Commission on Streamlining Government

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ADVISORY GROUP ON EFFICIENCY AND BENCHMARKING

MINUTES
MEETING OF SEPTEMBER 8, 2009

I. CALL TO ORDER

A meeting of the Advisory Group on Efficiency and Benchmarking was held on Tuesday, September 8, 2009, in Senate Committee Room E at the State Capitol in Baton Rouge, Louisiana. The Chairman, John Kennedy, called the meeting to order at 10:00 AM.

II. ROLL CALL

The secretary called the roll and the following was noted:

MEMBERS PRESENT	MEMBERS ABSENT
John Kennedy, Chairman	
Leonal Hardman, Member	
Jim Napper, Member	
Ron Gomez, Member	

STAFF PRESENT
Greg Waddell, Coordinator
Chris Adams, Attorney
Tammy Cormier, Secretary

III. WITNESSES PRESENT

Charles Castille, Undersecretary-Department of Health and Hospitals
Thomas Bickham, Undersecretary-Department of Corrections
Charles St. Romain, Administrator-State Land Office
Jerry Jones, Division of Administration

IV. APPROVAL OF MINUTES

Mr. Ron Gomez made a suggestive change on the minutes. With those changes, Mr. Napper made a motion to approve the minutes (as amended) from the meeting of August 24, 2009. Mr. Hardman second the motion. Hearing no objection, the minutes were approved.

V. DISCUSSION

Chairman Kennedy welcomed Mr. Ron Gomez to the committee. Mr. Gomez was a former legislator. He served as Chairman of the Appropriations Committee and Secretary of the Department of Natural Resources. He was a successful private businessman and author. Mr. Kennedy stated a final report had to be submitted by December. Future motions would go to the full Streamlining Commission. The more ideas the full commission had to debate, the better. At one time Louisiana was near the top in the south in the number of patients whose healthcare was being paid for by the taxpayers.

Mr. Charles Castille stated in the Medicaid Program, (primarily the program that funded emergency room visits) there was a provision that limited emergency room visits but not in the Community Care Program. The Community Care Program primarily took care of 700,000 people. It was a program for people who were connected with a primary care physician. The idea being was that the primary care physician was responsible for taking care of the health of the people that were assigned to him/her. In order for an emergency room visit to occur, the primary care physician would be involved. It had not worked out as well as he had hoped. A lot of the ER doctors that worked at LSU in Shreveport said that people were going into the hospital through the emergency room that had community care physicians but the community care physician had never seen the patient. A lot of people by passed the primary care physician to seek treatment for conditions that would have been appropriate for a physician visit as opposed to an emergency room visit. For others that were not in the community care program, there was a limit of three per month.

Mr. Kennedy asked if it were three visits per month or three visits for non-emergency care.

Mr. Castille answered it was for any kind of emergency room care. It had been a problem with regard to emergency room care. He talked about doing a co-pay for someone who presented to an emergency room that was determined that emergent care was not necessary. In that situation, having a co-pay applied and similarly with other insurance. If it were truly an appropriate emergency visit, no co-pay would be provided. He was advised by legal counsel that a co-pay constituted a fee. As a result based on provisions of state law and the constitution, it would require an act of the legislature and a 2/3rd vote.

Mr. Kennedy asked how much money did Louisiana spend a year treating people who went to an emergency room who didn't have an emergency.

Mr. Castille answered at least in the tens of millions, maybe more than one hundred million. There were situations where folks tended to use the emergency rooms as their access to care. On top of that, emergency room care was the most expensive type of care.

Mr. Napper stated when a Medicaid patient went to an emergency room with a bad cold, what authority did the doctor/emergency room personnel have to deny treatment.

Mr. Castille stated under EMTALA, the hospitals were required to provide services that were in an emergency nature. It was more of a practical consideration for hospitals to determine what was a true emergency and what was not. Hospitals were making the determination that if someone presented non-emergent care, they had the ability to send them home to see a physician. Whether or not they did that (because of potential liability issues) was another question. They had the ability under federal law but many of them were concerned about potential liability if they were to turn away a patient. Medicaid would pay for that doctor visit.

Mr. Napper asked if they had somewhere to go.

