Legislative Action on the

FY99 State Budget

Louisiana Senate

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Senate Finance Committee

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Setting the Stage for FY99

In retrospect

As the current fiscal year comes to a close, in retrospect, it is significant to note a number of major factors that were in place to begin FY98, including:

- Taxpayer savings of approximately $110 million due to expiration of one cent of the state sales tax on exempted items (such as food and utilities) on June 30, 1997;

- Relief for the persistent Medicaid crisis as revenue growth monies of approximately $300 million were coupled with spending controls of around $200 million; and

- Recurring savings accruing from the $363 million debt defeasance plan. In this first stage of the plan, debt was paid with FY96 surplus of around $318 million and excess FY97 revenues of approximately $45 million.

Excess FY97 revenue was also used to fund several one-time projects for FY98, such as:

- Cash capital outlay of $220 million;

- Education initiatives of $230 million; and

- Economic development of $25 million.

These factors, combined with an improving state economy, growing employment rates, rising personal incomes, and decreasing inflation and interest rates nationwide, mean FY98 will finish a healthy one.

Excess revenues projected for FY98

By May 1998, the Revenue Estimating Conference had increased its forecast of general fund revenues available to the state for FY98 by $127 million. Combined with lottery revenues and modest expenditure savings, the total available in excess FY98 revenue over and above the original FY98 appropriations was $164 million, as indicated below:

FY98 Excess Revenues	***in millions***
Revised revenue estimates (post executive budget)	$127
Additional lottery revenues (used in MFP)	$12
Interim Emergency Board surplus	$6
Debt service savings	$8
Expenditure savings (post executive budget)	$11
Total	**$164**

Positioning the FY99 budget

The Legislature used the majority of the FY98 excess revenue of $164 million to position the budget for FY99. The two legislative instruments appropriating these monies were HB282 (operating expenses) and HB299 (capital outlay projects); the bills included the following provisions:

- First, $12.8 million was appropriated along with the $135 million FY97 surplus to structure a $147.8 million debt defeasance plan, which will save $55 million in debt service cost for FY99.

- Much of the remainder of the revenue was appropriated to various funds in the treasury or for capital outlay expenditures. The actual expenditures of these revenues, however, will not occur until at least FY99.

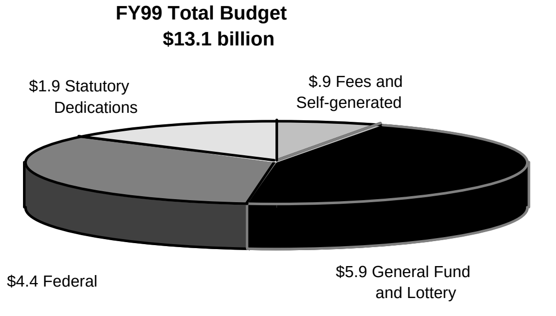
The following chart describes the items for which the Legislature appropriated the excess FY98 revenues:

Expenditures of FY98 Excess Revenues	***in millions***
K-12 Classroom technology	$25.0
K-12 Teacher supplies	$12.1
K-12 Alternative schools	$2.0
High Ed Initiatives – Library/Science	$15.0
Innovative Teaching Fund	$1.0
Challenge grant – endowments	$5.0
Community/Technical College Fund	$1.0
Wetlands Fund	$2.0
Wildlife and Fisheries equipment	$2.0
Asbestos Fund	$3.0
Economic Development Awards	$6.8
Reimbursement to KCS Railroad and Robco, Inc. for land expropriation	$2.6
Other supplemental appropriation needs identified by DOA	$3.7
State capital outlay projects	$57.1
Local capital outlay projects	$4.4
Municipal Facilities Revolving Loan Fund	$7.2
Drinking Water Revolving Loan Fund	$0.3
Off-system bridges	$1.0
Defeasance of debt	$12.8
TOTAL	**$164.0**

The FY99 BUDGET

The Louisiana state budget for FY99 totals approximately $13.1 billion. (It should be noted that of this amount, about $80 million is a "double count" of excess FY98 revenues -- these monies had to be reappropriated for FY99 because the actual expenditure of the FY98 monies could not be completed before the close of FY98.) The means of financing of the $13.1 billion budget is as follows:

- The state general fund and lottery revenue account for $5.9 billion;
- Agency self-generated revenue and statutory dedications support $2.8 billion; and
- Federal funds are estimated at $4.4 billion.



Of the $13.1 billion, $297 million is allocated for nonappropriated requirements, such as debt service and revenue sharing (i.e. HB270); the remainder of the budget depends upon legislative appropriation. The itemized list below shows appropriation bills in the 1998 Regular Session which were used to structure the budget for FY99:

Instrument	*Bill #*
General Appropriation Bill	HB 1
Capital Outlay	HB 2
Judiciary	HB 117
Legislative	HB 18
Ancillary	HB 65
Special Acts (Rayburn Legal Fees)	HB 180

The Governor's Executive Budget proposal included funding $224 million of "essential and critical" items by reducing $62 million from cash capital outlay funded in FY98 and using $162 million of anticipated revenue growth from FY98 to FY99. Subsequently, the FY99 official forecast was revised upward by $75 million. The Legislature then adjusted the Governor's debt defeasance plan which was intended to free $60 million for highway overlay and deferred maintenance at higher education institutions and other state buildings. Instead, excess FY98 revenues were used for these purposes and about $55 million was freed with a revised debt defeasance plan, bringing the total available for legislative priorities to about $130 million. The chart below shows the Governor's recommendations and legislative action for FY99:

Major Increases in the Budget for FY99.....*in millions*	**Exec Budget**	**Legis Action**	**Total**
Normal MFP growth	$59.9		$59.9
Teacher pay enhancement		$35.0	$35.0
Support personnel pay supplement		$14.0	$14.0
Nonpublic required services		$1.5	$1.5
Other K-12 education increases	$7.9		$7.9
Additional TOPS scholarship funding	$13.5		$13.5
Higher education/community colleges	$18.5	$8.0	$26.5
Vo-tech pay /equipment/quick start		$11.0	$11.0
LSU Med Center additional funding*		$3.2	$3.2
Prison population increase	$31.0		$31.0
Carville Academy	$3.8	$1.5	$5.3
Medicaid increase (generally)	$34.4		$34.4
LaCHIP/physicians rate increase		$9.5	$9.5
MR/DD/adult day care enhancements		$6.0	$6.0
DSS children's services/welfare reform	$9.0		$9.0
Debt service requirements	$21.0		$21.0
Mandated election cost increases	$7.7		$7.7
Local operating/capital outlay items		$17.0	$17.0
State operating/capital outlay items	17.3	$18.2	$35.5
Impact of revenue bills		$5.1	$5.1
Total	**$224.0**	**$130.0**	**$354.0**

***The Executive Budget listing is not exhaustive of all programmatic enhancements recommended; other enhancements were financed by reducing various expenditures throughout state government; for instance, the Governor's recommendation included $4.4 for the LSUMC, which if added to legislative action, brings the total LSUMC enhancement to $7.6 million. TOPS received an additional $5.9 per DOA recommendation after the Executive Budget was published (total enhancement $19.4).*

Minimum Foundation Program (HCR104)

HCR 104 is in the second to last year in the implementation of the new MFP that began in FY93. The formula will be fully funded in FY00. The MFP cost increase in FY99 is approximately $95 million over the amount appropriated in FY98. Of this $95 million, approximately $25 million is to implement equity funding in the formula, with the remaining $70 million going to fund pay increases for certain certificated personnel.

