office CAFR=Comprehensive Annual Fiscal Report DHH=Department of Health and Hospitals USDHHS=United States Department of Health and Human Services HCFA=Health Care Financing Administration 1ES=First Extraordinary Session RS=Regular Session

Session- 1ES	<u>INSTRUMENT TYPE</u> SB	<u>INSTRUMENT NO.</u> 73	<u>Title</u> Senator	<u>AUTHOR:</u> Hainkel, Jr., J., et al	<u>EFFECTIVE DATE:</u> Signature of President of Senate, Speaker of the House and Governor
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**SUMMARY:**

*To enact Chapter 7-A of Title 17 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 17:1921 through 1927, relative to the Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center; to provide for its creation, organization, powers, and functions and for its governance board; to provide for reports and annual audits; to provide for application of certain provisions of state law; ...*

**R.S.17:1926 is all new law.**  
*The governance board shall present a strategic plan and annual progress report to the Joint Legislative Committee on the Budget, the Louisiana Board of Regents, and the Department of Economic Development not later than February 1 of each year. The governance board shall make such other reports as are required by the Joint Legislative Committee on the Budget*

**IMPACT:**

**Report due February 1 of each year**

Session- 1ES	<u>INSTRUMENT TYPE</u> HB	<u>INSTRUMENT NO.</u> 97	<u>Title</u> Representative	<u>AUTHOR:</u> Damico, N.	<u>EFFECTIVE DATE:</u> Signature of Speaker of the House, President of the Senate and the Governor
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**SUMMARY:**

*To amend and reenact R.S. 30:2011(D)(22)(c), 2014(D), 2195(B), and 2289,1 (D), relative to fees paid to the Department of Environmental Quality; to authorize an increase of fees paid into the Environmental Trust Fund; to authorize an increase of fees paid for accreditation by commercial laboratories; to authorize an increase of underground storage tank registration fees; to authorize an increase in participation fees; to provide for maximum fees; ...*

**...Within 90 days of the promulgation and adoption of any regulation necessary to implement the fees herein, the Department of Environmental Quality shall submit a written report to the Joint Legislative Committee on the Budget for its approval which details the proposed use for the fee increase, efforts to decrease the processing time for permits, efforts to increase the number of inspections conducted at regulated facilities, enforcement activities, and efforts to increase the collection of fines imposed by the Department of Environmental Quality.**

**IMPACT:**

**A written report to JLCB for approval detailing the proposed use of the fee increase, efforts to decrease the processing time for permits, efforts to increase the number of inspections conducted at regulated facilities, enforcement activities, and efforts to increase the collection of fines imposed by the Department of Environmental Quality.**

**2001 Enrolled Legislation with impact upon Joint Legislative Committee on the Budget**

JLCB=Joint Legislative Committee on the Budget LFO=Legislative Fiscal Office CAFR=Comprehensive Annual Fiscal Report DHH=Department of Health and Hospitals USDHHS=United States Department of Health and Human Services HCFA=Health Care Financing Administration 1ES=First Extraordinary Session RS=Regular Session

Session- 1ES	<u>INSTRUMENT TYPE</u> HB	<u>INSTRUMENT NO.</u> 160	<u>TITLE</u> Representative	<u>AUTHOR:</u> LeBlanc, J.	<u>EFFECTIVE DATE:</u> Signature of the Governor or date
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**SUMMARY:**

To amend and reenact R.S. 39:2(11.1) and 75(A)(3) and to enact R.S. 39:2(5.1) and (48), relative to the avoidance of budget deficits; to provide for the presentation of the CAFR of the state to the committee. ...

(48) "Surplus means the excess for any fiscal year of the actual monies received and any monies or balances carried forward over the actual expenditures paid by warrant or transfer for any fund at the close of the fiscal year as such are reported by the office of statewide reporting within the division of administration.

Section 75. ...