Mr. Castille answered yes. Part of the problem was the gap in the continuum of care. Physicians tended to be open during weekdays. A lot of the problem had to do with holidays (when physician offices were not open). There was some urgent care facilities that were available but not many. Those were the facilities that people tended to go to. Often times for people in Medicaid, if they didn't have access to that kind of facility, they ended up going to an emergency room.

Mr. Napper stated if the emergency room and the hospitals were given more authority and more incentive to be the gate-keeper, that might save a lot of money.

Mr. Castille stated he thought it would. One had to be aware of the federal law overlay. It required hospitals to take someone if it were an emergency. There could be provisions of state law (co-pay being one of them) that would say that care wouldn't be provided. It was not so much the issue of making money from the co-pay, it had to do with the deterrent affect of imposing a co-pay for non-emergent services.

Mr. Hardman stated he was very sensitive about healthcare. When he was a young teen in school, his parents could not afford healthcare. Every year he would get sick and his parents would take him to a country doctor. In March of 1977, he got really ill. He remembered the frustration on his mom and dad's face. For two weeks, he had no idea of what was going on. If it weren't for the hospital getting a specialist out of New Orleans, they would have operated on him and did exploratory surgery. They discovered that he had a kidney problem. He lost a kidney that same year. He believed that if his parents had access to healthcare early in his years, he may have been able to save that kidney. It was important to provide assets to those who were less fortunate. There was a lot of Louisianans that would love to be able to afford that. He understood the cost of healthcare was astronomical.

Mr. Castille stated he had to look at the kind of cases where there was extraordinary expenses. There were some people on Medicaid whose care was in access of $1 million dollars a year. In one case, it was $2 million dollars. To address that issue, they were proposing to have a disease management protocol in place. Another program for kids was the EPSDT Program (early periodic screening diagnosis and treatment). Under the program, a child was given periodic screenings and certain protocols. The physician looked at those protocols and determined if they were in a normal range. If it were determined that in fact they weren't, that child was referred to specialist care. That wasn't available in 1977. The issue was to try and limit the inappropriate care.

Mr. Kennedy stated there was 1.2 million people who received Medicaid. That coverage was up dramatically.

Mr. Castille stated significantly over the last several years.

Mr. Kennedy stated that included kids.

Mr. Castille stated a lot of kids.

Mr. Kennedy stated there was another 800,000 people who were uninsured. They had no Medicare, no Medicaid and no private insurance. There was 6-700,000 who had Medicare. There was a segment of the population that had private insurance through their employer. He was talking about the 2

million people out of a state of 4.3 million who presented to an emergency room and someone else paid for it.
If someone had an emergency, they should be able to go to an emergency room and have that emergency addressed whether they could pay for it or not. It was a federal law. The problem was the uninsured and Medicaid who presented to an emergency room and they didn't have an emergency. He understood that when one presented to an emergency room, they did a triage. There was borderline cases that needed to be addressed. If the healthcare professional doing the triage was not sure if it were an emergency or not, they would side on it being an emergency. He was talking about the cases where someone presented with a cold. It cost 4 or 5 times more to treat him at an emergency room than it would if he just went to a primary care doctor (free using Medicaid) the next morning. The problem needed to be addressed. The problem with co-pay was that it would require a 2/3rds vote of the legislature. A lot of physicians were against the co-pay. Governor Jindal tried to pass the co-pay statute when he was Secretary of DHH. It was opposed by many physicians because they made the point that a lot of people would not pay. The doctors would have to pay it themselves and the patients would still get treated. He wanted to offer a motion. The Louisiana Streamlining Government Commission recommended to the governor and the Louisiana legislature that Louisiana law be changed to provide that Medicaid enrollees under Louisiana's Medicaid Program who wish to have Medicaid pay for their treatment, and patients who are not covered by a public or private insurance program, and therefore are uninsured, and who wish to receive their treatment without cost or substantially without cost because they are unable to pay for their treatment, shall be limited to two (2) visits per year to an emergency room of a Louisiana hospital for treatment of a non-emergency medical condition. It did not limit it to two visits. It was two visits for a clearly non-emergency condition. If one had ten emergencies a year, they could still access the emergency room ten times. The Commission further recommended that the Louisiana Department of Health and Hospitals be directed to promulgate rules and regulations to implement this change in Louisiana law.

