



2011 Legislative Wrap-up

The No-No Session

By: Tim Mathis

State lawmakers entered the 2011 legislative session with Louisiana ranked as one of the least educated, unhealthiest, and poorest states in the nation. Rather than build a budget that begins to address those problems, legislators and the governor produced a budget that is balanced on the backs of the poor in Louisiana. The Louisiana Legislature sent a \$26.3 billion state budget¹ to the Governor that continues to reduce human services to our most vulnerable populations; further diminishes health care for the elderly, poor, and disabled; undermines public education; increases the cost of a college education for working families; and extends the state's budget crisis into the next fiscal year.

The Legislature used \$323 million of one-time money to close the budget gap, which means that the state could face a significant shortfall again next year. The Legislature also raided 56 funds for \$289 million, including:

- \$119 million from the Self-Insurance Fund that covers legal fees, administrative expenses, and survivors benefits for which state agencies may be liable.
- \$41 million from FEMA Reimbursement Fund that helps finance disaster relief efforts.
- \$37.7 million from the Louisiana Economic Development Fund which funds incentives to attract corporations and businesses to our state.
- \$26.6 million from the Artificial Reef Development Fund that funds programs that protect marine life and maintain a healthy ecosystem in our coastal waters.
- \$25.1 million of assets from the Louisiana Housing Finance Agency that funds programs to help low and moderate income families afford housing.
- \$10.6 million from the DHH Facility Support Fund that allows funds from timber harvested on the grounds of DHH facilities to be used to fund facility improvements.

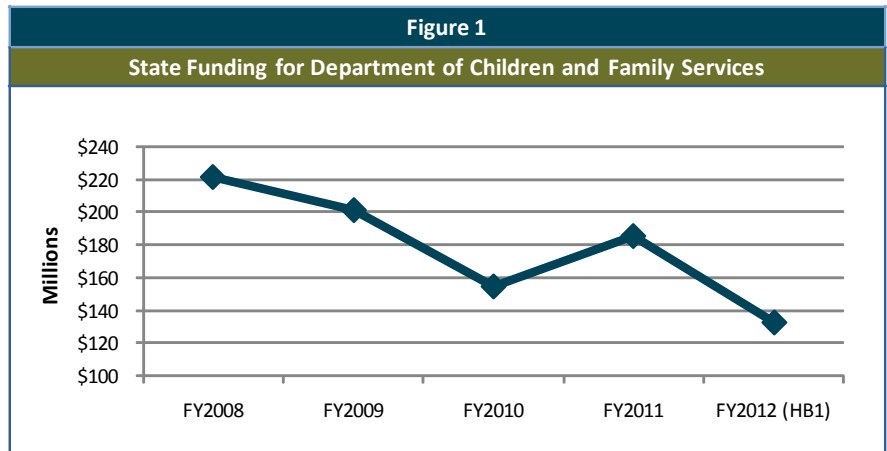
Although the above one-time funds were tapped, legislators rejected a number of the Governor's short-sighted proposals to use one-time money to bridge the shortfall, including rejecting his controversial prison privatization scheme and refusing to sell the Office of Group Benefits (OGB). (There is concern that the Governor may proceed with selling OGB on his own authority, despite the Legislature's expressed opposition.) The Legislature also said no to proposals to eliminate the income tax on corporations and individuals, which was a good thing, and to a proposed 70-cent increase in the tax on a pack of cigarettes, which was a bad thing. In other legislative rejections of key gubernatorial agenda items, those outside the budget arena, the Legislature rejected the Governor's proposals to merge UNO and SUNO and to create a super board for higher education.

The final budget eliminates 3,450 jobs, and reduces funding for countless programs across the state. Approximately 1,600 of the jobs slated for elimination are currently filled, which means 1,600 fewer people earning salaries and paying taxes. Rather than adopting a balanced approach to resolving Louisiana's fiscal problems that includes new revenues in addition to cutting spending, Louisiana lawmakers kicked the budget can down the road, thus continuing to undermine future economic growth and the state's ability to participate in the recovery when it comes.

Social Services

The final state budget cuts funding for families and children that suffer from incapacitating poverty, abuse, and homelessness. Since Gov. Jindal came into office, state funding for the Department for Children and Family Services (DCFS) has been reduced by 40 percent, including a nearly \$53 million reduction in FY2012 compared to last year (Figure 1).

The final budget reduced DCFS's budget by an additional \$300,000 from what the Governor proposed in his Executive Budget. It eliminates jobs that provide administrative oversight and prepare our communities for emergencies such as hurricanes and extended cuts for the Prevention and Intervention program. That program provides services for abused or neglected children, victims of domestic violence, and homeless people; coordinates care for low-income children to provide safe and stable homes; and oversees child-care providers statewide.