(3)(a) At the first meet of the JLCB after publication of the Comprehensive Annual Financial Report (CAFR) for the state of Louisiana, the commissioner of administration shall certify to the committee that actual expenditures paid by warrant or transfer and the actual monies received and any monies or balances carried forward for any fund at the close of the previous fiscal year which shall be reflected in the budget status report. (b). At the first meeting of the JLCB after publication of the CAFR for the state, the commissioner of administration and the legislative auditor shall present the report to the committee.

**IMPACT:**

At first meeting of JLCB after publication of CAFR, commissioner of administration shall certify the actual expenditures

Session- 1ES	<u>INSTRUMENT TYPE</u> HB	<u>INSTRUMENT NO.</u> 168	<u>TITLE</u> Representative	<u>AUTHOR:</u> LeBlanc, J., et al	<u>EFFECTIVE DATE:</u> Signature of the Speaker, Senate President and the Governor
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**SUMMARY:**

To amend and reenact R.S. 39:87.5 and to enact R.S. 39:87.6, relative to governmental performance and accountability; to provide for implementation and administration of the Exceptional Performance and Efficiency Incentive Program; to provide for deposit and use of monies in the Incentive Fund; to establish and provide for implementation and administration of the Gainsharing Program;

C. Committee review. (1) The JLCB, or a subcommittee thereof, hereinafter referred to as "the committee", shall annually review and consider proposals submitted by agencies seeking a reward, and shall determine which agencies receive rewards for the purposes of and in accordance with the provisions of this Section and R.S. 39:87.4. For purposes of this Section, "proposal" means the document by which an agency asserts a claim for a reward based on specific achievements in a particular fiscal year.

**87.6 Gainsharing Program**

... C. Gainsharing authorizations. The commissioner is authorized to grant a garnishing authorization to an agency based on his satisfaction that the agency's request demonstrates accomplishment of a gainsharing plan resulting in verified efficiencies, monetary savings, and maintenance of performance. Any Gainsharing authorization for a particular agency which exceeds fifty thousand dollars in the aggregate shall require approval of the JLCB or a subcommittee thereof...

**IMPACT:**

... The state treasurer is directed to transfer and credit the sum of Three Million Dollars from the Incentive Fund to the State General Fund on the effective date of this Act.

2001 Enrolled Legislation with impact upon Joint Legislative Committee on the Budget

JLCB=Joint Legislative Committee on the Budget LFO=Legislative Fiscal Office CAFR=Comprehensive Annual Fiscal Report DHH=Department of Health and Hospitals USDHHS=United States Department of Health and Human Services HCFA=Health Care Financing Administration 1ES=First Extraordinary Session RS=Regular Session

Session- RS      INSTRUMENT      INSTRUMENT      Title      AUTHOR:      EFFECTIVE DATE:  
TYPE    SR                    NO.    55                    Senator                    Schedler, T., Mount, Thomas, Cravins                    Signature of the Senate President

**SUMMARY:**

To urge and request the division of administration, working with corrections services of the Department of Public Safety and Corrections, the Department of Health and Hospitals, the Louisiana State University Health Sciences Center, and the Louisiana Sheriff's Association, to address the current shortfalls in the funding of the provision of health care services to prisoners, both state and local, and other associated service issues.

...that this group report to JLCB, Senate Health and Welfare Committee, and House Health and Welfare Committee no later than August 31, 2002, regarding their findings and including recommended solutions to the crisis in funding health care for Louisiana's prisoners, both state and local.

**IMPACT:**

Report no later than August 31, 2002

Session- RS      INSTRUMENT      INSTRUMENT      Title      AUTHOR:      EFFECTIVE DATE:  
TYPE    SR                    NO.    61                    Senator                    Ullo, C., Schedler                    Signature of the Senate President

**SUMMARY:**

To urge and request the Senate Committee on Health and Welfare and the Senate Committee on Governmental Affairs to study and make recommendations relative to certain aspects of Medicaid and uncompensated care expenditures.