Mr. Castille stated Medicaid was primarily a federally funded program. It might be limited by federal law with regard to access to care. He didn't know how CMS would necessarily view it. Ultimately, in terms of promulgating the rules that were required, he would have to do a state plan amendment to CMS. He did not know what the reaction would be with CMS. He would suggest as an appropriate addition to the motion to put "to the extent permitted by federal law".

Mr. Kennedy stated everything in the Medicaid Program had to be approved by the federal government. He couldn't imagine that the federal government would want to encourage people to treat patients in an emergency room who didn't have an emergency.

Mr. Gomez stated it could say "on subject to federal review". Who determined if it were an emergency or not?

Mr. Castille stated the physician working in the hospital or for the hospital. In most large hospitals, it would be a physician on contract for emergency services with the hospital. They made that determination based upon their professional opinion. That determination was subject to review by DHH. DHH did tend to agree (in more cases than not) with the presenting physician's diagnosis.

Mr. Gomez stated if a doctor declared a person's prior visits non-emergency, could they not treat him.

Mr. Castille stated to the extent for DHH, if it were more than twice and determined to be non-emergency, the claim would not be paid. If it were treated and the claim were presented, DHH would not pay (under the provision).

Mr. Gomez asked if staff had determined what the savings would be on such a provision.

Mr. Kennedy answered he asked for that information from DHH. Patients did use the emergency room as a primary care physician. It was a fact. It cost the state $100 million dollars. It cost $100 million to treat people who did not constitute an emergency and it took away from those who did have an emergency.

Mr. Hardman stated the scenario he kept thinking about was an individual with a medical problem that needed emergency attention after hours. Was a random medical problem, they would exceed two visits. The physician in the emergency room making that determination may be a different physician each time the person went. What position did that put the physicians in who had to worry about the language of the two visits and the fact that they took an oath? They took an oath to provide medical care to the best of their ability but had to worry about the legislation.

Mr. Kennedy stated the state depended upon physicians, nurses and healthcare professionals to make judgements all the time. They made judgements about the seriousness of an illness, if there needed to be a MRI or x-ray, if the patient should be referred to a specialist or treated in the emergency room by a primary care physician. He wanted healthcare professionals to be allowed to use their judgement. He didn't think any reasonable person could deny that the state spent hundreds of millions of dollars treating folks in an emergency room who didn't have an emergency. If someone had an emergency, they should be treated. If they didn't, they should wait and see a primary care physician. The resolution would tell them they could go to an emergency room twice a year without an emergency and still get treated. On the third time, they would be referred to a primary care physician. He trusted the doctors and nurses to decide what was an emergency. Every year the emergency rooms got more and more crowded. Much money was being spent in the ER's that there wasn't money left over in the Medicaid Program to treat people who really did have serious illnesses. Close to $8 billion dollars a year was being spent on healthcare. A big chunk of that was Medicaid in treatment of the uninsured. Ten years ago, that was $4 billion dollars. If the President passed his national healthcare plan, about $750-800 million dollars a year would be lost in the disproportionate shared payments to treat the uninsured. It didn't reference the fact that a lot of Medicaid money would be lost next year because the incomes went up. If the healthcare bill passed in Washington and if the Medicare rules were not changed, there would be an over $1billion dollar hold in the Medicaid Program.

Mr. Castille stated that was all correct.

Mr. Napper stated wasn't that type of determination (and some type of limitation) already in the system.

Mr. Castille stated the ability to do co-pays under federal law was permissible to a limited extent.

Mr. Napper stated that determination would have to made.

Mr. Castille asked if it were a physician making the determination.

Mr. Napper answered yes.

Mr. Castille stated it was under EMTALA. The physician had the requirement only to admit those persons who needed to be stabilized for care. To the extent that someone was close or in between, that was where the issue of judgement came in.

Mr. Kennedy stated there was a motion.

Mr. Hardman made an objection.

Mr. Kennedy stated an objection was made. The roll was called and the vote was 3 yeas and 1 nay. The motion passed.

Mr. Kennedy stated he understood that $5 million dollars a year (less than 2% of the budget) was spent on prisoner education.

Mr. Thomas Bickham stated that was correct.

Mr. Kennedy asked why did Louisiana have the highest incarceration rate in America (and some said the world).

Mr. Bickham stated some of it had to do with the fact that Louisiana had a very high crime rate. A lot of it had to do with some of the sentencing guidelines and a lot of it was the recidivism rate too. 45% of people returned. All those things put together lead to the highest incarceration rate in the country.

