



# Governor Jindal’s Executive Budget: Doing Less with Less—AGAIN

By: Tim Mathis

Governor Bobby Jindal recently released his proposed Fiscal Year 2012 Executive Budget, and it already is generating heated controversy. The Governor claims that his new budget is “doing more with less.” In reality, the budget does less with less—precisely \$1,077,746,483 less than last year.<sup>1</sup>

Despite strong public opinion to the contrary, the governor stubbornly refuses to consider increasing revenues, either by increasing taxes or eliminating or suspending any of the 441 tax exemptions that are costing the state over \$7 billion a year.\* Thus, it is no surprise that the governor has chosen to cut programs vital to the state’s future and engage in questionable privatization schemes in order to reconcile the \$1.6 billion deficit for this year (now \$1.5 billion, based on the Revenue Estimating Conference’s latest estimates that arrived too late to be incorporated into the Governor’s budget).

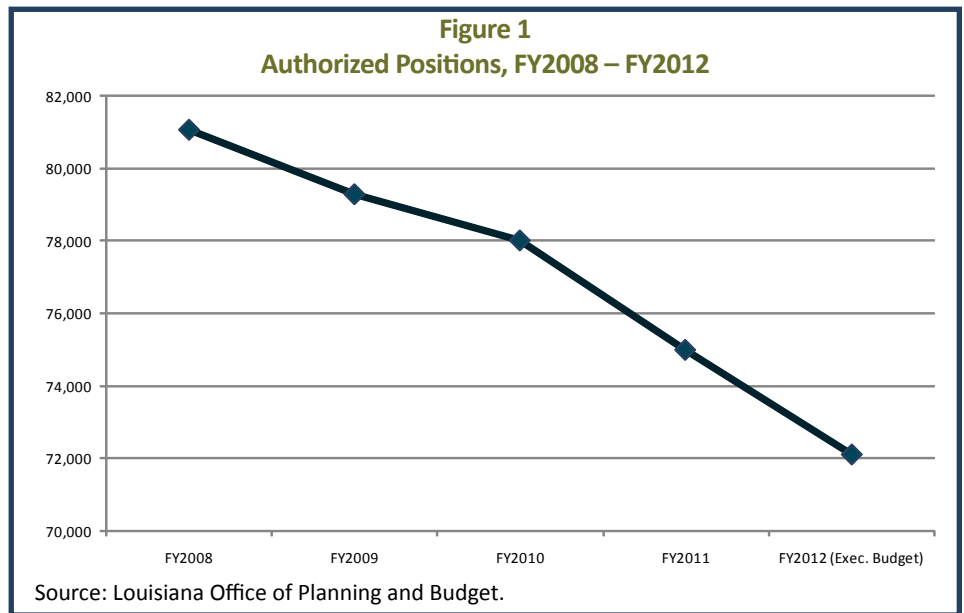
The new budget slashes over \$1 billion from programs such as social services, health care, higher education, and public safety and proposes using more than \$474 million in one-time revenue, which just kicks the problem into next year. The governor’s budget, if enacted, weakens the state’s ability to recover from the worst economic crisis since the Great Depression and threatens to further marginalize Louisiana’s most vulnerable residents and poorest communities. Below are some highlights from the Executive Budget.

## Public Sector Employees

The governor proposes to balance the budget on the backs of public sector workers, including social workers, public safety officers, and health care workers. The Governor’s ongoing assault against the public sector hits workers on all fronts—with lower wages, more expensive pensions, and out-sourced health insurance benefits.

The Jindal administration plans to save \$96 million by yet another round of layoffs for state employees. About 2,000 state employees will lose their jobs under the governor’s plan, which proposes eliminating 4,123 full-time positions, half of which are filled. Since

2008, Louisiana will have eliminated 10,458 full time positions, a 12 percent overall decrease. The Governor also proposes extending a suspension of merit-based salary increases for state employees for an additional year. Because state workers’ pay is not keeping up with inflation, this means that they are, in effect, getting a pay cut.



\*According to LSU’s Public Policy Research Lab’s recently released 2011 Louisiana Survey, more than 55 percent of respondents favor temporarily suspending the 2007 and 2008 Stelly rollback tax cuts to address the current budget shortfall. There is also widespread support for increasing “sin” taxes – over 70 percent favor raising taxes on tobacco, alcoholic beverages, and gambling in casinos.