...the report ... forwarded to JLCB, Senate Committee on Health and Welfare, and the House committee on Health and Welfare on February 15, 2002 and indicate further study as necessary...

**IMPACT:**

Report to be forwarded to JLCB on February 15, 2002





# APPENDIX A

## ESTIMATED TAX CONSEQUENCES OF SHIFTING AWAY FROM THE SALES TAX ON FOOD & UTILITIES AND TOWARDS THE PERSONAL INCOME TAX

Federal Adjusted Gross Income		State Income Tax Change	Federal Income Tax Savings	Food & Utilities Sales Tax Savings	Net Impact of Tax Proposal	Net Percent Change
\$0	\$5,000	\$0	\$0	\$34	(\$34)	-100%
\$5,000	\$10,000	\$0	\$0	\$48	(\$48)	-66%
\$10,000	\$15,000	(\$18)	\$0	\$55	(\$73)	-44%
\$15,000	\$20,000	(\$22)	\$0	\$60	(\$82)	-26%
\$20,000	\$25,000	(\$20)	\$0	\$177	(\$197)	-35%
\$25,000	\$30,000	(\$13)	\$0	\$186	(\$199)	-28%
\$30,000	\$40,000	\$55	\$8	\$197	(\$150)	-18%
\$40,000	\$60,000	\$112	\$19	\$213	(\$120)	-10%
\$60,000	\$80,000	\$310	\$72	\$229	\$9	1%
\$80,000	\$100,000	\$640	\$181	\$240	\$219	11%
\$100,000	\$120,000	\$1,015	\$288	\$249	\$478	21%
\$120,000	\$140,000	\$1,346	\$365	\$257	\$725	28%
\$140,000	\$160,000	\$1,519	\$426	\$263	\$830	26%
\$140,000	\$180,000	\$1,653	\$483	\$266	\$905	23%
\$180,000	\$200,000	\$1,785	\$516	\$274	\$995	22%
\$200,000	plus	\$3,112	\$983	\$317	\$1,811	12%

<u>Current</u>	<u>Proposed</u>	<u>Rates</u>
\$0 - \$20,000	\$0 - \$25,000	2% Joint Brackets; Single Brackets are One-Half These Values
\$20,000 - \$100,000	\$25,000 - \$50,000	4% 100% Elimination of Federal Excess Itemized Deductions
\$100,000 plus	\$50,000 plus	6% Fully Retain Deduction For Federal Taxes Paid

Eliminate 4¢ sales tax on food and residential utility consumption.

**Impact of HBs 31 and 36 ("Stelly Plan") on Various Model Taxpayers**

<b>Model Taxpayer</b>	<b>Scenario</b>
1	\$30,000 AGI, Single, No dependents, No itemized deductions, \$5,000 yearly costs subject to food and utility tax
2	\$60,000 AGI, MFJ, 1 dependent, \$4,000 excess itemized deductions, \$8,000 yearly costs subject to food and utility tax
3	\$120,000 AGI, MFJ, 2 dependents, \$20,000 excess itemized deductions, \$11,000 yearly costs subject to food and utility tax
4	\$240,000 AGI, MFJ, 3 dependents, \$40,000 excess itemized deductions, \$13,000 yearly costs subject to food and utility tax