Mr. Kennedy asked what caused crime.

Mr. Bickham answered there were a lot of societal issues. A lot of it came down to the particular person. Drugs were a big factor. Nurture verses nature, both had an impact on if someone would turn to a life of crime.

Mr. Kennedy asked what was nurture verses nature.

Mr. Bickham answered if they saw their brother, uncle or cousin who have committed a crime or served time, there was a big chance they would do the same.

Mr. Kennedy asked about education or lack thereof.

Mr. Bickham answered lack of education was a direct determiner, not just in reading, writing and arithmetics. Public safety education was a big factor. His budget director had been doing a study over the last several years where he looked at the drop out rate from the education system. He believed there was a direct correlation.

Mr. Kennedy stated of the $500 million dollar plus budget for corrections, Louisiana spent $5 million dollars on prisoner education. It was less than 2% of the budget. Louisiana had one of the lowest cost per day per prisoner in the south. If crime and literacy had a direct correlation, his guess was that more than 95% of the inmates had a highschool education or less.

Mr. Bickham stated that was a safe assumption.

Mr. Kennedy asked why wasn't more money being spent helping prisoners get up to speed in terms of education. The average inmate would spend 12 years in prison.

Mr. Bickham answered first priority was public safety. He had to provide a safe environment for the offenders as well as for the staff. He understood the importance of education. Something had to be done to get the recidivism rate down.

Mr. Kennedy stated crime was complicated. He thought most experts would agree that a substantial contributor to crime was a lack of education. The average prisoner stayed 12 years. He wanted a rule that said an inmate would never be eligible for probation or parol unless they passed the GED. The department would be required to provide GED programs. He understood they had them but there were waiting lists. If someone had a disability and couldn't pass the GED, the department would promulgate recommendations. Louisiana would be the first in America to have a rule like that.

Mr. Bickham stated it would be very ambitious. Looking at the average educational level of the people in the system, it would take a lot of time and effort.

Mr. Kennedy stated the average educational level was about fourth grade.

Mr. Bickham stated it would take a lot of time and effort.

Mr. Kennedy stated about 12 years. If they had the mental ability, they wouldn't get out until they got their GED.

Mr. Bickham stated it was an incentive. It wasn't not necessarily just the GED. He also had vocational training. One didn't necessarily need a GED to go through that program.

Mr. Kennedy stated the reason he didn't add vocation training was because it was more complicated. He wouldn't want to put in a requirement to have vocational training and then they were taught to cut grass. A GED was the bedrock of all of it. If one would be a good welder, good offshore worker or a good farmer, a GED would help. It would send a message to the rest of America and to the people in Louisiana that the state was serious about doing something about crime.

Mr. Bickham stated education was one of they keys to dropping the recidivism rate.

Mr. Kennedy stated it had been talked about for years.

Mr. Bickham stated the biggest issue was resources. Of the 15,000 people that were released from the system every year, 11,000 were at the local level. It would take a large amount of resources to be able to put those educational opportunities at the local parish jails.

Mr. Kennedy stated some of the prisoners worked but others sat around a ten foot by ten foot cell teaching each other how to break and enter when they got out. He was not suggesting it be done out of the current budget. Additional funding would have to be provided. It would pay dividends long into the future. Crime and illiteracy correlated but nothing was done about it. The state only spent less than 2% of the budget to remedy a situation that would cut the recidivism rate.

Mr. Hardman stated education was very important. How much money did the government put in at the early entry of the individuals life as far as education and providing jobs? He believed that the environment and lack of education made a terrible ingredient for individuals prone for committing crimes. How did it correlate to the point of being proactive? The national guard had a program that was outstanding.

Mr. Kennedy stated that was Youth Challenge.

Mr. Hardman stated everyone deserved a chance. People were a product of the environment they grew up in. Sometimes the environment was not a healthy environment. Sometimes individuals dropped out of school because they had to find a way to make a dollar to try and keep that family afloat. A lot of times they made bad decisions. How would that program affect the population of the prisons? There was no guarantee that individuals would be interested. That didn't mean that individuals that were incarcerated wouldn't return as productive citizens.

Mr. Bickham stated he would agree that anything that could be done before they got incarcerated would probably pay the biggest dividends. While they were incarcerated, something needed to be done to make them productive.