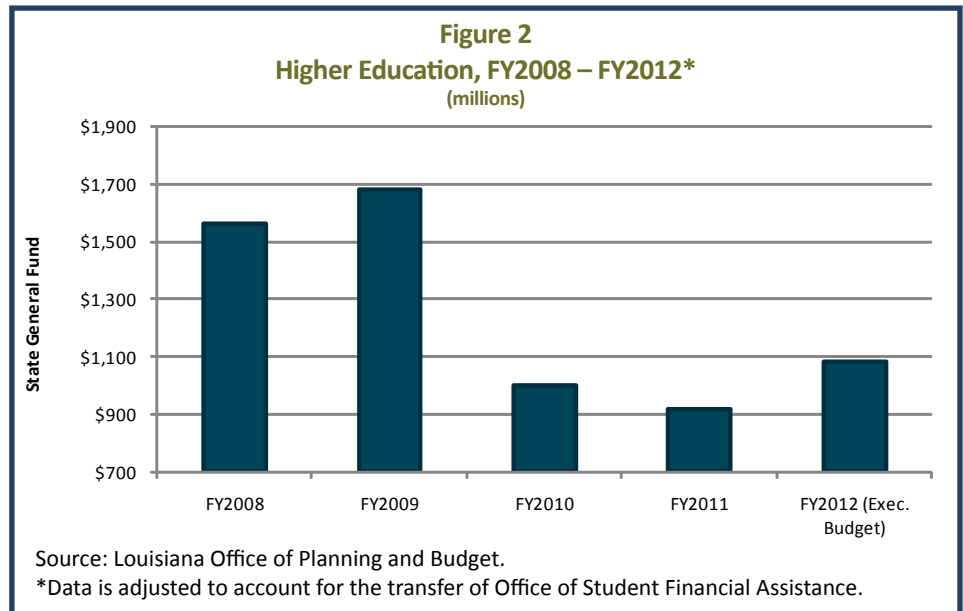
In addition to diminished pay, the governor would also impose a 37.5 percent increase in the amount employees contribute toward their retirement, raising the employee contribution from 8 percent of pay to 11 percent. This will save the state \$24 million at the expense of thousands of hard-working families' pocketbooks.

In one of the governor's more questionable moves, he proposes selling the Office of Group Benefits (OGB), the agency that is responsible for providing health care services and other benefits to a quarter-million state employees, retirees, and their dependents. Although the governor claims the state would save an estimated \$10.2 million each year by selling OGB, he does not address what would happen to the \$529 million in cash that the agency had on its books at the end of FY 2010. The legislature needs to look carefully at any proposed sale of OGB to determine who gets this \$500 million in cash and who is left with all the liabilities.

**Higher Education**

The Executive Budget proposes to bridge the budget gap for higher education by making it more expensive for Louisiana families to send their kids to college by raising tuition and fees \$258 million. Here's a partial breakdown:

- \$97.2 million from tuition increases already passed in the prior fiscal year.
- \$74.5 million from a proposal to cap the number of hours a fulltime student may take without paying additional tuition. Presently, students are considered fulltime if they take 12 or more hours a semester, with any hours above 12 not costing any additional tuition. Under the proposed cap, students would be charged additional tuition for any credit hours they take beyond 12 per semester up to 15 hours, with no additional tuition for any hours beyond 15.
- \$13.1 million from increasing campus operational fees along with tuition and other fees. Operational fees help maintain university facilities. Currently, Louisiana State University, for example, charges undergraduates an operational fee of \$160 per year. Under the governor's proposal, those fees would increase as institutions raise their tuitions.
- \$10.7 million from standardizing tuition between older and newer community colleges across the state and increasing tuition at technical colleges from 21 percent to 55 percent of the average Pell Grant. This move will raise the cost of an Associate's degree for many of the approximately 70,000 community college students in Louisiana, many of whom are from low-income families and receive Pell Grants. For example, according to the governor's Executive Budget, roughly 70 percent of students at Louisiana's technical colleges qualify for Pell grants.