	<b>Model Taxpayer #1</b>		<b>Model Taxpayer #2</b>		<b>Model Taxpayer #3</b>		<b>Model Taxpayer #4</b>	
	<u>Current Rules</u>	<u>Stelly Plan</u>	<u>Current Rules</u>	<u>Stelly Plan</u>	<u>Current Rules</u>	<u>Stelly Plan</u>	<u>Current Rules</u>	<u>Stelly Plan</u>
Louisiana AGI	30,000	30,000	60,000	60,000	120,000	120,000	240,000	240,000
Less: Combined Std. Ded. / Exemption	(4,500)	(4,500)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Additional Exemptions	-	-	(1,000)	(1,000)	(2,000)	(2,000)	(3,000)	(3,000)
Less: 65% Excess Itemized Deductions*	-	-	(2,600)	-	(13,000)	-	(26,000)	-
Less: Federal Income Tax	(3,045)	(3,045)	(5,273)	(5,273)	(15,437)	(15,437)	(38,147)	(38,147)
Louisiana "Taxable" Income	22,455	22,455	42,127	44,727	80,563	93,563	163,854	189,854
Louisiana Income Tax	788	738	1,485	1,584	3,043	4,554	7,911	10,371
Add: Sales Taxes on Food & Utilities**	200	-	320	-	440	-	520	-
Total Out-of-Pocket Cost	988	738	1,805	1,584	3,483	4,554	8,431	10,371
<b>Increase (Decrease) in Liability</b>	<b>(250)</b>		<b>(221)</b>		<b>1,071</b>		<b>1,940</b>	
<b>Less: Federal Income Tax Savings</b>	<b>-</b>		<b>(15)</b>		<b>(408)</b>		<b>(517)</b>	
<b>Net Cost (Benefit)</b>	<b>(250)</b>		<b>(236)</b>		<b>663</b>		<b>1,423</b>	

\* 65% of Excess Itemized Deductions allowed as deduction under HB 171 for 2003 tax year

\*\* Assuming zero state sales tax liability (effective July 1, 2003 under Stelly Plan).

**Impact of HBs 31 and 36 ("Stelly Plan") on Various Model Taxpayers  
Computation of Federal Income Tax Deduction Used in Determinations**

<b>Model Taxpayer</b>	<b>Scenario</b>
1	\$30,000 AGI, Single, No dependents, No itemized deductions, \$5,000 yearly costs subject to food and utility tax
2	\$60,000 AGI, MFJ, 1 dependent, \$4,000 excess itemized deductions, \$8,000 yearly costs subject to food and utility tax
3	\$120,000 AGI, MFJ, 2 dependents, \$20,000 excess itemized deductions, \$11,000 yearly costs subject to food and utility tax
4	\$240,000 AGI, MFJ, 3 dependents, \$40,000 excess itemized deductions, \$13,000 yearly costs subject to food and utility tax

	<b>Model Taxpayer #1</b>	<b>Model Taxpayer #2</b>	<b>Model Taxpayer #3</b>	<b>Model Taxpayer #4**</b>
Federal AGI	30,000	60,000	120,000	240,000
Less: Standard Deduction*	(4,700)	(7,850)	(7,850)	(7,850)
Less: Excess Itemized Deductions	-	(4,000)	(20,000)	(40,000)
Less: Exemptions*	(3,000)	(9,000)	(12,000)	(10,500)
Federal Taxable Income	22,300	39,150	80,150	181,650
Federal Income Tax*	3,045	5,273	15,437	38,147

\* Amounts used are 2002 projections for the above items.

\*\* Phaseout of personal exemptions estimated as approximately 30%. Blended rate of 21% (to account for LTCG) is used.

# APPENDIX B





**LEGISLATIVE FISCAL OFFICE**  
Fiscal Note

Fiscal Note On: **HB 31** HLS 02- 49  
 Bill Text Version: **ENROLLED**  
 Opp Chamb Action:  
 Sub Bill For: **REVISED**  
 Proposed Amd:

<b>Date:</b> July 17, 2002 1:38 PM	<b>Author:</b> STELLY
<b>Dept/Agy:</b> Revenue	
<b>Subject:</b> Sales and Income Tax	<b>Analyst:</b> Greg Albrecht

TAX/TAXATION EN -\$63,300,000 GF RV See Note Page 1 of 1  
 (Constitutional Amendment) Provides for a new limitation on individual income tax rates and prohibits the imposition of state sales and use taxes on certain items  
Current law imposes a 3.9% statewide sales tax on food for home consumption, residential utilities (natural gas, electricity, water), and certain other transactions during FY03. The tax rate is 3.8% during FY04, and then 1% during subsequent years.