Of the $70 million in the pay increase, $20 million is allocated per the formula (ranging from $0 per certificated personnel for hold-harmless parishes to $700 per certificated personnel for the poorest parishes), with the remaining $50 million funding a flat $800 pay increase in Level III.

Based upon the above allocation, the certificated pay raise will range from $800 to $1,500 per certificated personnel inversely related to the wealth of the school district. Certificated personnel include teachers, therapists/ specialists/ counselors, school site-based principals, assistant principals and other school administrators, school nurses, and all of these listed personnel who are on sabbatical leave.

Rather than the anticipated $63 million, the cost to implement the final year of the MFP in FY00 will be an additional $78 million. Of this $78 million, $15 million is attributable to delaying this portion of the FY99 additional implementation costs (normal MFP growth) because this $15 million was reallocated to the teacher pay raise for FY99.

"One-time" pay supplement for support workers

A one-time salary supplement of $300 for full-time and $150 for part-time personnel, totaling $14 million, has been appropriated for non-certified support workers whose salaries are funded pursuant to the MFP, for non-certificated unclassified support workers at the La. School for the Visually Impaired, the La. School for the Deaf, the La. Special Education Center, the La. School for Math, Science and the Arts, the Southern University and LSU Lab Schools, SSD No. 1, and for nonpublic lunchroom employees eligible for state salary supplements. This "one-time" supplement represents an increase of $150 over the $150 amount the workers actually received last year.

This salary supplement was funded by directing the commissioner of administration to reduce state general fund appropriations for risk management premiums. HB1, however, provides that this reduction in risk management premiums will be restored in the event additional revenues are recognized by the Revenue Estimating Conference over and above the amount contained in the official forecast in effect on June 1, 1998.

Teacher Supplies Fund

Another fund created in 1997 was the "Teacher Supplies Fund" which provided monies to allow teachers to purchase additional, non-consumable teaching materials. Teachers at public and approved nonpublic elementary and secondary schools received, on average, approximately $200 each. The General Appropriation Bill provides the $12.1 million appropriation to continue this allocation. For FY99, this allocation also includes the $745,000 needed for librarians and counselors who became eligible for participation pursuant to Act 52 of the 1998 First Extraordinary Session.

Classroom-based Technology Fund

This fund, created in 1997 for enhancing technology in the state's public and approved nonpublic elementary and secondary schools, received an additional $25 million from excess FY98 revenues. Pursuant to the General Appropriation Bill, these monies will be available for expenditure in FY99. With these additional monies, in a two year period, the Legislature will have allocated about $61.4 million for K-12 technology purchases.

K-3 Reading and Math Program

The K-3 Reading and Math Program, started in FY98 with $30 million, provides funds to local school systems for improving student achievement in reading and mathematics. The Department of Education is charged with identifying components of a quality early reading and math program. Each Local Educational Agency (LEA) submitted a proposal to the department for an early education plan which encompasses these components. The General Appropriation Bill includes $20 million to continue this program in FY99.

Summary of state general fund for K-12

Below is a summary of the above mentioned items and enhancements for continuing programs funded for K-12 education.

K-12 Education Funding for FY99	*in millions*
MFP, of which $70 million is for teacher pay	$95.0
Non-MFP teachers pay raise	$0.6
Support personnel supplement	$14.0
K-3 Reading and Math (FY98 allocation was $30 million)	$20.0
K-12 computers (funded with FY98 monies)	$25.0
Teacher supplies (funded with FY98 monies)	$12.1
Required services for nonpublic schools	$1.5
Type 2 charter schools	$2.7
Alternative Schools Fund (funded with FY98 monies)	$2.0
TOTAL	**$172.9**

Higher Education

Enhanced funding from the general fund for higher education includes the following:

- An additional $14.6 million for current operations of public higher education entities, to be allocated in accordance with a plan adopted by the Board of Regents, is provided (HB1 - FY99);
- About $25.7 million is appropriated as a third infusion of monies for deferred maintenance, including addressing life-safety code violations, on higher education buildings ($24.7 million HB299 - FY98; $1 million in HB2 - FY99);
- $15 million for the library and scientific acquisition account is specifically provided (HB282 - FY98);
- $5 million to match private funds in the form of challenge grants for endowed professorships and chairs is provided (HB282 - FY98);
- The innovative teaching and learning account received $1 million (HB282 - FY98);
- The distance learning initiative is funded in the amount of $2.75 million (HB1 - FY99);
- $600,000 is appropriated for the Audubon Center for Research of Endangered Species and $538,246 is for the Louisiana Library Network (HB1 - FY99);
- The LSU Medical Center is provided an additional $7.6 million to replace the use of nonrecurring reserve funds at Shreveport (HB1 - FY99); and
- Aid to Independent Institutions was increased by $500,000 (HB1 - FY99).

Based on the additional pool of $14.6 million provided by the Legislature for the Board of Regents to be distributed to the various state universities for current college campus operating costs, the following chart reflects the formula implementation rates for higher education proposed for FY99 as compared with FY98:

Higher Education Formula Implementation Rates	FY98	FY99	Change
Southeastern	54.82%	58.01%	3.19%
Northwestern	57.42%	60.49%	3.07%
Southern - New Orleans	59.20%	62.19%	2.99%
USL	61.57%	63.15%	1.58%
LSU - Law Center	63.21%	64.78%	1.57%
Northeast	63.22%	64.79%	1.57%
UNO	63.51%	65.07%	1.56%
Delgado	63.72%	65.28%	1.56%
Grambling	64.54%	66.09%	1.55%
McNeese	65.20%	66.74%	1.54%
LSU - Baton Rouge	67.34%	68.86%	1.52%
Nicholls	71.19%	72.31%	1.12%
La Tech	71.77%	72.89%	1.12%
Southern - Baton Rouge	74.01%	75.13%	1.12%
LSU - Eunice	74.29%	75.41%	1.12%
LSU - Shreveport	75.38%	76.50%	1.12%
Nunez	77.00%	78.12%	1.12%
Bossier	90.11%	91.23%	1.12%
LSU - Alexandria	98.34%	99.46%	1.12%
Southern - Shreveport	107.49%	107.49%	-

Other "one-time" monies appropriated for higher education are to be distributed based upon guidelines established by the Board of Regents, although these monies, because of their nonrecurring nature, are not included in the formula implementation rates. Furthermore, because the LSU Medical Center received $3.2 million via legislative amendment, the Board of Regents credited this amount against the monies available for distribution to the nonformula schools. Of the monies available for current operations and library and scientific equipment, the LSU Medical Center was scheduled to receive $3.55 million; the Board of Regents will allot $350,000 to the LSU Medical Center after crediting its $3.2 million direct appropriation.