Relying on tuition increases to raise revenues is an inefficient revenue-raising strategy because the state and the institutions realize only a portion of the additional revenue generated by tuition increases. Raising tuition increases the cost of the state's merit-based scholarship program, Taylor Opportunity Program for Students (TOPS), which primarily benefits students from relatively well-off families (56% of TOPS recipients are from families making over \$75,000 per year;

39% from families making over \$100,000). Thus, because there is no cap on TOPS, tuition increases drive-up the cost of TOPS. According to state estimates, every 1 percent increase in tuition generates approximately \$7.8 million in additional revenue that, in turn, costs the state \$1.4 million in additional TOPS aid. With 95 percent of LSU’s incoming in-state freshman eligible for TOPS, it’s easy to see how raising tuition there has only a marginal benefit to the state’s fiscal situation. In addition, even after accounting for the effect of TOPS, institutions realize only a portion of the net tuition after accounting for TOPS because a portion of any tuition increase must be waived in cases of hardship. LSU, for example, loses approximately 30 percent of any increase in tuition to hardship.

Despite proposing to significantly increase the cost for Louisiana families to send their children to college, the governor’s budget only partially funds TOPS. The governor’s budget, instead, proposes that the legislature amend the constitution to divert money to TOPS that is now dedicated to the Millennium Trust, established to protect the money the state receives from the tobacco settlement. This process would require a two-thirds vote of the legislature followed by a vote of the people. While the outcome of this is uncertain, the governor relies on this approach for \$92 million of a total cost of \$174.5 million required to fully fund TOPS.

In contrast, the governor’s budget does nothing to address the chronic underfunding of the state’s need-based financial aid program, Go Grants. Because of a lack of funding, these awards are currently prorated at less than half of the amounts provided by statute, leaving students who qualify for Go Grants with large, unmet financial needs. Almost half of Go Grant recipients are African American students.

**Elementary and Secondary Education**

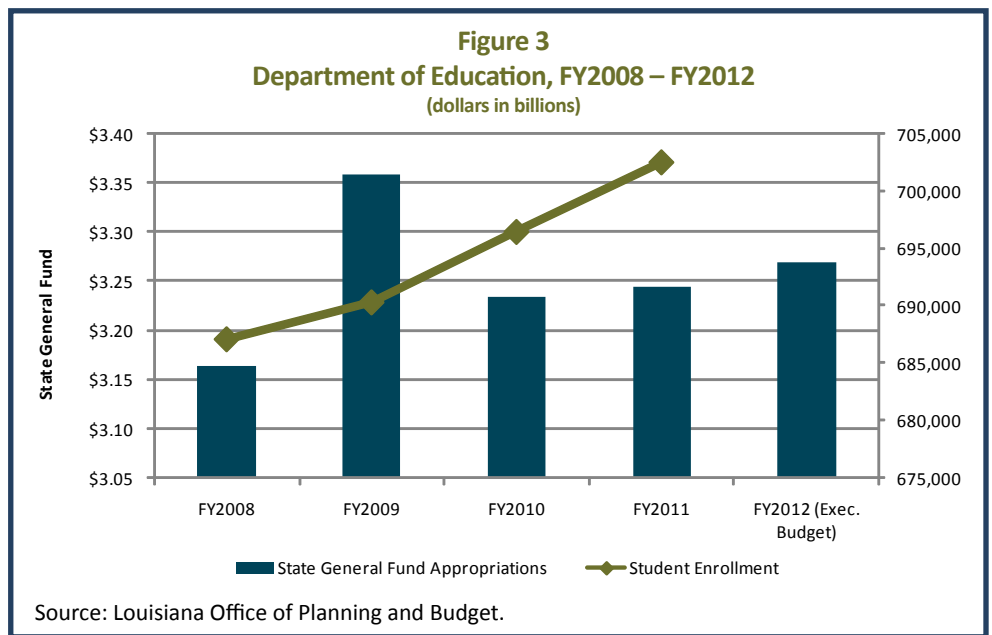
The Department of Education will see a reduction of \$155.4 million, due to a loss of federal stimulus funds from last year. This includes an \$83 million overall decrease for the Minimum Foundation Program (MFP), which provides state funding to public elementary and secondary schools throughout the state and funnels resources to local school systems for at-risk and special needs students. Local school systems rely on MFP funding for approximately two-thirds of the cost for public education.