Further substantial damage to Louisiana's safety net was avoided when the Senate reversed House-imposed cuts to Community and Family Services, the program responsible for directing assistance to disabled individuals, enrolling eligible families for food stamps and income assistance programs, and protecting children by finding absent parents and overseeing orderly child support payments. Field Services, which helps keep families together through economic crises, lost an additional 327 positions on top of the 209 jobs that the Governor proposed cutting in his Executive Budget.

By continuing to slash funding for human services, despite the high poverty and growing need for services in Louisiana, the state continues to undermine its ability to create the educated, healthy workforce required by prospective employers.

Public Sector Employees

Despite strong evidence that Louisiana is not over staffed in terms of the overall number of employees who deliver government services (see LBP's report *The Real Numbers Behind Louisiana's Public Employment Statistics*), the final budget eliminates an additional 3,450 positions. This is in addition to the 4,898 positions eliminated in FY2011. These reductions significantly limit the ability of departments to carry out their missions.

The hostility against state workers did not end there. For the second year in a row, Louisiana is suspending merit-based salary increases for state employees. Because state workers' pay is not keeping up with inflation, they are effectively getting a pay cut. State employees were spared a substantial cut in pay when the Legislature rejected the Governor's proposal to increase their retirement contributions by 37.5 percent, from 8 percent of pay to 11 percent.

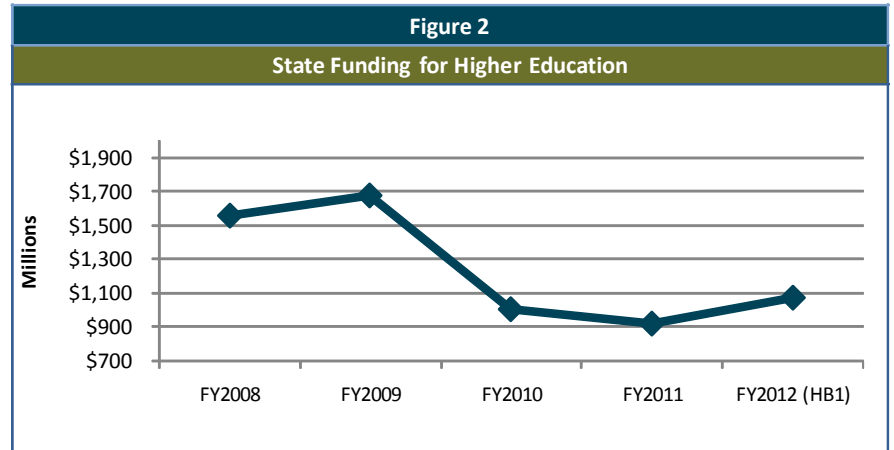
Higher Education

College students and their families continue to bear the cost of the tax cuts enacted in 2007 and 2008. The Joint Legislative Committee on the Budget approved an additional 5 percent increase in tuition and fees beginning in the 2011-12 academic year in accordance with Act 915 from the 2008 Regular Session. In addition, the Board of Regents authorized another 5 percent increase in tuition and fees in accordance with the Louisiana Granting Autonomy for Diplomas (GRAD) Act—for a total increase of 10 percent.

Another bill raised tuition and fees by 5 percent at LSU Schools of Medicine in New Orleans and Shreveport as well as the LSU School of Dentistry; this comes on top of the other tuition and fee increases—for a total increase of 15 percent this year.

Students attending two-year community colleges will now pay a standardized tuition across the state. As a result, most students at community colleges will face higher tuition and mandatory fees in the coming academic year. Full-time students attending technical colleges will pay an additional \$736 per year.

