



## “Legislative Preview - 2009”



When the Louisiana Legislature convenes on Monday, April 27<sup>th</sup> it will be facing quite a different picture than it did a year ago when oil was over \$100 a barrel and the state was projecting state revenues of \$9.7 billion. Due to lower oil prices and declining sales and corporate income tax collections, the state is facing a \$1.3 billion revenue shortfall. Since 2009 is an odd-numbered year, the focus of this session will primarily be fiscal with most of the attention going to Governor Jindal’s proposed \$26.7 billion budget for the fiscal year beginning on July 1, 2009 and ending on June 30, 2010.

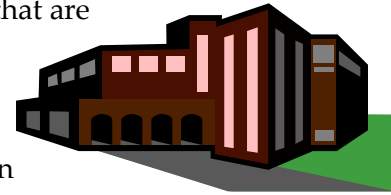
**Proposed Cuts** The two areas facing the largest cuts in the Governor’s proposed budget are Healthcare and Higher Education.

**Department of Health and Hospitals (DHH): Proposed cuts - \$413 million** The state’s health-care annual budget would drop from \$8.17 billion to \$7.76 billion under Jindal’s plan. DHH Secretary Alan Levine told the Baton Rouge newspaper, *The Advocate*, his agency is likely to go off a cliff in two years when roughly \$500 million a year in “stimulus” dollars evaporates. Even with the infusion, he said, he will have to cut how much doctors and hospitals are reimbursed for caring for Medicaid patients. According to John Matessino, President and CEO of the Louisiana Hospital Association, “*The burden of these proposed hospital Medicaid reductions, combined with underpayments that hospitals already face and the economic climate, leaves our healthcare system and our citizens’ pocketbooks in a fragile state.*” A recent Families USA study indicates about 1.3 million Louisiana residents were uninsured at some point during the past two years.

**Higher Ed: Proposed cuts - \$219 million** This amount is in addition to a \$55 million cut imposed in December after the Revenue Estimating Conference recognized a \$341 million shortfall in the current fiscal year’s revenues. The Governor has proposed using more than \$200 million in federal “stimulus money” to decrease the overall cuts from 30% to their current 15%. As proposed, the cuts will have an extensive impact on the state’s universities and colleges:

- The Southern University System could be cut \$16.9 million, about 18% -the biggest percentage of state budget slashing.
- The LSU System would lose \$102 million - or about 15 percent of its state funds. The main LSU campus in Baton Rouge would take a \$35 million cut and be forced to lay off at least 400 employees. Most layoffs would be staff and some instructors and part-time faculty, but not tenure-track faculty, yet, LSU Chancellor Michael Martin recently told *The Advocate*. The main LSU campus employs nearly 3,300 people. There would also be cut backs on scholarships and shut downs of some research institutions according to Martin. The figures do not take into account an anticipated tuition increase of 5% and possible fee increases.
- The University of Louisiana System and the Louisiana Community and Technical College System both face about 15% in cuts.

House Speaker Jim Tucker, (R), Terrytown, says he will propose that a commission study the state's Higher Education system to find ways to increase efficiency including possibly consolidating some of the state's four-year universities. Shreveport has colleges that are branches of the LSU and Southern systems; less than 100 miles away are four-year public universities in Ruston, Monroe, Natchitoches and Grambling. Baton Rouge has seven public universities within 90 miles. Barry Erwin, president of the Council for a Better Louisiana (CABL) told LPB that since over \$200 million in stimulus dollars are covering some of this year's proposed cuts, "...we're really talking about a 400 plus million dollar cut in Higher Ed in the next couple of years. And to try and do the restructuring that would be necessary to accommodate that level of cuts, it's going to be extremely challenging politically." According to *The Advocate*, a recent discussion at a Senate committee meeting about consolidating colleges and turning some into two-year schools resulted in a flurry of angry phone calls even though the talk was purely hypothetical. (To get a perspective on the size of the proposed cuts to Higher Ed, read the April 2<sup>nd</sup> edition of the CABL [newsletter](http://www.cabl.org) at [www.cabl.org](http://www.cabl.org).)