Community Colleges

Louisiana currently has three community colleges offering classes, including Delgado Community College, Nunez Community College and Bossier Parish Community College. Baton Rouge Community College and South Louisiana Community College are preparing to start classes by the Fall of 1998, and the start-up phase of the River Parish Community College is underway.

FY99 general fund appropriations in the General Appropriation Bill (HB1) for these community colleges is $39.2 million. Baton Rouge Community College also received $2.7 in the Capital Outlay Bill (HB2). In addition, the Legislature specifically created a $1.2 million pool of funds for community colleges to absorb operating costs which may exceed current budget allocations due to increased enrollment projections. An appropriation of $500,000 is contained in HB1 in the event a management board for technical and community colleges is established.

Student Financial Assistance

During the 1998 First Extraordinary Session, the Legislature expanded eligibility for Louisiana's TOPS scholarship program. Revisions in the program opened eligibility to the following students:

- Approved home-schooled students;
- Children of military families living in Louisiana for at least two years;
- Louisiana students graduating from approved out-of-state schools; and
- Students planning to take advantage of the new community and technical college system.

For FY99, the Executive Budget included a $13.5 million increase for the TOPS program over the FY98 allocation of about $17.6 million. The changes in the TOPS program during the First Extraordinary Session of 1998 added another $5.9 million dollars to the program. Therefore, for FY99, the Legislature appropriated approximately $37 million for the scholarship awards for Louisiana high school graduates.

Vocational-Technical Education

During the First Extraordinary Session of 1998, the Legislature passed Act 170, a constitutional amendment to create the Board of Supervisors of Community and Technical Colleges. This proposed amendment is on the ballot for voter ratification in the 1998 congressional primary election to be held in the Fall. The Legislature generally held the line on additional financing for *individual* schools pending the outcome of the election. The Legislature, however, continued its commitment to funding vocational technical education during the 1998 Regular Session by appropriating *systemwide* monies for the following enhancements:

Enhanced Funding for FY99	*in millions*
New professional development salary schedule for vocational technical unclassified postsecondary personnel, effective January 1, 1999*	$3.6
Statewide Quickstart	$3.4
Vocational Technical College equipment for each campus in accord with BESE guidelines	$4.0
Major repairs, equipment replacement and sitework, planning and construction at technical college campus buildings *(HB 2: general fund cash @ $2m; NRP reappropriated bond proceeds @ $2m; and Priority 5 @ $5m)*	$10.0
TOTAL	**$21.0**

**Note that $72,113 is also appropriated for a pay grade adjustment for maintenance and trade personnel, effective January 1, 1999*

The FY99 Medicaid budget in perspective

In FY98, Louisiana funded about $360 million more than in FY97 to maintain the Medicaid program. State monies were needed due to the expiration of Louisiana's special financing consideration from the federal government which provided that the state's FY97 match rate was 18.54%. Without continuing special consideration, the state's FY98 match rate is 29.64%. As FY98 closes, actual expenditures are estimated at $3.24 billion, a $40 million difference over the $3.28 billion appropriated (only a 1% budget deviance). The chart below shows that the Medicaid appropriation for FY99 is $100 million more than estimated FY98; cost pressures account for about $44 million, and legislative additions (i.e. MR/DD and LaCHIP) account for $56 million.

FY 99 Medicaid *in millions*	**Payments**	**Admin***	**Total**
State General Fund	$819	$42	$861
Interagency Transfers	18		18
Fees & Self-generated	5	4	9
Statutory Dedications	113		113
STATE funds	**$955**	**$46**	**$1,001**
FEDERAL funds	2,280	61	2,341
TOTAL	**$3,235**	**$107**	**$3,342**
State Match Rate	29.71%	50.00%	
Federal Match Rate	70.29%	50.00%	

**Administration is matched at 50%/50% for most expenditure items, but at 25%/75% for other items such as technology improvements.*

Apparently, the state's persistent Medicaid crisis of the 1990's has been resolved. Because the state's Medicaid program is largely dependent upon federal policy, however, recent congressional changes including: a) repeal of the "Boren" amendment, which required payment for institutional inflationary costs; b) changes in reimbursement for uncompensated care costs, imposing a decreasing "cap" on federal participation over time; and c) the federal Children's Health Insurance Program initiative will significantly impact future health care delivery choices facing Louisiana.

Summary of legislative additions to Medicaid

The summary below includes those items added by the Legislature relative to service delivery or rate reimbursement which affect private and/or nonstate public providers. The total cost, noted in millions, is paid with about 30% state dollars and 70% federal dollars, unless otherwise noted.

Private or Nonstate Public Provider Medicaid Legislative Enhancements -- FY99	***in millions***
700 additional MR/DD waiver slots, including almost $1 for administration (which is 50% state)	$10.6
200 additional elderly and disabled waiver slots	$1.3
200 additional adult day health care waiver slots	$1.3
Rate increase for certified ambulance operators for emergency transportation	$1.0
External consulting analysis to update rates for hospital outpatient ambulatory surgery codes (50% state)	$0.2
Physicians rate reimbursement for three basic office visit codes	$9.5
LaCHIP implementation, including $2.5 for administration*	$24.4
Replacement of in-kind certified match paid by rural hospitals for uncompensated care with state funding, provided savings accrue from out-of-state Medicaid reimbursements (100% state)	$6.7
Cancer treatment services at Earl K. Long and Lallie Kemp	$0.6
TOTAL	**$55.6**

**LaCHIP operates under federal law requiring state match of 21% as opposed to 30%; however, part of the $24.4 million appropriated covers increased cost to Medicaid due to outreach efforts required with LaCHIP implementation. Medicaid enrollment from outreach remains at a 30% state match. Therefore, the "blended" state match rate for the $24.4 million increase is about 27%.*

The following subsections of "*Medicaid and Health Care Issues*" briefly discuss various high profile topics debated during the 1998 Regular Session.

Payments for private/nonstate public providers

Medicaid payments are made to state providers and private and/or nonstate public providers rendering a myriad of health care services to those medically indigent who qualify for coverage. The following is a comparison of private/nonstate public provider expenditures at selected intervals from actual FY94 through projected FY99. The projected FY99 numbers are essentially from the Governor's Executive Budget and are subject to revision once DHH closes its books for FY 98.