Despite rising school costs for health insurance, retirement benefits, supplies, and teachers’ salaries, overall

MFP funding on a per student basis has been held constant for the third year in a row. Louisiana spending on public education—\$9,017 per student—is already lower than both the southern regional average (\$9,353) and the national average (\$10,808).<sup>2</sup> The governor’s budget does nothing to close this gap.

**Social Services**

The Executive Budget continues to slash the Department of Children and Family Services (DCFS), despite growing need and poverty across Louisiana. Since taking office, Gov. Jindal will have cut state funding for DCFS by 44 percent if his FY 2012 budget is approved, which cuts the department’s total funding \$85 million—an 8 percent cut. Most of that cut comes from fewer state dollars. The administration is continuing to consolidate offices across the state, and plans to eliminate 313 positions in addition to the 847 positions already eliminated in the past three years. Many of these positions were responsible for providing direct services to Louisiana’s neediest families.



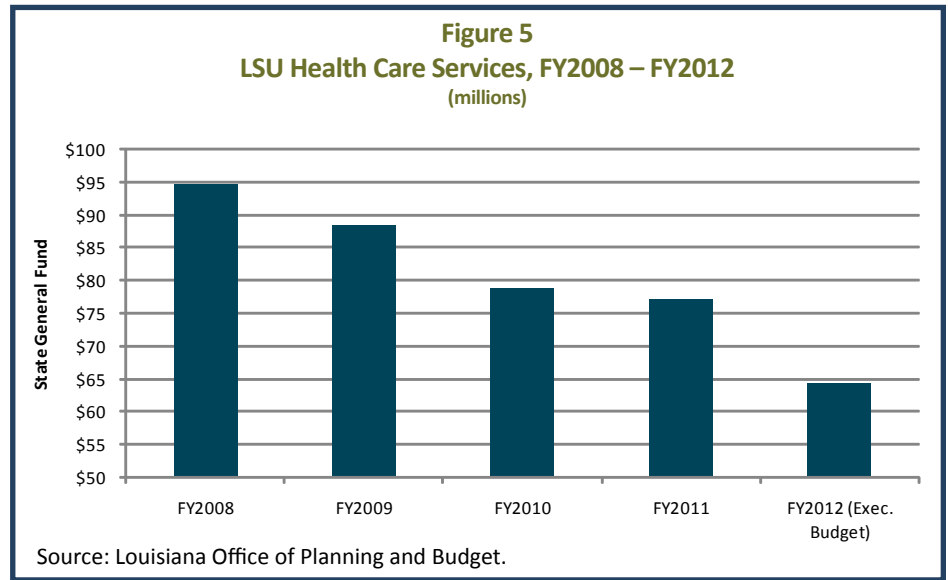
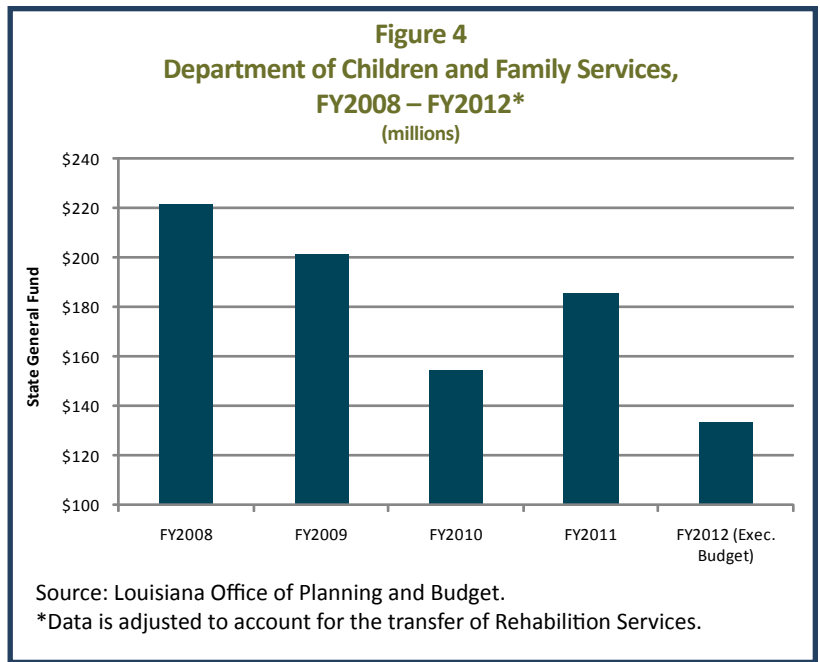
According to DCFS, it provided over 800,000 individuals with food stamps in March, oversaw over 30,000 children in child care in March, ensured timely payments of over \$30 million in child support in February, investigated 1,096 child abuse cases in December, and supervised 4,255 foster children as of December. The new budget seriously undermines DCFS’s ability to provide the most basic of services to Louisiana’s neediest residents.