**More Flexibility** Higher education and Healthcare typically are hardest hit when budget cuts are made because of the amount of their funding that is not protected by state law. Over the years, legislators have dedicated or protected revenue in the state constitution or by statute, essentially diverting it from the State's General Fund. The state constitution protects 33 funds, such as money for some highways projects. Another 358 funds are protected by statutes, such as the proceeds from slot machines at racetracks. The Division of Administration calculates for this year's budget, \$3.76 billion is diverted because of statutory dedications and \$1.91 billion due to constitutional protection.

Governor Jindal has put forth a new series of proposals that would give the governor and the Legislature more flexibility in making budget cuts during major economic downturns. One plan would allow the flexibility to cut up to 10% from dedicated funds instead of the current 5%. Senate President, Joel Chaisson (D), Destrehan, is sponsoring two bills, SB1 and SB2, which address this. Jindal also supports requiring the Legislature to review statutorily dedicated funds every four years and either renew or abolish them. The proposals would have to win two-thirds approval of both houses of the Legislature and a majority of the state's voters through constitutional amendments. The earliest they could be implemented would be the 2010-2011 fiscal year so they wouldn't affect the current budget shortfall. Senate Finance Committee Chairman Mike Michot, (R), Lafayette, anticipates much opposition to the legislation since each statutory dedication is strongly supported by a different group.

*Some other proposed cuts receiving attention:*

**Funding for the Arts: Proposed cuts \$4.1 million** This 56% overall cut to state arts programs could "destroy the fabric of our arts community", says Derek Gordon, Chief Executive of the Arts Council of Greater Baton Rouge. Lt. Gov. Mitch Landrieu has said that the Jindal administration is pitting funding for state parks and arts programs against each other. Jindal's chief budget architect, Angèle Davis has said that Landrieu submitted an unrealistic budget proposal that closed several state parks that legislators would never adopt.

**Louisiana Economic Development (LED): Proposed cuts - \$190 million** What is noteworthy to some about the LED cuts is what is not being touched – the Agency's \$414 million megafund. Established by former Gov. Kathleen Blanco to ensure cash is on hand to lure major businesses to Louisiana, the megafund has been eyed by a number of lawmakers recently as a way to cover proposed budget cuts. The Legislature may already need to revamp state law to allow a Jindal administration request to use moneys from the megafund to invest \$50 million into a Farmerville poultry plant (1,300 jobs at stake) and fund The Shaw Group's nuclear reactor component plant in Lake Charles. Neither project meets the criteria for tapping into the megafund.

**Stimulus Money** While Louisiana's portion of federal stimulus money is estimated to be about \$3.6 billion, the total amount used in the current budget is \$943 million. Approximately \$218.7 million will be used to offset cuts to Higher education; \$568 million for Healthcare cuts. Governor Jindal writes in the introduction to this year's budget: "...the fiscally prudent use of these dollars is to spread them over a two-year period, as the federal government will not allow the funds to be spent after these two years." Rep. Tucker told the Baton Rouge Press Club recently that the state should resist using one-time federal stimulus dollars to fund ongoing programs, as is proposed in Gov. Jindal's budget. Instead, the state should invest stimulus dollars on one-time expenditures that could create jobs and spur the economy, Tucker says, "to start dealing with the problem the state will be facing in three years."



Jindal has received criticism for rejecting \$98.4 million in unemployment funds from the \$787 billion federal American Recovery and Reinvestment Act of 2009. The governor has said that accepting the funds would lock the state into continuing expansion of unemployment aid that would result in higher costs for businesses. The Louisiana Legislative Black Caucus has said it will support legislation to override Jindal's rejection. Senator Robert Adley,(R), Benton, who opposed the federal stimulus package, has pre-filed a bill giving legislators greater input into how to spend the money. Adley told bloomberg.com: "The fact of the matter is, it has been done; it is our tax money now...I want as much of it as we can possibly keep."