Private provider payments....... *.in millions*	**Actual FY94**	**Actual FY96**	**Estimated FY98**	**Projected FY99**
Inpatient Hospitals	$713	$449	$410	$388
Outpatient Hospitals	110	115	118	116
Long Term Care Facilities	491	503	478	463
ICF-MR Community Homes	153	159	167	170
MR/DD Waiver	26	41	56	68
Inpatient Mental Health	241	65	14	18
Psychiatric Rehabilitation	16	10	10	15
Physicians	226	194	179	196
Pharmacy	219	245	277	288
Lab/X-ray	54	42	38	37
Emergency Transportation	13	14	15	16
Nonemergency Transportation	73	13	11	12
EPSDT†	54	54	50	53
Uncompensated Care*	400	14	25	31
Others	121	126	116	124
LaCHIP			0	22
Total Private	$2,910	$2,044	$1,964	$2,017

†Early and Periodic Screening, Diagnosis and Testing

*In FY99, $20 million is 100% federal; the state's match is provided by the local rural hospitals and is "off-budget".

Many issues relative to Medicaid reimbursement and service delivery policies were debated during the session. Significantly, and in response to federal policy changes repealing the Boren amendment, no inflationary increases for institutional providers was included in the Governor's Executive Budget, and no funding was added by the Legislature for this purpose.

A nursing home rate increase proposal

The Senate Finance Committee amendment requiring DHH to increase the nursing home provider fee to raise revenue for a Medicaid nursing home rate increase was rejected in Conference on HB1. When the Finance Committee adopted the nursing home amendment, no information was made available relative to the impact to the Elder Care program, which provides reimbursement of provider fees to those nursing home residents who meet certain income criteria.

The proposed provider fee increase would have required $1.3 million for the Elder Care program to reimburse eligible residents. In the waning hours of the legislative session with the budget precariously in balance, lawmakers were unable to identify a revenue source for the additional monies.

Providing MR/DD services

Exploring the TEFRA option

The debate continues as to the most cost effective yet beneficial manner in which to fund services for persons with MR/DD. Included in the General Appropriation Bill is a mandate for DHH to research implementation of TEFRA which would extend Medicaid eligibility to MR/DD children under 18 who live at home, provided: a) the child meets the level of care provided in an institution; b) the provision of care outside an institution is appropriate; and c) the cost of home care would not exceed the cost of institutional care.

Under TEFRA, recipients are not eligible for the specialized package of services available to those eligible for the MR/DD waiver (which includes such services as respite care), but TEFRA recipients would be eligible for all regular medical benefits available under the state's Medicaid package.

The MR/DD waiver waiting list

In its continuing effort to reduce the number of persons on the MR/DD waiver waiting list, the Legislature funded an additional 700 slots, at a cost of $10.6 million. For FY99, 3,451 total slots are funded, reducing the number on the waiting list to about 9,260. Note that prior to 1995, no diagnosis or evaluation was required to "sign-up" for the waiting list; therefore, the number on the list may be overstated by as many as 3,000 persons who are simply not eligible for waiver services.

MR/DD waiver services are popular because of its special package of 10 services, including: personal care attendants, respite care, substitute family care, residential habilitation, day habilitation, personal emergency response systems, habilitation and supported employment, assistive devices and environmental modifications. Worthy of note is the fact that over 3,000 persons on the waiting list are receiving *partial* services through other programs handled by the Office of Citizens with Developmental Disabilities. Furthermore, 2,716 are receiving regular Medicaid health benefits.

Threat of Justice Department intervention

The U.S. Justice Department has expressed concern with two of the state's largest MR/DD facilities (Pinecrest and Hammond). Corrective action was needed to address allegations that Louisiana is rendering insufficient care due to inadequate staffing and incidences of abuse and neglect. For FY99, the budget includes $7.9 million (30% state/70% federal) for an additional 359 positions to avoid the eventuality of Justice Department intervention. In states where the Justice Department has intervened, facilities have been closed, and the states have been forced to pay increased costs, sometimes twice as much, for housing the misplaced clients in the private sector.

Louisiana's Children's Health Insurance Program (LaCHIP)

The opportunity to address the expanding problem of medically uninsured children in Louisiana was provided by the federal government within the last fiscal year. Through an initiative entitled the State Children's Health Insurance Program (Title XXI of the Social Security Act), the federal government has afforded all states a chance to encompass more of the youngest and poorest of their citizens with medical insurance coverage.

In the 1998 First Extraordinary Session of the Legislature, Senate Bill 78 (Act 128) was passed to set up Louisiana's program. Funding for the implementation of this legislation was provided in FY99 and calls for the Department of Health and Hospitals to carry out the new LaCHIP program under the following conditions:

Physician reimbursement codes rate increase

A significant problem with implementing LaCHIP, or any other Medicaid-related program for that matter, exists because Louisiana has an insufficient Medicaid physician network. At present, only 40% of the physicians enrolled as Medicaid providers are participating. Some parts of the state do not have any participatory physicians. Under the provisions of Act 128 1ES, DHH is to make recommendations to the Legislature regarding policy issues to reduce the number of primary care health professional shortage areas in the state.

Furthermore, in response to a DHH proposal to increase the rates for physicians for three basic office codes in an effort to boost participation rates, the Legislature appropriated $2.85 million from the general fund for this purpose in FY99. An additional $6.65 million will be picked up by the federal government.

Simplifying enrollment and the application form

Simplifying the enrollment process for children and families, including decreasing the size of the application form and making it easier to obtain, will be a significant focus of LaCHIP. Funding of $2.6 million for these LaCHIP outreach efforts, including 40 additional positions, was appropriated for FY99. DHH proposes a four-page application form for considering eligibility for children who would qualify for Medicaid based on their family poverty level. This form would serve in lieu of the 16-page form that would continue to be used for children to qualify based on a nonpoverty criteria and for all adults seeking coverage.

The application form would be distributed through hospitals, health units, shopping malls, etc. and the application form could be mailed to the local parish office. Other proposals by DHH for outreach include distributing information about where and how to apply for child health programs via printed posters and flyers which would be mailed to nonpublic assistance food stamp families with children and distributed through public health clinics, the private sector, the public hospital system, and community and rural health clinics.

One-year continuous eligibility

Authorizing one-year continuous eligibility for children is a major programmatic initiative designed to achieve better health care outcomes because children would be more likely to receive preventative care, screenings, and immunizations. Furthermore, children in families whose income fluctuates will continue to receive care -- even when their family's income level would exceed eligibility thresholds. Less administrative work is also a plus because eligibility would only have to be certified once a year rather than every three months.