Mr. Kennedy stated about 50% of them would return. Many of the prisoners wanted to take advantage of getting a GED and the opportunities were not there. Those who didn't want to do it would have an extraordinary incentive.

Mr. Gomez asked if the proposal would supercede normal release. If a person were serving ten years and they served ten years, would they be released even without a GED.

Mr. Kennedy answered correct.

Mr. Gomez stated they would just not be paroled or probated. It really did not affect what Mr. Hardman was talking about. It would still be the same prison population but it would release those early that would fit the program.

Mr. Napper asked what was the annual cost of incarceration of a prisoner in Louisiana.

Mr. Bickham answered it was about $14,400 dollars a year.

Mr. Napper asked if there were inmates who wished to take some type of educational program who did not have the opportunity.

Mr. Bickham answered in the adult institutions. Of the roughly 38,000 offenders in the system, 18,000 were at the local level. They were serving time in either parish or local jails for which he paid the sheriff a per diem to operate. They didn't necessarily have the opportunities that the people in adult institutions had. The adult institutions had the opportunity to apply for them but there were back logs.

Mr. Napper asked if it were because of lack of resources.

Mr. Bickham answered yes.

Mr. Napper stated if someone were released with a 4th grade education, they really could not read, write or do arithmetic. They were expected to go into the world and get a job and not give trouble.

Mr. Bickham stated it was what he was trying to change with the reentry efforts.

Mr. Napper stated it wasn't the expectation now because they didn't have an education and they had other problems.

Mr. Bickham stated it was to prepare them to reenter society. He would do everything he could because having an offender working and paying taxes was more valuable to the state than having them reenter into the institution.

Mr. Kennedy stated work was being done on the reentry program but he wanted to address the real problem. To prepare a prisoner to go into the real world and not return to prison, he wanted to give them an education. Currently, they didn't have the opportunity. He offered a motion. He understood it would take additional resources but doing preventive maintenance saved a lot of money in the long run. Louisiana had the highest incarceration rate in the world and 50% of the state's inmates returned to prison within five years. Crime, recidivism and illiteracy correlated. The Louisiana Department of

Public Safety and Corrections spent only $5 million dollars a year (less than 2% of its budget) on prisoner education. The Louisiana Streamlining Government Commission recommended to the governor and the Louisiana Legislature that Louisiana law be changed to provide that a Louisiana state prisoner who did not have a highschool diploma, or who had not passed the General Education Development test (GED) certifying that he had American highschool academic skills, shall not be eligible for probation or parole until he passed the GED through a program offered by the Louisiana Department of Public Safety and Corrections. The commission also recommended that appropriate funding be provided to the department for this responsibility and that the department be directed to promulgate appropriate rules and regulations to implement this program, including provisions exempting those inmates who are determined to have disabilities that prevented them from passing the GED.

Mr. Napper second the motion. Were there any guidelines/benchmarks in the industry concerning expenditures on education while prisoners were incarcerated?

Mr. Bickham stated there were no guidelines.

Mr. Hardman asked if it held an inmate to a spectrum that they would not be eligible for parole unless they got a GED.

Mr. Bickham answered the motion stated they would not be able to apply for parole (even though they were eligible) until they got their GED.

Mr. Kennedy stated the motion would do something about the problem.

Mr. Hardman asked what was the problem.

Mr. Kennedy answered the problem he was trying to address was sending someone out into the world with a 4th grade education and a criminal record and expecting them to be able to get a good job and not return. If they had a GED, they would be employable and they would feel better about themselves. They would be able to have a better change of simulating into society.

Mr. Hardman stated it was a great scenario. He believed the system failed even earlier. He didn't see in binding someone down because they did not receive a GED in the penal system. It was their discretion if they wanted to do that.

Mr. Kennedy stated he didn't agree. He was trying to lift people up, not bind them down. There was no question in his mind that if an inmate was sent out into the real world with a criminal record and a 4th grade education, the odds were better than 50/50 that he would return. If that same inmate was sent out into the real world with a GED, he was much more employable. The recidivism rate would be reduced. It would cost more money in the short term but it would save billions in the long term.

Mr. Bickham stated there were a lot of things that were done in the adult institutions to prepare the inmates to reenter society.

Mr. Kennedy stated the department was constrained by resources. The ultimate reenter attribute was a GED.