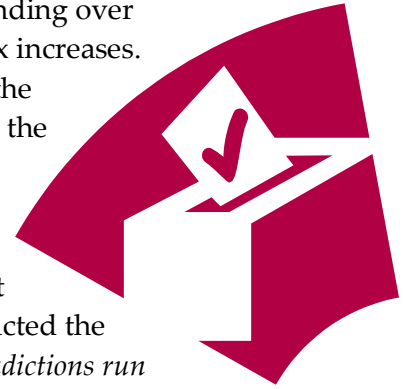
**Rainy Day Fund** The Budget Stabilization Act or "Rainy Day" Fund was approved by voters in 1998. It was established as an emergency fund to be used to stabilize the budget and avert reducing services or raising taxes when there are temporary revenue shortfalls. There is currently almost \$800 million in this fund. Jindal's budget proposals for this year call for significant constraint in using what he characterizes as easy outs – including tapping the "rainy day" fund. *The Advocate* asks, "If this budget shortfall is not rain, then what is?" Jindal has said his concern is what the state could be facing in 2012 as stimulus funding dries up. Commissioner of Administration Angèle Davis notes that a \$1.4 billion shortfall is possible in fiscal 2012 even if lawmakers follow the cuts and limited use of one-time dollars recommended by Jindal. Before money from the "Rainy Day" fund can be used, two-thirds of the members of each house of the Legislature must approve the action. Another difficulty, Erwin says, is that there are one-time fund restrictions so "While you can plug a budget hole this year you can't plug the same one next year." Additionally, the Legislature can only tap one-third of the fund in any given year.



**Surplus** The state has \$865 million in surplus dollars from 2007-08. The state constitution provides that the moneys can only be spent on specific one-time uses such as the Rainy Day Fund, infrastructure (roads, bridges ports, airports, buildings), coastal restoration/flood protection projects, and debt reduction including liabilities in the state retirement system. \$67 million of last year's surplus will go to the state's "Rainy Day" fund. Jindal wants to use \$300 million for coastal restoration and hurricane protection projects and has also proposed using \$98.4 million for "ready-to-go" college construction projects. The largest project - \$12.2 million – is a new classroom building for LSU at Eunice.

**Public Opinion** A recent survey conducted by the Reilly Center for Media & Public Affairs indicates that 48% of Louisiana citizens would prefer that lawmakers cut spending over increasing taxes, while 41% prefer some combination of spending cuts and tax increases.

But respondents were much less willing to cut specific programs than cut the budget in the abstract sense. Thirty-six percent of respondents said even with the economic downturn, funding for state colleges and universities should be increased and 40% said funding should be kept at present levels. But respondents were not supportive of allowing colleges and universities to consolidate programs by closing campuses or raising tuition and fees to offset cuts. Kirby Goidel, Director of the LSU Public Policy Research Lab that conducted the survey said *“Louisiana clearly doesn’t want cuts to higher education, but the contradictions run deep.”* CABL recently noted, *“... the truth is higher education cannot sustain the level of cuts that are being proposed without some major restructuring.”* While citizens are anti-tax in the abstract, overwhelming majorities are supportive of “sin taxes” on tobacco (75%); alcohol (78%) and gaming (85%). A significant majority – 72% - support changing the state constitution so that budget cuts do not fall disproportionately on higher education and health care during economic downturns.



**On the table** Below is an overview of other topics that may be addressed this session based on prefiled bills and news accounts. While the focus of this year’s session is the budget and related issues of spending and taxation, legislators may prefile up to 5 non fiscal-related bills .To view the most current listing of House and Senate prefiled bills visit [www.legis.state.la.us](http://www.legis.state.la.us).