All children covered at 133% of poverty or less

The first phase of LaCHIP is the expansion of Medicaid eligibility for all children, birth to age 19, in families whose income does not exceed 133% of the federal poverty level. Medicaid is Louisiana's primary program for providing health care services to impoverished children. Currently, Medicaid eligibility is based upon family poverty level and the child's age, according to the following:

- Birth through age 5 at 133% poverty;
- Age 6 through age 14 at 100% poverty; and
- Age 15 through age 18 at about 17% poverty. *(This is the state's medically needy standard under AFDC criteria as of 7-1-97. However, pregnancy is covered at 133% of poverty. Whether or not a state chooses to participate in CHIP, by the year 2002, federal law requires coverage for the 15 to 18 age group to 100% of poverty.)*

Because of differing poverty thresholds, one child in a family may be covered and another may not. Furthermore, Medicaid eligibility set at differing percent of poverty levels (i.e. 133% for some and 100% for others) conflicts with a "continuum of care" philosophy for health care coverage for children and, seemingly, is counterproductive in terms of achieving desirable health care outcomes. LaCHIP addresses these issues. Program funding of $21.8 million ($5.6 million state) is included to implement LaCHIP by October 1, 1998.

Under LaCHIP, the target enrollment level included in HB1 is to reach 71.6% of all eligible children by June 30, 1999 and 75% of all eligible children by July 1, 2000. The ability to achieve these targets will depend upon the success of DHH's outreach programs. Current enrollment for the birth through age 5 group, for example, is already at 72% coverage. However, enrollment for the age 6 through 14 group is only 62%, and for the age 15 through 18 group, enrollment is only 47%.

Why Medicaid expansion for LaCHIP - Phase I?

Rather than establishing a separately created, new program for LaCHIP-Phase I, a Medicaid expansion was the recommendation of the broad-based LaCHIP Task Force for the following reasons:

- The administrative infrastructure (Medicaid) is already in place to implement LaCHIP;
- Lower administrative costs should be realized (about 3 percent) as opposed to 10% in the private insurance market;
- A source for start-up costs exists (Medicaid administration);
- LaCHIP eligibles will be automatically eligible under Medicaid if LaCHIP funding is exhausted;
- All children who are entitled will be covered (children of employees eligible for Group Benefits and children in public institutions could not participate in a private insurance plan);
- LaCHIP and Medicaid will have a uniform eligibility process so that the federal requirement to screen for Medicaid eligibility first will be addressed expeditiously;
- Medicaid has a comprehensive benefit package; almost all health services will be provided, including those for preventative, acute, and long-term care.

Why establish LaCHIP?

The state could refuse to participate in the federal initiative to cover uninsured children. Louisiana is uniquely situated among the states in that the state's public hospital system provides a health care safety net for those without health care coverage. But, establishing LaCHIP will allow Louisiana to deliver health care services to children more efficiently and with the expectation of achieving better health care outcomes.

Positive results from LaCHIP participation include:

- The enhanced match rate could save the state 9% of the cost for funding the same service provided through uncompensated care cost reimbursement;
- Children will be eligible for benefits such as pharmaceuticals, which may significantly reduce the need for hospitalization (uncompensated care at the public hospitals), particularly for such conditions as diabetes and asthma;
- Children would be more likely to establish a medical home and to receive preventative care with a primary care physician; and
- The number of Louisiana children without health coverage will decrease -- the following chart shows that for about $9.1 million state dollars annually, another 58,000 children will obtain health care coverage through Medicaid.

Impact of Phase I LaCHIP Implementation Enrolled (%) of Poverty	**Target** Enrollment FY99 71.6% of Eligibles	**Average Cost per** Recipient	**Total Costs**	**New Annual State Costs****	**New FY99 State Costs**** 7.5 mths
Birth thru 5					
Enrolled (133%)	106,420	$1,351	$143.8		
Outreach: Medicaid					
Outreach: LaCHIP					
Subtotal	**106,420**		**$143.8**		
6 thru 14					
Enrolled (100%)	119,036	$606	$72.1		
Outreach: Medicaid	17,817	$606	10.8	$3.2	$2.0
Outreach: LaCHIP	3,652	$606	2.2	0.5	0.3
Subtotal	**140,505**		**$85.1**	**$3.7**	**$2.3**
15 thru 18					
Enrolled (17%)	24,819	$1,630	$40.5		
Outreach: Medicaid	13,357	$606	8.1	$2.4	$1.5
Outreach: LaCHIP	23,413	$606	14.2	3.0	1.9
Subtotal	**61,589**		**$62.7**	**$5.4**	**$3.4**
TOTAL All Ages					
Enrolled (133%)	250,275		$256.4		
Outreach: Medicaid	31,174		18.9	$5.7	$3.5
Outreach: LaCHIP	27,065		16.4	3.4	2.2
TOTAL	**308,514**		**$291.7**	**$9.1**	**$5.7**

Payments for uncompensated care costs

One of the state's budget-balancing maneuvers of the 1990's was to generate "overcollections" from the state's public facilities which are eligible for reimbursement for uncompensated care costs. These overcollections were available to the state due to federal policy which allowed Medicaid reimbursement, at much greater than actual cost, for those entities serving a disproportionate share of indigent persons. In essence, the state was able to draw federal dollars far in excess of the budget for the state's public facilities. These excess federal dollars were then "pooled" back to the Medicaid program and used as Louisiana's state match. More recently, federal policy has changed, preventing the state from collecting more than 100% of the cost for the provision of uncompensated care. Generally, allowable costs are somewhat greater than the operating budget for the public facilities (for instance, amortization of capital improvements is a cost factor not part of the operating budget). Therefore, to a very limited degree, overcollections are still available; however, the dollar amount is very unpredictable.

The federal government has also placed a cap, which decreases over time, on its participation in paying uncompensated care costs through the Medicaid program. In June, the Budget Committee approved a BA-7 moving $59 million into the uncompensated care program for payments to the state's public hospitals. If the trend in uncompensated care continues to rise and the federal cap is exceeded, the state must pay 100% of health care costs above the cap. Given this fact, a very important question is: how much in uncompensated care payments are expected to finance the $142 million in revenue bonds approved in HB2 for the Trauma Center for the Charity Hospital and Medical Center of Louisiana?

Social Services and Welfare Reform

The Department of Social Services (DSS) is primarily funded through the federal government; hence, federal policy sets the agenda for the programs. FY98 was a particularly important year to Louisiana because of federal welfare reform efforts which drastically changed the scope and requirements of the department.

The following FY99 appropriations over and above the current FY98 appropriations were provided for DSS to address pressing needs in foster care, child support, and Families in Need of Services (FINS).

State General Fund Enhancements ... Department of Social Services FY99	*in millions*
Foster Care — Placement and treatment beds for children with multiple disability conditions	$1.3
Child Care Assistance — Maintain child support collection efforts	$1.6
Families in Need of Services (FINS)	$0.5

The FINS appropriation noted above is an increase of 45% over the FY98 appropriation. FINS is a statewide juvenile crime prevention program that seeks to halt problem behavior before it progresses to criminal behavior. Over 50 FINS programs operate in the state. Referrals are made by school officials, police officers, parents, district attorneys, judges, or anyone who sees the child as a status offender (breakers of school rules, truants, runaways, substance abusers, etc.). In 1996, over 15,400 referrals were made to FINS programs and less than 9% went to court.

