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STATE OF LOUISIANA
HOUSE OF REPRESENTATIVES

January 30, 2018

The Honorable John Bel Edwards
Governor of the State of Louisiana
P. O. Box 94004
Baton Rouge, LA 70804-9004

Governor,

In accordance with our discussions held on January 19th, you requested a summary of the budget and spending reform measures that I presented. Included in this correspondence are budget, spending and efficiency reform measures that many House members consider top priorities in determining solutions to our budget shortfall. These measures represent our interest in gaining efficiencies in operations in state government allowing for future savings, in addition to spending and transparency measures that aid in avoiding future budget shortfalls.

HCR 11, adopted in 2016 by the Legislature, established the Commission on Budget and Tax Policy. As you know, it produced a number of tax policy recommendations that would generate additional revenue through changes in Louisiana's tax code. Recommendations for reforms in budget and spending were not part of their final report. Considerations on expenditure growth, spending limits and efficiencies in budgeting were not part of their evaluation.

As we continue our evaluation of options to solve our current shortfall, reforms relating to improvements in budgeting, spending and efficiencies are critical to a final solution. The attached recommendations represent priorities that I and a majority of House members will require to be part of a final solution. While these are not final bill drafts, the attached summary is a brief outline of our reform recommendations relating to:

- Calculation of the State's Expenditure limit
- Creation of the Louisiana Checkbook to further enhance the current LaTrac reporting system
- Medicaid program reforms relating to work requirements, cost sharing/copay and eligibility efficiencies.

The attachment outlines more detail on each of these proposals. Bills will be drafted and filed for these reform efforts. Establishment of these type spending and efficiency reforms are intended to gain efficiencies in the Medicaid program, offer transparency to how Louisiana taxpayers dollars are spent and establish an expenditure limit that more closely measures Louisiana's economic performance.

Each of these measures will be made part of any revenue enhancements that are considered. Seeking additional revenue without reforming our spending habits is no way to avoid future cliffs. House members feel strongly about coupling these reforms to revenue measures being proposed in an effort to achieve a balanced solution to the existing shortfall. It is critical that we start stretching hard earned tax dollars further, and using our experience, knowledge, technology, leadership, and innovative thinking to do more with less money.

Additional budget and spending reform measures are being considered by a number of authors, including improvements to our current Capital Outlay program and more effective agency sunset and performance reviews including improvements in tracking agency funded vacant positions. These are just a few noted efforts in progress, but those highlighted on the attachment are of highest significance.

I ask that you review these reform recommendation summaries and include them in your evaluation of solutions. I am also requesting that these reform measures, by topic, be included in any Special Session call you would make. To steer our great state away from the cliff, we must all sit down together in good faith and be fiscally responsible, not partisan.

I have asked our Legislative Fiscal Office to provide the most recent estimates of the revenue raising measures you proposed. We will continue to evaluate options that we can offer support to with these reforms included. It is important to us that while finding solutions to this budget shortfall that we also look to the future in preventing this cycle of budget crisis. I remain confident that all House members will continue working to find a balanced solution that is fair and equitable for our Louisiana taxpayers.

With regard,

A handwritten signature in black ink, appearing to read "Taylor F. Barras". The signature is written in a cursive, flowing style.

Taylor F. Barras
Speaker of the House

Louisiana Checkbook

Nearly ten years ago, the Louisiana Legislature enacted the first online spending website in the state's history, LaTrac, which was well-received by citizens and good government groups nationwide. Since that time, a number of states have moved beyond the basic functions of LaTrac to enable citizens to engage in a much deeper level with both state and local spending. In 2018, as a component of a plan to stabilize state spending, it is time for Louisiana to move forward and revamp LaTrac in three ways:

- WHAT is available, such as more detail on individual expenditures, credit card transactions, additional contracts with more information on scope, salaries of state employees, and details on debt including pensions and capital;
- WHO is included, going far beyond the initial 20 state agencies to include the judicial and legislative branches, boards and commissions, and eventually local government as well; and
- HOW the site functions, adding features such as visual simplicity, charts and graphs, exporting to Excel, a mobile and tablet mode, and sharing on social media

State Expenditure Limit

Constitutional Amendment and statute proposing a change in the calculation of the state's expenditure limit cap.

Proposed calculation:

- A statute will establish a growth factor for the level of state spending.
- The factor would be determined using the combined 3-yr average growth rates of Louisiana's population, the southern US consumer price index, total revenue growth rate and growth rate of Louisiana personal income.
- This average growth rate would be applied to the prior year's total appropriation to set the new spending cap.
- Proposed amendment would retain the legislature's ability to raise the cap with a 2/3 vote of the Legislature. Any reductions in the spending cap would also require a 2/3 vote.

Medicaid Work Requirement

Louisiana Department of Health will be responsible for implementation of the following requirements for the state's Medicaid program.

No individual shall be eligible to participate in the Medicaid program unless that individual is:

- working 20 hours or more per week, averaged monthly;
- participating in and complying with the requirements of a work program 20 hours or more per week, as determined by the Agency;
- volunteering 20 hours or more per week, as determined by the Agency;
- meeting any combination of working and/or participating in a work program for a total of 20 hours or more per week, as determined by the Agency;
- participating and complying with the requirements of a workfare program; or exempt from the work requirement under "Exemptions"

Exemptions from the work requirement

The Medicaid work requirement does not apply to an individual if he or she is—

- under the age of 19;
- over the age of 64;
- medically certified as physically or mentally unfit for employment;
- is pregnant;
- a parent or caretaker responsible for the care of a dependent child under the age of 1;
- a parent or caretaker personally providing the care for a dependent child with serious medical conditions or with a disability, as determined by the Agency;
- receiving unemployment compensation and complying with work requirements that are part of the Federal-State unemployment system;
- participating in a drug addiction or alcoholic treatment and rehabilitation program.

State plan amendments and waivers

The Louisiana Department of Health shall submit any state plan amendment or waiver needed to implement these provisions.

Medicaid Eligibility Efficiencies

Reasonable Compatibility:

- 25% Reasonable Compatibility Standard is currently used by LDH.
- Under the 25% standard, if an applicant's self-reported income is within 25% of their actual income level (as checked against Workforce Commission data), then the self-reported income level is accepted as accurate.
- Roughly half the states set the reasonable compatibility standard at zero, while some others set it at 10%.
- Encourage Governor to require LDH to reduce the reasonable compatibility standard without legislation.
- Legislation is required to allow LDH to obtain Louisiana Department of Revenue and Internal Revenue Service data in verifying income eligibility. Currently only Louisiana Workforce data information is used.
- Grant the Louisiana Legislative Auditor and the Attorney General's office additional authority to review income eligibility records with LDH and LDR.

Medicaid Cost Sharing Efficiencies

- Implement a co-pay requirement for non-emergency use of hospital emergency departments as authorized in 42 CFR 447.54.
- Implement a co-pay requirement for non-preferred drugs as authorized in 42 CFR 447.53.
- Provide greater priority for and increase participation in the La. Health Insurance Premium Payments Program (LaHIPP - Medicaid coverage of employer-sponsored health insurance premiums).
- Premiums and Coinsurance – Federal regulation 42 CFR 447.55 authorizes the assessment of premiums on Medicaid enrollees, but only on non-exempt enrollees with incomes above 150% FPL, which is likely a small number of people in Louisiana. To assess premiums on enrollees with incomes above 100% FPL, the state would have to implement a CMS-approved waiver program providing for such premium assessments. A similar measure is being used in Indiana today.