Mr. Gomez stated it was a benchmark committee. It wasn't a benchmark one could set in early life, if that were not required. The motion had control if they took the education or not. If they chose no, they served out their entire term.

Mr. Kennedy stated there was a motion and a second.

Mr. Hardman made an objection.

Mr. Kennedy stated an objection was made. The roll was called and the vote was 3 yeas and 1 nay. The motion passed.

Mr. Kennedy stated the next resolution didn't need any testimony. Earmarks were funds provided by the Louisiana Legislature for projects, programs or grants where the purported legislative direction circumvented otherwise applicable merit-based or competitive allocation processes, or specifies the location or recipient, or otherwise curtailed the ability of the executive branch to manage its statutory and constitutional responsibilities pertaining to the funds allocation process. Non-governmental organization (NGO) earmarks were appropriated by the Louisiana Legislature to corporations or entities outside of government. Each year, the Louisiana Legislature appropriated millions of dollars to NGO earmarks, such as the Purple Circle Social Club. The Louisiana Streamlining Government Commission recommended to the governor and the Louisiana Legislature that Louisiana law be changed to prohibit all NGO earmarks. It was a topic that had been talked about for a long time. There were anywhere from $20 million to $50 million dollars a year in NGO earmarks. The governor did a good job of vetoing many of them but he was unable to veto all of them. It was a process that fed on itself. When one legislator offered an earmark, another legislator felt the pressure from his constituents to get some too.

Mr. Gomez stated during session, a local legislator (who chaired a committee) made the statement that the speaker told him that each chairman had a certain amount of earmark money that they could spend at their discretion. Was that truly a policy?

Mr. Kennedy stated he did not know if that was the policy.

Mr. Gomez stated it was quoted in the newspaper and on television.

Mr. Kennedy stated he heard legislators say that was the case. A lot of money was spent on earmarks. The legislature gave earmarks to organizations that were not organized yet.

Mr. Gomez stated if there was some policy that was being used in the legislature, somehow that needed to be stopped. People should know how their tax money was being spent.

Mr. Kennedy stated his resolution would stop it. If all the legislators knew it was against the law, they could tell their constituents it couldn't be done.

Mr. Gomez stated it would have to be a legislative document.

Mr. Kennedy stated the legislature had been doing a better job of transparency. They listed the earmarks on the website.

Mr. Napper stated some of the hard things that needed to be done, needed to be done all or nothing. It might give it an opportunity to be successful.

Mr. Kennedy stated there was a motion.

Mr. Gomez second the motion. Hearing no objection, the motion was approved.

Mr. Kennedy stated there was thousands of acres of raw land, buildings and real estate assets. Were those assets being looked at like an entrepreneur would look at them? For example, the land where the Department of Insurance was is right next to the capitol. There was discussions to build an office building so legislators could have offices. What if a building was built and the offices were on floors 5-10? On floors 1-4, a private developer would put a hotel. It would generate cash flow for the state. The state would take 50% of the profits. If the Division of Administration went to the private sector developers and was willing to consider request for proposals, they would help determine what the highest and best use was. There was an office building in Shreveport on Fairfield Avenue. He wanted to joint venture with a private developer to develop it into an income producing property.

Charlie St. Romain stated there was a program for surplus in state property. If an agency deemed a property no longer useable or central to their admission, there was a process by which they turned that property over to the Division of Administration and eventually to the State Land Office. If no one had any use for it, he got permission from the Natural Resources Committees for an appraisal of the property for a low bid. It was bided out at a public auction.

Mr. Kennedy stated he was suggesting to be more proactive. He wanted to inventory the property and make a list. He wanted to determine the fair market value and highest and best use for each of the properties. Then pro-actively turn to the private sector and issue a request for a proposal. The proposal would be for ideas to joint venture and develop that property to turn into income producing property where the taxpayers got half the income.

Charlie St. Romain stated the only objection was the local reality market. It would put government in the place of private enterprise.

Mr. Gomez stated at ULL in Lafayette, they took a piece of property which raised cattle and had outside bids come in and eventually built a hotel there. The university shared in the profits in the hotel and it was used as a training facility for management of hotels and operations. It was a win-win all the way around. The university also recently entered into an agreement to sell a piece of property in downtown Lafayette which was used as a horse farm. They will sell that to an entity for development into a park.

Charlie St. Romain stated he was currently in a process to develop a proposed master plan for all of state properties.