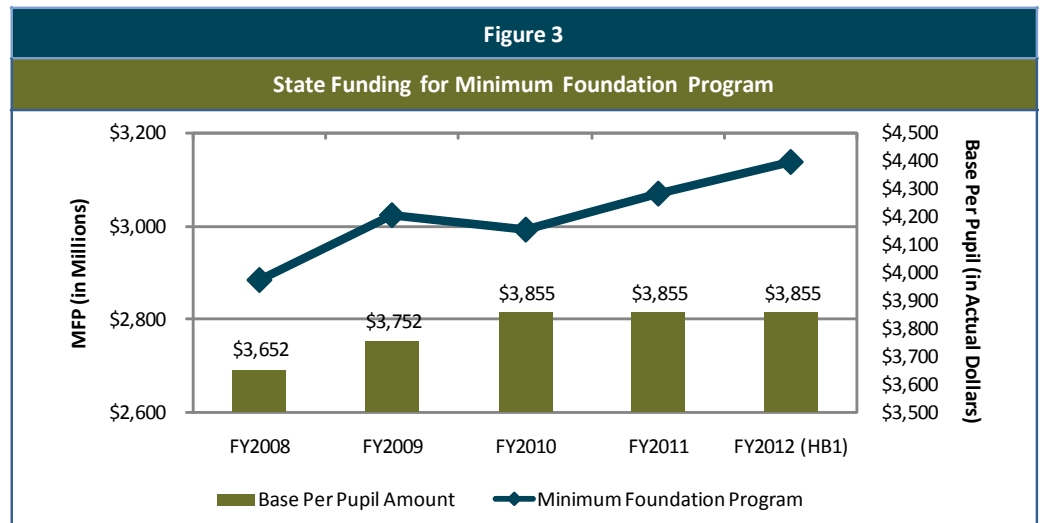
In response to funding cuts, the Board of Regents authorized elimination of 109 undergraduate and graduate programs. Foreign language departments are especially hard hit, which will make it more difficult for Louisianans to compete in the global marketplace. Since Gov. Jindal took office, higher education has lost over \$491 million in state funding, a 31 percent decrease (Figure 2).



The Taylor Opportunity Program for Students (TOPS), Louisiana’s merit-based college scholarship program, is fully funded at \$154.4 million—up from \$139 million last year. The state’s need-based program, Go Grants, was again underfunded, receiving only \$26.4 million. This means Louisiana’s most needy students will continue to receive substantially reduced awards. Today, 72 percent of all TOPS recipients come from families that make \$50,000 or more per year, well over the median income for Louisiana; fully 39 percent come from families that make \$100,000 or more per year. Compared to other southern states and to states nationally, Louisiana spends a disproportionately large share of its financial aid resources on those who can readily afford college while providing insufficient financial aid to those who need financial help in order to have a chance at a college education.

Elementary and Secondary Education

This year marks the *third year in a row* without an increase in state funding for public schools (Figure 3). This will stress already stretched public school system budgets.



The state funds public education through the Minimum Foundation Program (MFP). It is the primary source of funding for elementary and secondary education. The \$3.1 billion program funds parish and city school systems at \$3,855 per pupil, with additional funds for special needs students. It also provides for an annual 2.75 percent increase each year to cover rising costs such as retirement and health insurance. By repeatedly failing to fund this annual increase, the Legislature and Governor shift these rising costs to the local systems. Because of that, school boards around the state are considering a declaration of exigency or financial crisis. Some have already done so. This will translate into teacher layoffs, larger class sizes, heavier teaching loads, fewer teacher benefits, and policies that push more experienced but higher paid teachers into early retirement.

While denying funds to public schools, legislators are giving money to parents who send their children to private schools. At an annual cost of \$5.3 million, the Legislature *doubled* a tax break that allows parents to deduct up to \$5,000 of nonpublic school tuition costs from their income on their state tax returns. With approximately 22 percent of white students attending private elementary and secondary schools, compared to just 5 percent of African-American students, this tax break disproportionately benefits white families who are already financially better off than black families based on average incomes and poverty levels. This subsidy will further erode our state's crumbling public education system and increase the disparity of education opportunities between white and black students.

Health Care

The Governor plans to replace the current CommunityCare program with Coordinated Care Networks (CCN). Community-Care is a state-run program that matches Medicaid recipients with physicians and provides them with a network of health care service providers. The new program would out-source that work to private insurance companies or third-party entities. Approximately two-thirds of Louisiana's 1.2 million Medicaid recipients would be affected.

While Gov. Jindal claims that a CCN model would save money in the long-run, Public Affairs Research Council of Louisiana (PAR) estimates that 15 percent of taxpayer dollars would go toward administrative and overhead costs compared with the 3 percent the state now spends. The PAR study questions the state's ability to simultaneously reduce costs while improving health care outcomes.

In an attempt to maintain oversight over the program, the Legislature enacted a measure (Senate Bill 207) that requires annual reports that set benchmarks for health care outcomes and sunsets the program at the end of 2014, giving the Legislature authority to terminate the program if it fails to live up to expectations. A number of commentators predict the governor will veto the measure.

In addition, the final budget cut state spending on mental health and psychiatric services by \$44 million from last year. The system includes 43 community mental health centers, 16 clinics, and hospitals that treat people for mental and emotional disorders.