Proposed law limits a statewide sales tax on food for home consumption, residential utilities (natural gas, electricity, water), and prescription drugs to 2%, effective January 1, 2003. Effective July 1, 2003 state sales tax of these transactions is prohibited.

Also prohibits the state individual and joint income tax schedule of rates and brackets from exceeding those in place on January 1, 2003.

To be submitted at the statewide election on November 5, 2002. Effective January 1, 2003.

EXPENDITURES	2002-03	2003-04	2004-05	2005-06	2006-07	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2002-03	2003-04	2004-05	2005-06	2006-07	5 YEAR TOTAL
State General Fd.	(\$63,300,000)	(\$237,500,000)	(\$242,400,000)	(\$246,400,000)	(\$251,300,000)	(\$1,040,900,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	(\$700,000)	(\$2,500,000)	(\$2,600,000)	(\$2,600,000)	(\$2,700,000)	(\$11,100,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>(\$64,000,000)</b>	<b>(\$240,000,000)</b>	<b>(\$245,000,000)</b>	<b>(\$249,000,000)</b>	<b>(\$254,000,000)</b>	<b>(\$1,052,000,000)</b>

**EXPENDITURE EXPLANATION:**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION:**

This fiscal note incorporates the reductions of 10% and then 20% of one of the 1% statewide sales tax levies during FY03 and FY04, respectively, as provided in Act 22 of the 2002 Regular Session (HB 169). For FY05 and subsequent years the fiscal note takes the perspective that the 3.8% taxation of food and utilities during FY04 will be continued into the future indefinitely (Act 22 does make 1% of levy permanent). From that perspective, this bill will result in annual reductions of state sales tax revenue as displayed in the table above. These revenue losses result from prohibiting state taxation of food for home consumption and residential utilities. Prohibiting state taxation of prescription drugs has no effect because the state does not tax those items.

Relative to the baseline perspective that taxation of food and utilities will continue into the future indefinitely, this bill reduces state general fund revenue collections as well as collections of the Tourism Promotion District and revenue available for the Economic Development/Workforce Commission dedication. The estimated loss of statutory dedication/other means-of-finance revenues depicted in the table above reflects the combined loss of revenue for these purposes. Of these amounts, approximately 60% is lost to the Tourism Promotion District and 40% is lost to the Economic Development/Workforce Commission dedication.

This bill is connected to HB 36 that modifies the personal income tax brackets and eliminates the 50% balance of the deduction allowed for excess federal itemized deductions (also assumed to remain limited to only a 50% deduction into the future indefinitely). That bill results in an increase in personal income tax collections. The estimated net impact of the two bills together is a \$9 million revenue reduction in FY03, a \$4 million increase in FY04, a \$18 million increase in FY05, a \$33 million increase in FY06, and a \$50 million increase in FY07. The net revenue gains tend to increase over time because the growth rate of income taxes (7.5% per year trend growth) tends to exceed the growth rate of sales taxes on food and utilities (1.8% per year projected growth). Actual annual results will differ from these estimates because actual annual growth will differ from historical trend and projected growth.

Obviously, should no taxation of food and utilities or only 1% of tax be continued beyond FY04, this bill (HB 31) would result in no loss of revenue or a smaller loss of revenue than is contemplated in this fiscal note.

Senate Dual Referral Rules  
 13.5.1 >= \$500,000 Annual Fiscal Cost  
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House  
 6.8(F) >= \$500,000 Annual Fiscal Cost  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

*H. Gordon Monk*  
 H. Gordon Monk  
 STAFF DIRECTOR



**LEGISLATIVE FISCAL OFFICE**  
Fiscal Note

Fiscal Note On: **HB 36** HLS 02- 207  
 Bill Text Version: **ENROLLED**  
 Opp Chamb Action:  
 Sub Bill For: **REVISED**  
 Proposed Amd:

<b>Date:</b> July 17, 2002 1:39 PM	<b>Author:</b> STELLY
<b>Dept/Agy:</b> Revenue	
<b>Subject:</b> Individual Income Tax - Narrow Brackets, Repeal Excess Itemized	<b>Analyst:</b> Greg Albrecht