**Taxes:** Rep. Karen Carter Peterson, (D), New Orleans – HB 75 - increase the 36¢ tax on a pack of cigarettes to \$1.36 plus raise taxes on cigars and smokeless tobacco; Herbert Dixon, (D) Alexandria – HB 94 -increase 16¢ per gallon tax to 20¢ on gasoline, diesel or other fuels; Rep. Tony Ligi, (R) Metairie – exempt income of people age 65 & older from state income taxes; Rep. Joel Robideaux, No Party-Lafayette – Increase retirement income exempt from state income taxes from \$6,000 to \$13,000 . Governor Jindal has said he will veto any tax increases.

**School Board Restructuring:** CABL and the Louisiana Association of Business and Industry (LABI) have been working with Rep. Stephen Carter (R), Baton Rouge, to develop a package of bills dealing with local school board reform. Among other things, the bills will prohibit individual board members or groups of board members from interfering with district personnel decisions by the superintendent, including hiring and firing. CABL hopes *“to remove these distractions and give our boards a clear opportunity to govern for the academic success of our students.”*

**Government Restructuring:** Governor Jindal proposes to empanel a commission of experts to identify how to cut state government structurally. Based on the model of the U.S. government's military base-closing commissions, it would produce a retrenchment plan that would face an up-or-down vote in the Legislature next year.

Rep. Tucker says Louisiana has about 14,000 more state employees than other southern states, adding up to an extra \$700 million Louisiana pays each year. He proposes looking into cutting costs by not re-filling positions when people leave and offering early retirement options.

**Homestead Exemption:** There has been some buzz about a push to raise the homestead exemption with the goal of lowering the tax load of homeowners. According to the *Baton Rouge Business Report* since business property owners receive no exemption, they would “see their property taxes soar.” An editorial in The Advocate notes, *“Property taxes in Louisiana are the lowest in the nation.”* Even as a percentage of income, *“...Louisiana is dead last.”*

**Key Players** According to CABL president Barry Erwin, for the many new legislators seated last year, this will be their first time having to deal with a major budget cutting scenario. Erwin says, *“It’s going to be a brand new experience and a challenge.”* The relationship between the Governor and some legislators may have been strained last session following the pay raise issue. During the summer, Jindal denounced the raise that would have more than doubled lawmakers’ pay, but refused at first to veto it. In the end, the governor killed the raise, after recall efforts were launched against him and several legislators.

Within the last 4 months, Governor Jindal has traveled to more than 10 different states for over 20 political fundraisers attracting criticism from his opponents and supporters. Jindal defends the trips as opportunities to spread the good news about Louisiana. Political commentator, John Maginnis noted recently, *“It doesn’t seem to bother Jindal that many of his loyal local supporters are quite fed up with his constant national tour. But he will give fundraising a rest once the legislative session starts later this month, when the governor is barred from accepting or soliciting contributions until 30 days after lawmakers adjourn in late June.”* ■

#### **Related Links**

<http://www.gov.state.la.us/> - Office of the Governor, Bobby Jindal

<http://www.legis.state.la.us/> - Louisiana State Legislature’s home page

<http://house.louisiana.gov/> - Louisiana House of Representatives home page

<http://senate.legis.state.la.us/default.asp> – Louisiana State Senate home page

<http://www.stimulus.la.gov/figures.htm> - Information on Louisiana’s share of federal stimulus money

<http://www.cabl.org/> – Home page for Council for a Better Louisiana



Tune into LPB to view *Louisiana Public Square’s* “Legislative Preview 2009” Wednesday, April 22<sup>nd</sup> at 7 p.m. and Sunday, April 26 at 4 p.m.

You can continue the discussion in an online chat, Thursday, April 23<sup>rd</sup> from 2 to 3 p.m. Have your questions answered live by Kirby Goidel, Director of the LSU Public Policy Research Lab and Jas Sullivan, LSU Assistant Professor of Political Science. Visit [www.lpb.org/publicsquare](http://www.lpb.org/publicsquare) and click on the “live chat” link.