A FINS intake officer screens the referral, conducts a family conference, and develops interagency services to assist the child and family. A six-month service contract is agreed upon, which can be extended for an additional six months if progress is being made. No adjudication takes place unless the family fails to cooperate with the plan mandates.

Services for the blind

Also, in Conference on the General Appropriation Bill (HB1), $400,000 was added for services to the blind; this money was added after HB143, dedicating a portion of slot revenues for blind services, stalled on the Senate floor.

Economic Development

Funding is included for the following economic development efforts of the state. It should be noted that $6.8 million of FY98 excess revenues was appropriated to the Economic Development Award Fund so that an appropriation in FY99 could be made from this source.

Economic Development Funding	$'s
U.S. Navy Technology Center -- $3,250,000 from the Economic Development Award Fund and $3,000,000 from the general fund	$6,250,000
Loan to the city of Colfax for a warehouse distribution center allocated from the Economic Development Award Fund	$2,300,000
Livingston Parish for locating a manufacturing concern in the parish allocated from the Economic Development Award Fund	$425,000
Economic Development Award Program from the Economic Development Award Fund	$825,000
Boll weevil eradication	$8,000,000
Infrastructure for an intermodal system for hauling sugar cane by rail	$3,000,000
Coushatta economic development.	$780,000
Macon Ridge Economic Development Region, Inc. (north Louisiana)	$200,000
Economic development efforts in northeast Louisiana.	$300,000
Economic development efforts in northwest and northcentral Louisiana.	$50,000

Boll weevil eradication

For FY97, the Legislature appropriated $5.4 million in state funding for boll weevil eradication, primarily designated for Red River Region. This money is being expended along with federal and local matching funds over a multi-year period.

During the 1998 Regular Session, legislators spent a considerable amount of time addressing the seriousness of the boll weevil problem as it relates to other areas of the state. At first, costs for a statewide boll weevil eradication program were incorporated into House Bill 143 -- legislation crafted to bring additional revenue to the horse-racing industry by allowing race tracks in Bossier and St. Landry parishes to replace video poker machines with slot machines.

The additional revenue generated by the slot machines was to be set aside for Louisiana thoroughbred and quarterhorsemen, with the remaining revenue allocated for the boll weevil eradication program, a railway transportation system for Louisiana's sugar cane industry and services for the blind (see discussion, page 24)

As HB 143 stalled on the Senate floor, the Conference Committee on the General Appropriation Bill included a provision appropriating $8.0 million from the Louisiana Economic Development Corporation Fund to the state general fund, providing a source of revenue for boll weevil eradication

With the projected cost of the boll weevil program estimated at roughly $100 million, the total cost is tentatively set to be split evenly between the state and cotton farmers, who will be assessed a per-acre fee. Prior to the expenditure of any funds, the Department of Agriculture and Forestry must present its plan for boll weevil eradication to the Budget Committee.

Intermodal transportation for sugar cane

The Capital Outlay Bill (HB2) includes an appropriation of $3 million for infrastructure purchases, acquisitions, and construction of an intermodal system to expedite the hauling of sugar cane by rail in Louisiana beginning in the fall of 1998. Furthermore, an appropriation of $300,000 contained in the General Appropriation Bill and to be matched by the American Sugar Cane League Foundation was made for the purpose of studying sugar cane transportation.

Other Enhancements

Selected enhancements funded by state general fund in the FY99 budget not mentioned previously include the following items:

FY 99 Enhancement Funding (HB1)	$'s
Year 2000 computer compliance activities (DOA and various agencies)	$8,883,344
Parish Councils on Aging (@ $10,000 per parish)	$640,000
Ombudsman programs for citizens with developmental disabilities and the elderly	$537,000
State parks, welcome centers, and commemorative areas	$2,741,195
State aid to public libraries/internet	$2,500,000
Cultural development	$3,188,400
Funding for small museum grants	$300,000
Increase of $1 in per diem for sheriffs' housing of state prisoners	$4,763,615
Corrections pay plan/premium pay	$4,824,247
Salary increase for commissioned officers (Public Safety)	$2,077,642
Drug Court programs (DHH)	$1,500,000
School-based health clinics (DHH)	$600,000
Occupational Information System and Welfare to Work match (Labor)	$2,975,612

Issues for FY99 and Beyond

The state budget process includes the requirement for a "five-year plan". The revenue forecast is the official forecast for the current and upcoming fiscal year plus the long-term estimates adopted by the Revenue Estimating Conference; expenditures are assessed as to their recurring and growth nature. Together, the revenue and expenditure projections and assumptions provide a comprehensive analysis as to how the budget balance is expected to fare over the multi-year period. Despite the fact that the budget is expected to remain balanced throughout the projected period, a number of major factors and/or assumptions may cause the need to adjust the five-year plan, and perhaps, the methods by which state budget policy is made.

Across-the-board cuts and performance budgeting

The General Appropriation Bill has been structured as a "performance-based budget." Included in the 294-page bill are program descriptions, objectives, and performance indicators to comply with the provisions of Act 1465 of the 1997 Regular Session, the Louisiana Governmental Performance and Accountability Act. During the FY99 budget process, agencies have been called before the Legislature to explain and justify their performance data. The Budget Committee will continue to monitor agency activity throughout the fiscal year.

With the advent of performance-based budgeting, the Legislature will have to take notice of the fact that "across-the-board" cutting is inconsistent state budget policy with the concept of requiring state agencies to meet performance standards. If all agencies are treated alike in an across-the-board budget balancing maneuver on one hand, how can the Legislature differentiate between agencies on the other hand with its reward and punishment system for agency performance?

The five-year plan contemplated by the Legislature in establishing the FY99 budget assumes that normal growth on base expenditures will not be granted in FY00. (It should be noted that FY00 is a difficult year to balance because of the need to accommodate a 27th pay period, at a state general fund cost of $45 million.). What this message tells agencies is that whether or not they meet their objectives set forth in the General Appropriation Bill for FY99 and regardless of how well they perform, their budgets will still be cut for FY00. Based on this observation, the use of "across-the-board" cuts to balance the five-year plan may need to be revisited in terms of insuring consistent state budget policy.

Tapping risk management reserves

The $140 million reserve fund maintained by the Office of Risk Management has been used on a number of occasions to provide funding for various programs not related to risk management. This practice is not new and in fact, has occurred under the last three administrations. Initially, the fund reserves were used after the oil bust of the 1980's when the state's economy was stagnate. Fund reserves, are still being utilized, however, such as for FY99, when Louisiana expects a continuation of a record-breaking economy.

Because the method has been to reduce "premium payments" instead of tapping directly into the reserve fund, there appears to be less of a sense that the insurance fund reserve is being depleted. Of concern to the Legislature should be the question: "If the insurance reserve fund is being tapped during a strong economy, what might be the fate of this fund when the economy experiences a drastic downturn?" The Legislature may wish to formally establish a base level of funding for the reserve fund that will be maintained regardless of budget pressures.