TAX/INCOME TAX EN +\$55,000,000 GF RV See Note Page 1 of 1

Revises the state individual income tax brackets and repeals the deduction for excess federal itemized deductions

Current law imposes the individual income tax on joint returns as follows: 2% of the first \$20,000, 4% of income from \$20,000 to \$100,000, and 6% of income over \$100,000. For single returns the bracket thresholds are one-half these values. A deduction on state returns for 57.5% of excess federal itemized deductions is allowed for tax period 2002 (FY03), and a 65% deduction is allowed for tax period 2003 (FY04). A 100% deduction is allowed for subsequent tax periods.

Proposed law would impose the individual income tax on joint returns as follows: 2% of the first \$25,000, 4% of income from \$25,000 to \$50,000, and 6% of income over \$50,000. For single returns the bracket thresholds are one-half these values. The state deduction for excess federal itemized deductions is repealed.

Effective for all tax periods beginning after December 31, 2002, if the Constitution is amended as proposed in HB 31 of this session. That bill allows the changes proposed by this bill and limits and ultimately prohibits state taxation of food for home consumption and residential utilities.

<b>EXPENDITURES</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5 YEAR TOTAL</b>
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5 YEAR TOTAL</b>
State General Fd.	\$55,000,000	\$244,000,000	\$263,000,000	\$282,000,000	\$304,000,000	\$1,148,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$55,000,000</b>	<b>\$244,000,000</b>	<b>\$263,000,000</b>	<b>\$282,000,000</b>	<b>\$304,000,000</b>	<b>\$1,148,000,000</b>

**EXPENDITURE EXPLANATION:**

The Department of Revenue estimates that it would incur approximately \$77,000 of costs associated with system reprogramming, testing, and form adjustment to incorporate the changes proposed by this bill into its processes.

**REVENUE EXPLANATION:**

This fiscal note incorporates the allowance of a 57.5% deduction and then a 65% deduction on state returns during tax year 2002 (FY03) and tax year 2003 (FY04), respectively, as provided in Act 24 of the 2002 Regular Session (HB 171). For tax year 2004 (FY05) and subsequent periods the fiscal note takes the perspective that the allowance of a state deduction for 65% of excess federal itemized deductions will be continued into the future indefinitely. From that perspective, this bill eliminates that level of deduction and, combined with the bill's bracket compression, results in the increase of state income tax revenue shown in the table above. Some revenue is raised in FY03 because it is expected that withholdings in the first half of the 2003 calendar year will be adjusted by taxpayers as employers receive new withholding tables from the Department of Revenue.

This bill is effective only if the Constitution is amended as proposed in HB 31. That bill (HB 31) allows the income tax changes proposed by this bill (HB 36), and limits and then prohibits state sales taxation of food for home consumption and residential utilities (in the absence of HB 31 those taxes are assumed to remain in effect into the future indefinitely). That bill (HB 31) results in a decrease in state sales tax collections. The estimated net impact of the two bills together is a \$9 million revenue reduction in FY03, a \$4 million increase in FY04, a \$18 million increase in FY05, a \$33 million increase in FY06, and a \$50 million increase in FY07. The net revenue gains tend to increase over time because the growth rate of income taxes (7.5% per year trend growth) tends to exceed the growth rate of sales taxes on food and utilities (1.8% per year projected growth). Actual annual results will differ from these estimates because actual annual growth will differ from historical trend and projected growth.

Obviously, should the state allowance of a deduction for excess federal itemized deductions be increased or fully restored for tax periods beyond 2003 (FY04), this bill (HB 36) would result in a greater increase in revenue than is contemplated in this fiscal note.

Senate Dual Referral Rules  
 13.5.1 >= \$500,000 Annual Fiscal Cost  
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House  
 6.8(F) >= \$500,000 Annual Fiscal Cost  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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