Louisiana at the Crossroads: Responsible Responses to Louisiana’s Financial Crisis

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48 States Face Budget Shortfalls.

Shortfalls as share of FY09 General Fund Expenditures.

- Red: 20% and above
- Blue: Under 20%
- White: No Shortfall Reported
## 4-Year Base Line Projection

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund Revenue</td>
<td>$9,490</td>
<td>$8,532</td>
<td>$7,776</td>
<td>$8,199</td>
</tr>
<tr>
<td>State General Fund Expenditure</td>
<td>$9,475</td>
<td>$9,046</td>
<td>$9,163</td>
<td>$10,522</td>
</tr>
<tr>
<td>Adjustments</td>
<td>$15</td>
<td>$53</td>
<td>$104</td>
<td>$104</td>
</tr>
<tr>
<td>Cumulative Balance</td>
<td>$0</td>
<td>($567)</td>
<td>($1,491)</td>
<td>($2,427)</td>
</tr>
</tbody>
</table>
## REC Forecast Change for FY10

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>REC - 12/17/2009</th>
<th>REC - 4/14/2010</th>
<th>+/-(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$2,559</td>
<td>$2,456</td>
<td>$(102)</td>
</tr>
<tr>
<td>Individual Income</td>
<td>$2,593</td>
<td>$2,467</td>
<td>$(126)</td>
</tr>
<tr>
<td>Corporate</td>
<td>$442</td>
<td>$392</td>
<td>$(50)</td>
</tr>
<tr>
<td>Mineral</td>
<td>$1,243</td>
<td>$1,113</td>
<td>$(130)</td>
</tr>
<tr>
<td>Gaming</td>
<td>$395</td>
<td>$390</td>
<td>$(5)</td>
</tr>
<tr>
<td>Other</td>
<td>$631</td>
<td>$726</td>
<td>$94</td>
</tr>
<tr>
<td>Total</td>
<td>$7,863</td>
<td>$7,544</td>
<td>$(319)</td>
</tr>
</tbody>
</table>
Percent of Total Budget

$2.4 \text{ billion} \div \$29 \text{ billion} = 8\%$

3-year Cumulative Shortfall \hspace{1cm} Total FY10 Budget

Percent of total FY10 budget to be cut over 3 years
FY10 Total Means of Financing

Federal 51%

General Fund 31%

Statutory Dedications 13%

Self-Generated 5%
Percent of State General Fund Spending

$2.4 \text{ billion} \div $9 \text{ billion} = 27\%

3-year Cumulative Shortfall  FY10 State General Fund

Percent of FY10 state general fund to be cut over 3 years
Discretionary vs. Non-Discretionary

- Discretionary: 45%
- Non-Discretionary: 55%
Percent of Recurring Discretionary Spending

\[
\frac{\$2.4 \text{ billion}}{\$3.3 \text{ billion}} = 73\% \\
\text{3-year Cumulative Shortfall} \quad \text{FY10 Discretionary Funds (minus one-time funds for Capital Outlay)}
\]

Percent of FY10 recurring discretionary fund to be cut over 3 years
FY10 Discretionary Expenditures

- Human Resources: 35%
- Education: 35%
- Environment & Natural Resources: 1%
- General Government: 4%
- Business & Infrastructure: 21%
- Public Safety: 4%
FMAP Rate Change

Oct. 2007: 72.0%
Oct. 2008: 71.3%
Oct. 2009: 67.7%
Oct. 2010: 63.2%
Jan. 2011: 63.2%

Original FMAP
Stimulus
Increases Since Pre-Katrina
FY05-FY10

- State General Fund
- Medicaid
- LACHIP
- Food Stamps
- Community & Technical Colleges

[Bar chart showing percentage increases for each category]
# FY11 Executive Budget

*(in millions)*

<table>
<thead>
<tr>
<th>Department</th>
<th>State General Fund</th>
<th>Total Means of Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY11 State Budget</strong></td>
<td>$8,025</td>
<td>$28,905</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>$3,250</td>
<td>$5,470</td>
</tr>
<tr>
<td></td>
<td>+1.93%</td>
<td>-3.80%</td>
</tr>
<tr>
<td><strong>Health &amp; Hospitals</strong></td>
<td>$1,684</td>
<td>$7,726</td>
</tr>
<tr>
<td></td>
<td>+15.57%</td>
<td>-5.79%</td>
</tr>
<tr>
<td><strong>Higher Education</strong></td>
<td>$1,098</td>
<td>$2,944</td>
</tr>
<tr>
<td></td>
<td>-13.24%</td>
<td>-3.44%</td>
</tr>
<tr>
<td><strong>Social Services</strong></td>
<td>$188</td>
<td>$989</td>
</tr>
<tr>
<td></td>
<td>+0.43%</td>
<td>-21.62%</td>
</tr>
</tbody>
</table>
Spending Reverts to Pre-Katrina Levels (in 2009 dollars)

- State General Fund
- Total State Budget Less Hurricane Disaster Recovery Funding
- Total State Budget

FY05 FY06 FY07 FY08 FY09 FY10 FY11
## Fiscal Effect of Stelly Repeals

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess Itemized Deductions</td>
<td>$157</td>
<td>$190</td>
<td>$308</td>
<td>$332</td>
<td>$357</td>
<td>$1,344</td>
</tr>
<tr>
<td>Bracket Changes</td>
<td>$0</td>
<td>$0</td>
<td>$359</td>
<td>$251</td>
<td>$262</td>
<td>$872</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$157</td>
<td>$190</td>
<td>$667</td>
<td>$583</td>
<td>$619</td>
<td>$2,216</td>
</tr>
</tbody>
</table>
We Need a Balanced Approach
Balanced Approach

1. Streamline tax exemption budget
5-Year Tax Exemption Budget

$7.1 BILLION
Balanced Approach

1. Streamline tax exemption budget

2. Reconsider Stelly Repeals
Balanced Approach

1. Streamline tax exemption budget

2. Reconsider Stelly Repeals

3. Improve tax collections
Improved Tax Collections

$234 million – Delinquent taxes recovered in the 2009 tax amnesty program
Balanced Approach

1. Streamline tax exemption budget
2. Reconsider Stelly Repeals
3. Improve tax collections
4. Review Louisiana’s tax structure
State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers

- Lowest 20%
- Second 20%
- Middle 20%
- Fourth 20%
- Next 15%
- Next 4%
- TOP 1%

Legend:
- Sales & Excise
- Property
- Income
- Federal Offset
- Total (inc. Federal Offset)
Lawmakers in 35 states have enacted or are considering proposals to increase taxes and fees.

2009 State Tax Increases.

Governors that Supported Tax Increases by Party

Republican 55%
Democrat 75%

Note: Status as of October 14, 2009.
WWW.LABUDGET.ORG

Louisiana Budget Project

PROVIDING INDEPENDENT, NONPARTISAN research and analysis of Louisiana fiscal issues and their impact on low and moderate income residents.