Expending nonrecurring revenue

In 1993, a constitutional amendment was adopted *to limit the use of nonrecurring revenue for defeasance of debt*. The impetus for this budgetary reform measure was unsound budgetary practices employed to fill the gap between recurring expenditures and recurring revenues after the fall in mineral revenue receipts in the late 1980's, as indicated in the chart below.

"One-Time" Revenues to Support Recurring Expenses		
FY91	State General Fund Prior Year Surplus	$103
FY92	State General Fund Prior Year Surplus	353
	Medicaid Disproportionate Share Payments	58
FY93	LA Recovery District Sinking Fund Reserves/Refinancing	173
	Lottery Surplus	20
	State Tax Revenue Settlements	29
	Medicaid Audit Settlements	80
	Hazardous Waste Tax Escrow	19
Total		**$835**

Source: Public Affairs Research Council, Guide to the Proposed Constitutional Amendments, October 16, 1993

The Constitution contains no qualifying language that the defeasance of debt must result in either actual or maximum interest cost savings to the state, spurring a continuing debate as to the "spirit" vs. the "letter" of the law. Since the passage of the constitutional amendment, the administration and the Legislature have adopted a policy of expending excess revenues on nonrecurring expenses and making appropriations to dedicated funds prior to the end of the fiscal year, thereby preventing the monies from becoming a surplus that is constitutionally required to be expended for debt defeasance. While this practice unquestionably complies with the letter of the law, the debate continues as to whether the spirit of the law is being satisfied. The chart on the next page is a summary of the disposition of potential "nonrecurring" revenues since the passage of the constitutional amendment.

"Non-recurring" revenue source	Comments *($'s in millions)*	Cite	*Total*
FY93 surplus	DOA relied on an Attorney General's opinion that new constitutional provision not required to apply to FY93 surplus		$101
FY94 surplus	Total surplus: $213; only $106 "cash" available for appropriation and designated nonrecurring. All $106 nonrecurring used to defeasance $106 in bonds due to expire in FY96, creating "one-time" savings	Act 44 1995 RS	$106
Initial payment land-based casino	Pursuant to 3/4 vote authorized (Act 48 1995 RS), incorporated in official forecast as recurring revenue; used for "one-time" salary supplements for state employees and teachers for FY96	Act 15 1994 RS	$125
FY95 surplus	Defeased state debt to save debt service costs; savings used to retire LA Recovery District debt two years early (Act 17 1996 RS)	Act 6 1996 RS	$145
FY96 surplus	Appropriated entire amount for multi-year debt defeasance plan	Act 319 1997 RS	$318
FY97 excess revenues	1) Appropriated $45 as part of a multi-year debt defeasance plan; 2) Appropriated $148 for Governor's initiatives 3) Appropriated $16 for FY97 supplemental appropriations; 4) Appropriated $157 for capital outlay projects	Act 319 1997 RS Act 471 1997 RS Act 479 1997 RS	$366
FY97 surplus	Appropriated entire amount for multi-year debt defeasance plan	HB 282 1998 RS	$135
FY98 excess revenues	1) Appropriated $13 as part of a multi-year debt defeasance plan; 2) Appropriated $53 for FY98 supplemental appropriations and to continue Governor's initiatives 3) Appropriated $61 for capital outlay projects	HB 282 1998 RS HB 299 1998 RS	$127

In the fall of 1998, voters will have the opportunity to decide whether or not setting aside nonrecurring revenues into a rainy day fund and using nonrecurring revenues for capital outlay and the unfunded liability of retirement systems should also be allowed under the Constitution (see Act 1501 of the 1997 Regular Session).

Continued reliance on "overcollections"

The issue of "overcollections" was discussed in terms of federal and state policy changes through the 1990's in the section of this document entitled "*Medicaid and Health Care Issues: Payments for uncompensated care costs*" (see page 23). Despite these policy changes, in balancing the budget for the out-years, the Legislature is relying on the state public facilities generating $25 million in overcollections in FY00. (Again, it should be noted that FY00 is a difficult year to balance because of the need to accommodate a 27th pay period, at a state general fund cost of $45 million.)

The problem with this assumption of relying on overcollections is that for both estimated FY98 and projected FY99 the amount of actual overcollections is significantly less than the $25 million projected for FY00. Given this background and assuming no federal or state policy changes, it is very possible that reductions in the base budget may have to be substituted for assumed use of overcollections to balance the budget in out years.

Data for decision making flawed...

During the 1998 Regular Session, the Senate Finance and Education committees met together to review many aspects of funding for K-12 education, particularly delving into teacher pay and classroom expenditure issues. Much of the discussion focused on the discrepancies in reporting data for comparison purposes.

Questions as to whether or not Louisiana was using a proper target, i.e. "the Southern average", were addressed. Revelations concerning the inaccuracy and inconsistency of certain Louisiana educational data being used for both fiscal and education policy purposes also caused considerable concern. The Legislature often finds itself without reliable information at critical stages in the legislative process, despite the fact that legislation has been on the books for seven years requiring consensus estimating in education, transportation, criminal justice, etc.

Activating the various Consensus Estimating Conferences will help eliminate the data integrity problems encountered by the Legislature. Furthermore, during the time prior to the 1999 Regular Session, the dialogue will continue as the Finance and Education committees work with the education community to insure that data collection and reporting is adequate to serve the needs of the state as fiscal and educational policies are established and/or revised.

State resources allocated for local governments

State support for local government has been expanding at a time when local tax structures should be posting record setting revenue collections -- and as the state's revenue base is being hit with the loss of video poker receipts and expanded state tax exemptions and repeals.

Furthermore, the state is incurring costs for supplemental pay for local law enforcement personnel, sheriffs' per diem payments for housing state prisoners, and state hotel/motel sales tax dedications to local tourism efforts, as well as for a number of special appropriations in the areas of economic development, recreation and tourism, and local infrastructure development.

The chart below indicates how state support for local capital outlay projects, including cash and bonds, has expanded over the last twenty years.

State Capital Outlay Appropriations to Local Government	
Year	**Total of Cash and Bonds**
FY79	$801,389
FY89	$70,825,000
FY99	$401,309,189

The question of what level of state financial support for local government is appropriate and what funding sources are available for local projects is the impetus behind SR39 of the 1998 Regular Session. SR39 requests the Senate Finance and Revenue and Fiscal Affairs committees to study the LA Public Facilities Authority and the LA Local Government Environmental Facilities and Community Development Authority relative to the issue of state funding for local projects.

A change in economic conditions

The national and state economies, which have been so strong and provided the basis of the state's favorable revenue performance in recent years, could easily slow much more than current projections indicate. For instance, FY99 is likely to begin with oil prices considerably below the $15.75 being used in the FY99 official forecast.