**Health Care**

The governor proposes cutting health care \$143 million compared to last year, approximately \$410 million less than two years ago. With nearly one thousand fewer positions, this year marks the fourth straight year of position reductions, totaling 3,871 fewer health care workers since 2008, despite increased demand for health care services, particularly Medicaid. The administration plans to save \$41 million by reducing funding to Medical Vendor Payments, which includes financing for charity hospitals such as Earl K. Long in Baton Rouge.

In addition, the Governor seeks to privatize a significant portion of Louisiana’s Medicaid program. Under a controversial new plan called Coordinated Care Networks (CCN), DHH would outsource management of medical care to private insurance companies for approximately 800,000 Medicaid recipients, including pregnant women and children. Other cuts apply to nursing homes, a \$22.7 million reduction for the Office of Public Health, and a \$39 million reduction to behavioral health services which are responsible for providing services to those struggling with mental disease and addictive disorders. The budget also decreases funding for developmental disability services by \$25.9 million, transitioning individuals from institutions into “more independent living settings.”

The governor’s budget recommends cutting \$110 million from LSU Health Care Services Division, a 12% reduction from last year. The administration plans to save \$63.1 million by eliminating 276 health care jobs—doctors, nurses, and administrative staff—who serve Louisiana’s uninsured population through charity hospitals and clinics across the state.



## Public Safety

Another questionable component of Gov. Jindal's budget is his proposal to privatize several Louisiana prisons. The governor proposes to raise:

- \$4.8 million and \$2.6 million by converting J. Levy Dabadie Correctional Center and Avoyelles Correctional Center to privately operated facilities and
- \$32 million each from the sale of Allen and Winn Correctional Centers.

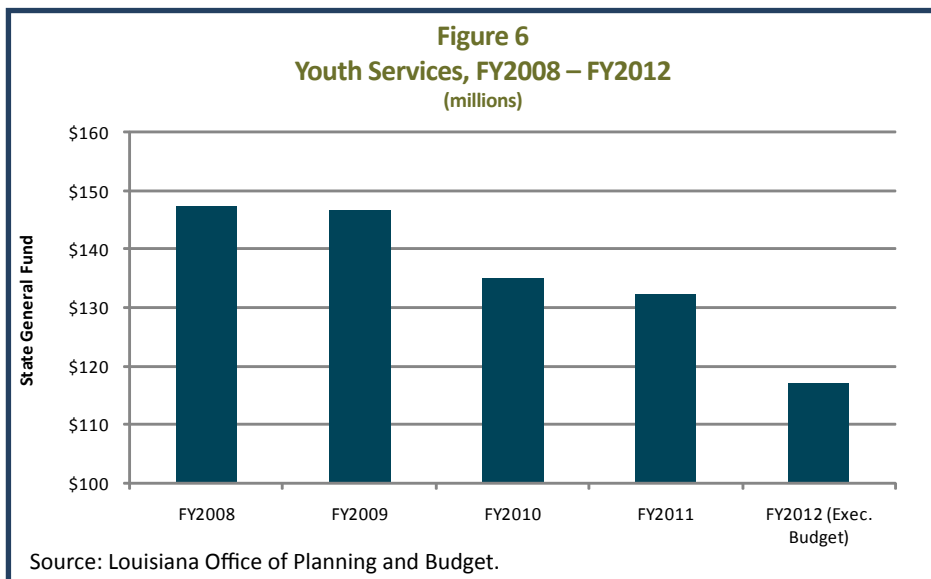
Corrections Services is already an efficiently run government agency.