Mr. Kennedy stated there were more master plans in the state.

Charlie St. Romain stated it would have 25 different criteria that each agency would be required to tell their use of each building.

Mr. Kennedy stated he had to either do it or not do it. If Louisiana was a rich uncle and Louisiana died and one inherited all of its real estate, one would be land poor. None of it was producing income. He wanted to turn the property into income producing property.

Charlie St. Romain stated he prepared a list for each major land owners and major agencies in the state. It gave a list of all their buildings and lands.

Mr. Kennedy stated a government bureaucrat was not a developer. A government bureaucrat could not look at a piece of property and evaluate if that property should be turned into a commercial income producing venture. He wanted to do things from a statewide perspective. He had a resolution. The State of Louisiana owned a real estate portfolio of thousands of acres of land and improvements, including buildings, offices, warehouses, parking lots and vacant land. The Office of State Lands and the Office of Risk Management in the Louisiana Division of Administration maintained an inventory of these properties, but the offices did not track current market value or the "highest and best use" of each property. To the maximum extent possible, and where appropriate, Louisiana needed to turn its real estate assets into dynamic income-producing assets, ready to make a significant contribution to state cash flow regardless of the economy or business cycle, and , further, needed to manage its real estate assets as efficiently as possible to save taxpayer money. To achieve this end, the state must be optimally positioned to tap the value and potential value of its real estate holdings in order to uncover hidden opportunities. The Louisiana Streamlining Government Commission recommended to the governor and the Louisiana Legislature that the Division of Administration be directed to the determine the current fair market value and the "highest and best use" of each state-owned property, and that the DOA develop opportunities for the state to enter into public-private development partnerships with private and non-profit public partners, chosen by competitive bid, to develop and manage state-owned real estate in a manner that achieved the "highest and best" use of the property, increased cash flow for taxpayers, meet smart growth principles, and satisfy the highest standards of design and environmental sustainability. The motion was offered.

Mr. Napper second the motion.

Jerry Jones stated he knew what the assets were. He did know exactly what was owned, the acreage and who allocated those facilities. Part of the problem had to do with the way the facilities were allocated and when they were turned over to the agencies. They managed and controlled those lands and facilities. Before, he did not have a good master plan for how to use the state's buildings and determine the highest and best use of those facilities and lands.

Mr. Kennedy stated he was not against planning. He wanted to take the land that was not being used and turn it into income so taxpayers had to pay less.

Mr. Napper asked Mr. Jones if part of it were being done and if he supported the aspects of the resolution.

Mr. Jones answered he wanted to study the legal aspects of the competition with the private sector. The whole idea of outsourcing a lot of the management of state lands was a direction the commission was going in. He was preparing a business case to do a lot of that.

Mr. Napper stated it was a lot of the recommendations/suggestions of the experts that addressed the commission last week.

Mr. Kennedy stated in the past five years, how many times did the division join with a private sector developer to develop a piece of state land and turn it into an income producing property.

Mr. Jones stated it was not done. He had not got there yet.

Mr. Kennedy stated there was no objection to approval of the motion. The motion was approved.

Mr. Kennedy stated the administration did a good job of trying to limit the amount of capitol outlay that went to local projects. They were trying to hold it down to 25%. In the past, it was a lot higher.

Mr. Jones stated as high was 40% of the state's line of credit capacity. It was limited in the capitol outlay reform bill to no more than 25%.

Mr. Kennedy stated he had a resolution. State assistance to local governments for local government infrastructure projects had grown steadily over the last three decades to the point that it now consumed 25% of the state's annual appropriation for capital outlay. The Louisiana Streamlining Government Commission acknowledged the need for the state to help local governments with expensive capital construction needed to maintain community viability, but the Commission also believed that it was not in the best interest of state programs, such as transportation, health care, higher education and economic development, which all had pressing capital outlay needs of their own, to continue this wholesale assistance to local government unfettered in its present form. The Commission recommended to the governor and the Louisiana Legislature that they provide long term support for local capital outlay projects through a self-perpetuating revolving loan fund. Local governments would be able to borrow money from this revolving loan pool to build their local projects at low interest rates and attractive financing terms. As long payments were made, the fund would be able to make new loans. In effect, this revolving-loan pool would be self-perpetuating and operate as a state-sponsored infrastructure bank for local government. The commission further recommended that all capital outlay projects for local government be funded through this infrastructure bank instead of the state's capital outlay budget.

