



**Louisiana Budget Project
NEWS RELEASE**

FOR IMMEDIATE RELEASE
December 29, 2010

CONTACT: Edward Ashworth
225.929.5266, ext. 224

Louisiana Budget Project Calls for State Legislators to Enact PAYGO

BATON ROUGE, LA – In response to the state’s anticipated \$1.6 billion 2011 budget shortfall, the Louisiana Budget Project is calling for state legislators to enact responsible budget controls through the use of PAYGO or pay-as-you-go budget control system.

A rule enacted initially by Congress to provide controls on the federal budget which trimmed billions of dollars off the federal government deficit, PAYGO could be used in Louisiana to prioritize budgetary and tax expenditures, as well as set revenue policy.

“Using PAYGO, the state would have to hold firmly to its budget and thus, force the use of a balanced approach to resolving the current fiscal crisis,” says Edward Ashworth, Director of the Louisiana Budget Project.

Here’s an overview of how PAYGO works:

- PAYGO would require the disclosure of how any appropriation, tax cut, or tax exemption will be paid for at the beginning of the legislative process when the measure is being considered.
- PAYGO would require that any new legislation that increases spending or lowers taxes has to be balanced by offsetting reductions in spending for other programs or increased revenue from other sources in order not to add to the deficit.
- PAYGO does not prevent program expansion or tax reductions. It just ensures that they are enacted and implemented in a fiscally responsible manner.

Even though Louisiana is constitutionally required to have a balanced budget each year, it is not a guarantee that the state will be able to keep its fiscal budget under control. For example, legislation could be passed in one year that will throw the budget out of balance in subsequent years, Ashworth said.

To prevent this from occurring under PAYGO, the state can implement a multi-year budgeting system to use with the PAYGO rule that will anticipate costs in future years for inflation and any increased costs associated with state programs.

In addition, PAYGO could also assist in controlling how much the state of Louisiana spends through tax exemptions. Currently, more than \$7 billion a year is spent through the tax code’s 450 tax exemptions. That is roughly equivalent to the \$7.7 billion the state raises through various individual and corporate income taxes, sales taxes, and fees that becomes the state general fund portion of the state budget that goes through the regular legislative appropriation process.

MORE

Louisiana Budget Project Calls for State Legislators to Enact PAYGO

Page Two

Many of these tax expenditures are intended to accomplish policy purposes similar to on-budget spending but — unlike state general fund spending — they receive little or no legislative oversight and have been growing in both number and cost in recent years, Ashworth said.

“We can no longer afford to enact this type of back-door spending through the tax code without having a long-term means to pay for these tax breaks and without careful consideration of their long-term cost and their affect on the state’s ability to pay for programs vital to the health and welfare of Louisianans. PAYGO would provide a critical tool legislators need to engage in controlling this spending,” he said.

For information about PAYGO or the state’s tax exemption spending, go to www.labudget.org and read *PAYGO – A Tool to Empower the Legislature to Engage In More Responsible Budgeting* and *Louisiana’s Hidden State Budget*.

###

Under the umbrella of the Louisiana Association of Nonprofits Organizations, the Louisiana Budget Project (LBP) is a non-partisan initiative that monitors and reports on state government spending. The Louisiana Budget Project has been in operation since 2006. The organization monitors and reports on state government spending and how it affects Louisiana’s low-to-moderate-income families. To learn more about the LBP, go to www.labudget.org.