According to a 2009 survey of correctional systems presented to the Southern Legislative Conference, Louisiana spends less per inmate per day than virtually every other state in the South.<sup>3</sup> The Governor's budget confirms this fact, pointing out that Louisiana prisons operate on an average cost of \$42.75 per offender per day compared to a Southern Regional Average of \$50.75 per day. Under the Governor's proposal, the state will pay private operators \$31.51 per prisoner per day, a deal which may result in less pay and fewer benefits for hundreds of correctional employees that are already underpaid compared to those other states.<sup>4</sup>

Louisiana has the highest incarceration rate and the highest murder rate in the country.<sup>5</sup> Yet, despite the challenge of reducing these figures, the Department of Public Safety and Corrections has already been working with \$47 million less than last year. Future cuts will jeopardize programs that provide drug treatment, probation and parole, and GED education. These programs help keep our neighborhoods safe by helping prior offenders play a productive role in society.

The Governor recommends reducing funding for Youth Services by \$13.5 million, about 9 percent of their entire budget. This year marks the fifth consecutive year of cut backs to Youth Services, which serves approximately 5,000 at-risk youths through community programs, parole and probation programs, and rehabilitation facilities. The administration plans to save \$9.4 million by eliminating Day Treatment Services, increasing the burden on local school systems by pushing students into alternative schools. According to the Annie E. Casey Foundation's 2010 Kids Count Data Book, Louisiana is tied with several other states as the worst in the country for child well-being. With 10 percent of teens 16 – 19 considered high school dropouts and 11 percent of teens not attending school and not working, Louisiana has thousands of young adults not contributing to society.<sup>6</sup> Cutting funding for programs that target these at-risk teens is false economy; it will increase costs on local school systems and lead to more youths entering the criminal justice system rather than becoming productive, tax-paying members of society.

For an administration that claims to believe in transparency, the Governor's FY2012 Executive Budget is confusing about how certain services will be funded, murky on the source of funding for some services, and short on details in other areas. A number of supplementary recommendations in the budget will depend on legislative approval, statutory changes, constitutional amendments, or dollars from sales that have yet to be authorized. For example, funding for TOPS is contingent on the passage of a constitutional amendment to redirect tobacco settlement funds from the Millennium Trust Fund to TOPS. This maneuver requires two-thirds votes of the House and Senate, followed by a vote of the people approving the change. In the current political environment, where voters are skeptical of government officials, this is no sure thing, yet there is no alternate funding mechanism for TOPS.



The state needs a more balanced approach to resolving its fiscal crisis. The state's budget deficits result primarily from massive tax cuts in 2007 and 2008 that sharply reduced state revenue, not from out-of-control spending, as Gov. Jindal has stated. Trying to solve this revenue problem by cutting spending, which has been the governor's approach to date, only further worsens Louisiana's standing as one of the poorest, least educated, and unhealthiest populations in the country. Addressing these conditions will take additional revenues, revenues that were lost to the Stelly rollback tax cuts, which primarily benefited upper-income taxpayers. By continuing not to address these problems, we shoot ourselves in the foot by making the state less competitive and less attractive to both the in-state and out-of-state companies looking to expand or relocate. Louisiana would do well to join the majority of other states that, since the beginning of the recession, have raised taxes to prevent more damaging budget cuts to vital services.

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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 Notes**

<sup>1</sup> "Governor's Executive Budget FY 2011- 2012." *State of Louisiana*. Bobby Jindal, Governor. March 2011.

<sup>2</sup> "Elementary and Secondary Education Funding." Southern Regional Education Board. February 2010.  
<http://info.sreb.org/DataLibrary/tables/K12RevenuePerADATrends.xls>

<sup>3</sup> "Adult Correctional Systems: A Report Submitted to Fiscal Affairs and Governmental Operations Committee, Southern Legislative Conference and Council of State Governments." Prepared by Matthew, J. LaBruyere, Fiscal Analyst, *Louisiana Legislative Fiscal Office*. 2009.

<sup>4</sup> *Ibid.*

<sup>5</sup> "Crime in the United States, by State, 2009" *Crime in the United States*. Federal Bureau of Investigation.  
[http://www2.fbi.gov/ucr/cius2009/offenses/standard\\_links/state.html](http://www2.fbi.gov/ucr/cius2009/offenses/standard_links/state.html)

<sup>6</sup> "2010 Kids Count Data Book." The Annie E. Casey Foundation. <http://datacenter.kidscount.org/DataBook/2010/OnlineBooks/2010DataBook.pdf>