Also cut was LSU Health Care Services Division, which is responsible for serving Louisiana's uninsured population through ten charity hospitals and clinics across the state. Total cuts include:

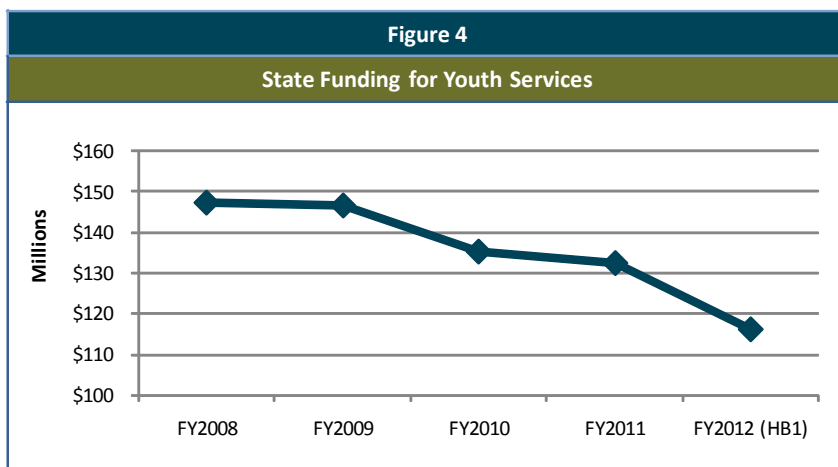
- Earl K. Long Medical Center: \$33.7 million reduction
- University Medical Center: \$11.9 million reduction
- W. O. Moss Regional Medical Center: \$16.1 million reduction
- Lallie Kemp Regional Medical Center: \$1.1 million reduction
- Washington-St. Tammany Regional Medical Center: \$3.3 million reduction
- Leonard J. Chabert Medical Center: \$8.7 million reduction
- Charity Hospital and Medical Center of Louisiana at New Orleans: \$38.1 million reduction

These cuts will likely result in even more layoffs in well-paying health care jobs and fall especially hard upon Louisiana's poor, making it more difficult for them to access quality health care.

Youth Services

The final budget cut an additional \$1 million from Youth Services on top of the \$15 million recommended in the Executive Budget. Since Gov. Jindal took office, state funding for Youth Services is down 21 percent (Figure 4). As a result of this year's cuts, alternative schools that serve 900 at-risk youth per year will be forced to close and treatment programs for

troubled teens in group homes will be reduced from six-nine months to 30-45 days. Louisiana is tied with several other states as the worst in the country for child well-being, according to the Annie E. Casey Foundation's 2010 Kids Count Data Book. Troubling signs include a rise in the infant mortality rate, teen death rates, and the percent of children in single-parent families. Compared to other states, Louisiana ranks appallingly low in terms of teen birth rate (44th), percent of teens not in school and not working (47th), and the percent of children in poverty (48th). Balancing a budget by taking away services for at-risk youth ensures that Louisiana's next generation falls further behind.



Revenue--Or the Lack Thereof

Louisiana's elected representatives did nothing to address Louisiana's fundamental fiscal problem—the lack of revenue caused by the 2007 and 2008 tax cuts. However, many tried to make it worse. Legislators spent many hours of this short fiscal session debating whether to eliminate taxes on corporate and personal incomes that, when fully implemented, would have cost Louisiana over \$4 billion annually. Fortunately, despite repeated last minutes attempts to pass the measure, it failed.

The Legislature did pass a bill backed by a Louisiana Budget Project-sponsored coalition, Better Choices for a Better Louisiana that will require the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs to study and evaluate the more than 440 tax exemptions that currently cost the state \$7.1 billion each year.

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Overall, the budget for FY2012 preserves Louisiana's status quo of poverty, poor health, and lack of education by continuing to reduce funding for human services, health care, and education while granting more tax breaks to the well-to-do and businesses. We can do better. We SHOULD do better.

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About the Louisiana Budget Project

The Louisiana Budget Project (LBP) provides independent, nonpartisan research and analysis of Louisiana fiscal issues and their impact on Louisiana families and businesses. We seek to bring wider prosperity to Louisiana through a deeper understanding of the state budget, broadening fiscal policy debates, and increasing public participation in decision-making. As part of the State Fiscal Analysis Initiative's 40 state budget projects that are coordinated by the national Center on Budget and Policy Priorities, we uphold a commitment to issuing work that is Credible, Timely, and Accessible.

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End Note

1. Louisiana's total FY2012 budget, according to the Legislative Fiscal Office, is \$26.3 billion dollars. This includes various interagency transfers, which in some instances are "double counted." Without the double counts, the state's FY2012 budget is approximately \$25 billion.