Economic forecasts are notoriously unreliable and a change in the economic environment could greatly disrupt current revenue trends. Furthermore, the cost of governmental services generally could increase greater than projected, particularly if higher inflation rates reemerge. Budgets are very dynamic and economic conditions must be carefully monitored so that appropriate measures to maintain a balanced budget can be taken timely.

Erosion of the state's tax base

Continued erosion of the state's tax base through repeal, credits, and exemptions, is highlighted in the charts below and on the next page, which show the impact of legislation passed in 1997 and 1998 legislative sessions. As the charts indicate, the tendency has been to phase in the loss of revenue over time, to soften the blow to the immediate budget. For instance in FY99, from the legislation passed in 1997 and 1998, the revenue loss impact is $32.3 million while in FY02, the loss is expected to be $64.3 million. The net result may be that future Legislatures will have to deal with a revenue shortage problem if the revised revenue base cannot keep pace with expenditure needs.

Impact of revenue "reducing" bills passed in 1997

in millions	FY 98	FY 99	FY00	FY01	FY02
Various hotel sales tax dedications	-$9.6	-$9.6	-$9.6	-$9.6	-$9.6
Increases severance dedications to locals			-$5.7	-$5.7	-$5.7
Increases tourism fund dedication		-$1.0	-$1.0	-$1.0	-$1.0
Compulsive gaming dedication increase		-$.6	-$.6	-$.6	-$.6
Repeal of gravel severance tax	-$.3	-$.3	-$.3	-$.3	-$.3
Auto Inventory tax credit claims	-$8.0	-$8.0	-$8.0	-$8.0	-$8.0
Adopt fed. income tax filing req.'s	-$1.2	-$1.2	-$1.2	-$1.2	-$1.2
Waives inheritance tax penalty/ interest		-$1.5	-$1.5	-$1.5	-$1.5
Repeal of inheritance tax*		-$4.7	-$9.7	-$10.0	-$16.0
Unclaimed property disposition	$7.6	-$1.1	-$1.1	-$1.1	-$1.1
TOTAL	**-$11.5**	**-$28.0**	**-$38.7**	**-$39.0**	**-$42.7**

**Ultimate revenue impact is $65 million in FY06*

Impact of revenue "reducing" bills passed in 1998

in millions	FY98	FY99	FY00	FY01	FY02
Sales tax exemption on utilities for steel companies		-$.5	-$.5	-$.6	-$.6
Excludes sales tax for nonpublic schools		-$.5	-$.6	-$.6	-$.6
Other various sales tax exemptions		-$.2	-$.2	-$.2	-$.2
Expand LA Capital Investment Tax Credit Program		-$.5	-$.5	-$.5	-$.5
Tax exemption for locating company headquarters in LA		-$.3	-$.4	-$.5	-$.6
Extends time period for tax credits on recycling equipment			-$.2	-$.4	-$.4
Extends exemptions for interstate commerce equipment		-$1.3	-$1.3		
Lottery and video poker -- under 21 prohibition		-$1.0	-$.7	-$.7	-$.7
Extend Cap Co expiration			-$8.0	-$16.0	-$16.0
Total		**-$4.3**	**-$12.4**	**-$19.5**	**-$19.6**

SCR 34 of the 1998 Regular Session creates a special committee to study Louisiana's tax system and to report its findings to the Legislature by January 1, 2000. In the meantime, the Legislature should pay particular attention to fiscal notes on tax exemptions and repeals filed in the 1999 Regular Session.

Fiscal Sessions

Beginning in 1994, the regular session of the Legislature in even-numbered years was restricted to the consideration of certain fiscal matters which are listed in the Constitution.

The comments below outline some of the problems that have surfaced as the Legislature complies with this new provision of the Constitution in regard to the conduct of regular legislative sessions:

- In even years, a tax may be raised, but not a fee; in odd years, a fee may be raised, but not a tax. Lawmakers face the dilemma of making fiscal policy choices depending upon the calendar year a decision must be made rather than on the merits of the issue.
- For historical reasons, revenue raising measures and appropriation bills originate in the House. Therefore, the Senate must wait for most of the legislation introduced during a fiscal-only session to pass the House. Once the legislation clears the House, the reverse occurs. The House waits for the Senate to return its instruments.
- Not all "fiscal matters" in terms of establishing and/or revising budget policy can be considered in the so-called "fiscal only" session. For instance, legislation dealing with the creation and/or amendments of special funds cannot be considered. Legislators find themselves in the awkward position of having to craft a budget annually when certain expenditure adjustments can only be made biennially.
- The public is confused by the process. For instance, in the 1997 Regular Session, a ballot proposal to allow voters to decide whether or not to allow slots at horse racing facilities was passed by the Legislature. The voters went to the polls and in some parishes agreed to the authorization. At the time the Legislature authorized the voters to decide this matter, however, the "tax" provisions for implementing legislation could not be considered because of the constitutional prohibition against considering a tax in an odd-numbered year, i.e. 1997.

During the *1998 Regular Session -- a "fiscal-only" session*, the Legislature considered the "tax", but could not consider the "fee" because of a constitutional prohibition. The "fee", however, was considered in the *1998 First Extraordinary Session* for this reason. The practical import of these constitutional limitations on what matters the Legislature can or cannot consider in a given year is confusion to the public, fragmentation of policy making, and precipitation of undue criticism of the Legislature.

- The first year of the terms for a Governor and new Legislature occurs during a "fiscal only" session. As a result, it is almost a given that the Governor will call a special session to address the items which formed the basis of his political platform during the election. Legislators, on the other hand, do not have the luxury of setting the agenda for the special session, and unless the Governor agrees to place their matters in the call, legislators must wait a year before introducing legislation which formed the basis for their campaigns. Interestingly, at least one special session has been called every year since the "fiscal-only" constitutional provision went into effect and, apparently, this trend is likely to continue.

Election year pressure -- a concluding observation

In the fall of 1999, statewide elections will be held for the offices of Governor and the Legislature. Election year pressures often cause a magnification of the problems and concerns mentioned relative to the previously-discussed issues. Legislators will have to be cognizant of the fiscal dilemmas they will face, particularly, how to maintain the expenditure base.

The past three budget cycles have shared two common traits: they have occurred in years of record-breaking revenue growth and they have had large prior year surpluses. These factors combined to provide monies for expansion of existing programs, creation of new programs, addressing of deferred maintenance needs, new capital outlay construction, defeasance of debt, and additional support for local governments.

The unpredictability of oil prices and its resultant effect on Louisiana's economy, however, may cause difficulty for the maintenance of the FY99 expenditure base, both during the year and for the preparation of the FY00 budget. If the expenditure base cannot be maintained, lawmakers will be forced to rethink expenditure priorities and reevaluate budget commitments and tax exemptions at a time when the political climate is not favorable to such activity.

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