Mr. Jones stated it was the same proposal that Sen. Hainkel proposed several times. It would be difficult because it required that the local governments pay back the money they received from capitol outlay. There were some local governmental entities who would not have the capacity to pay back any kind of loan. There were some water systems in areas of the state who had no way to come up with the max. Another thing required in the reform bill was that all non-state entities had to buy into their project. They had to put in up to a 25% match on a project with only exceptions for emergency projects and those that were determined based upon a needs based formula as to if they had to put up a match. Requiring them to pay back 100%, some would not be met.

Mr. Kennedy stated they could afford it if they went to the people. For example, say someone wanted a sidewalk in front of their house. The local government said they couldn't afford it. They could pay for the sidewalk themselves. They could go to the local government and try to get a raise to put in a tax milage to pay for it or they could go to their local legislator and get him to slip something into the bill. If they were forced to pay for the sidewalk (as opposed to just going down to the legislator and having someone else pay for it), they would have to make a decision on how valuable that sidewalk was. It was how scarce resources were allocated. As long as someone was doing something with someone else's money, they would do it all they could. It was the problem with healthcare.

Mr. Jones stated that was why the match requirement was put in. It was so they just didn't get a gift from the state.

Mr. Kennedy stated if an infrastructure bank was seeded with $100-200 million dollars and worked with others on the interest rate and terms, they could have 30-40 years to pay it back. It would force everyone to decide what was really needed as opposed to what was really wanted.

Mr. Gomez stated he questioned the pragmatism of how it would operate. Putting $100-200 million in, that would be gone in no time. What was done about the rest that was in need?

Mr. Kennedy stated it had to be property created.

Mr. Gomez stated the attractive financing terms, was it collateralized in any way. Did it ask them to pledge sales tax or property tax funds?

Mr. Kennedy stated it would consider each case separately. His thinking would be no. It would be a giant step.

Mr. Gomez stated there was a reverse. It was going on where some cities/entities were asking the state to allow them to go and finish a project and the state paid them back over a period of time.

Mr. Napper stated if the political will was there to do it, get it started and adequately capitalized, 20-30 years from now, there would a hugely capitalized infrastructure bank that could take care of the needs by borrowing at low rates for nearly all local government projects and even those that wouldn't depend on capital outlay. If it could be done, it would be a true reorganization of how the projects were financed.

Mr. Hardman stated there were some local governments that could not. How was that addressed?

Mr. Kennedy stated one possibility would be to put in some sort of trigger for an exception. They would have to be very careful to not allow the exception to swallow the rule.

Mr. Jones stated he was working with Dr. Richardson in developing the match rules or the exception to the 25% statutory requirement that non-state entities had to put up to match capitol outlay dollars. That effort could apply because it was the same information.

Mr. Gomez stated one of the advantages was that it would draw competition/opposition. It would eliminate a lot of the bonding attorney cost/consultant fees. It was a huge element.

Mr. Kennedy stated he wanted to put the resolution in front of the streamlining commission. He realized there may be some exceptions. He believed if local government were asked to borrow the money, they would be forced to think carefully about if the project was really a priority project. His guess was that some of the projects would not go forward.

Mr. Jones stated he would venture to guess the same thing.

Mr. Kennedy offered that motion. Mr. Gomez second the motion. Hearing no objection, the motion was approved.

Mr. Kennedy stated the committee would meet once every week to ten days. He had not set the next meeting yet but everyone would be notified.

Mr. Hardman stated he wanted to make a motion to reconsider his vote on the resolution concerning universities (the single board motion).

Mr. Kennedy stated Mr. Hardman had a motion. He thought about it after the last meeting and would like to change his vote. That was his prerogative and he had the authority to do that.

Greg Waddell stated the vote needed to be reconsidered. He suggested the committee vote again.

Mr. Kennedy stated he did not want to do it that way. He would allow Mr. Hardman to change his vote. The motion was to allow Mr. Hardman to change his vote on the single board resolution. His vote was yea and he would like to vote against it. Hearing no objection, that motion was approved.

V. ADJOURNMENT

Mr. John Kennedy stated the committee would adjourn.

______________________ _____09.21.09__________
John Kennedy, Chairman Date