LOUISIANA AT THE CROSSROADS
RESPONSIBLE RESPONSES TO LOUISIANA’S FISCAL CRISIS
48 States Face Budget Shortfalls.

Shortfalls as share of FY09 General Fund Expenditures.

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

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund Revenue</td>
<td>$8,851</td>
<td>$8,021</td>
<td>$8,204</td>
</tr>
<tr>
<td>State General Fund Expenditure</td>
<td>$9,046</td>
<td>$9,163</td>
<td>$10,522</td>
</tr>
<tr>
<td>MFP &amp; Retirement rate adjustments</td>
<td>$53</td>
<td>$104</td>
<td>$104</td>
</tr>
<tr>
<td>Cumulative Balance</td>
<td>$(248)</td>
<td>$(1,247)</td>
<td>$(2,422)</td>
</tr>
</tbody>
</table>
### 3-Year Cumulative Shortfall

<table>
<thead>
<tr>
<th></th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>in millions</td>
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<td></td>
<td>-$248</td>
<td>-$1,247</td>
<td>-$2,422</td>
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</tbody>
</table>

The chart illustrates the cumulative shortfall over three fiscal years, with FY10 showing a shortfall of -$248 million, FY11 showing -$1,247 million, and FY12 showing -$2,422 million.
Percent of Total Budget

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

3-year Cumulative Shortfall  
Total FY10 Budget

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

- General Fund: 31%
- Federal: 51%
- Statutory Dedications: 13%
- Self-Generated: 5%
$2.4 \text{ billion} \div $9 \text{ billion} = \boxed{27\%}

3-year Cumulative Shortfall \quad \quad \quad \quad \quad 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 Discretionary Spending

\[
\frac{\$2.4 \text{ billion}}{\$4 \text{ billion}} = 60\% 
\]

3-year Cumulative Shortfall ÷ FY10 Discretionary Funds

Percent of FY10 discretionary fund to be cut over 3 years
Percent of Recurring Discretionary Spending

\[
\frac{2.4 \text{ billion}}{3.3 \text{ billion}} = 73\%
\]

3-year Cumulative Shortfall

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%
- Business & Infrastructure: 21%
- General Government: 4%
- Public Safety: 4%
# Unaddressed Obligations

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway Backlog</td>
<td>$14.0 billion</td>
</tr>
<tr>
<td>Retiree Group Benefits</td>
<td>$12.0 billion</td>
</tr>
<tr>
<td>Risk Management</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td>Deferred Maintenance - Higher Education</td>
<td>$1.8 billion</td>
</tr>
<tr>
<td>Deferred Maintenance - State Buildings</td>
<td>$2.5 billion</td>
</tr>
<tr>
<td>Medicaid Overbilling</td>
<td>$0.7 billion</td>
</tr>
<tr>
<td><strong>TOTAL UNADDRESSED NEEDS</strong></td>
<td><strong>$32.2 BILLION</strong></td>
</tr>
</tbody>
</table>
FMAP Rate Change

<table>
<thead>
<tr>
<th>Month</th>
<th>Original FMAP</th>
<th>Stimulus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 2007</td>
<td>72.0%</td>
<td></td>
</tr>
<tr>
<td>Oct. 2008</td>
<td>71.3%</td>
<td>67.7%</td>
</tr>
<tr>
<td>Oct. 2009</td>
<td></td>
<td>63.2%</td>
</tr>
<tr>
<td>Oct. 2010</td>
<td></td>
<td>63.2%</td>
</tr>
<tr>
<td>Jan. 2011</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- **Yellow**: Original FMAP
- **Blue**: Stimulus
Louisiana Statistics

- **Health**
  - 47th among all states in terms of health outcomes

- **Wealth**
  - 48th among all states for median household income
  - 18% of citizens live below the federal poverty level

- **Education**
  - 20% of population over 25 lacks high school diploma
  - 80% of population over 25 lacks bachelor’s degree
Fiscal Impact

- **FY11**
  - Second half of the year FMAP = 63.2%
  - Cost = $400 Million

- **FY12**
  - Entire year FMAP = 63.2%
  - Cost = $900 Million

- **Total Cost Over 2 Years = $1.3 Billion**
Effects of Budget Cuts

- Less access to healthcare
  - Fewer hospitals
  - More pressure on emergency room facilities
- Less rich college curriculum
- Elimination of state homes for developmentally disabled
- Less funding for adult literacy programs
- Bad roads getting worse
We Need a Balanced Approach
5-Year Tax Exemption Budget

$6.5 BILLION
## Fiscal Effect of Stelly Repeals

<table>
<thead>
<tr>
<th></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><strong>(in millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<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><strong>Total Cost</strong></td>
<td>$157</td>
<td>$190</td>
<td>$667</td>
<td>$583</td>
<td>$619</td>
<td>$2,216</td>
</tr>
</tbody>
</table>
2009 State Tax Increases.

Lawmakers in 35 states have enacted or are considering proposals to increase taxes and fees.

Governors that Supported Tax Increases by Party

- Republican 55%
- Democrat 75%

Note: Status as of October 14, 2009.
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%

- Sales & Excise
- Property
- Income
- Federal Offset
- Total (inc. Federal Offset)
Thank you!
Questions?

www.labudget.org