LOUISIANA AT THE CROSSROADS
RESPONSIBLE RESPONSES TO LOUISIANA’S FISCAL CRISIS
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>Year</th>
<th>Shortfall (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>-$248</td>
</tr>
<tr>
<td>FY11</td>
<td>-$1,247</td>
</tr>
<tr>
<td>FY12</td>
<td>-$2,422</td>
</tr>
</tbody>
</table>
Percent of Total Budget

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

3-year Cumulative Shortfall \hspace{2cm} \text{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 \hspace{1cm} 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 = 60%

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

Oct. 2007: 72.0%
Oct. 2008: 80.0% with a change of 8.7%
Oct. 2009: 80.0% with a change of 12.3%
Oct. 2010: 80.0% with a change of 16.8%

0.0% 10.0% 20.0% 30.0%

Original FMAP
Stimulus
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
## Unaddressed Obligations

<table>
<thead>
<tr>
<th>Unaddressed Obligation</th>
<th>Cost</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>
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
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
Balanced Approach

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

$6.5 BILLION
Balanced Approach

1. Streamline tax exemption budget
2. Reconsider Stelly Repeals
### 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>
Balanced Approach

1. Streamline tax exemption budget
2. Reconsider Stelly Repeals
3. 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%

- Sales & Excise
- Property
- Income
- Federal Offset
- Total (inc. Federal Offset)
Governors that Supported Tax Increases by Party

Republican 55%
Democrat 75%

Note: Status as of October 14, 2009.
Thank you!
Questions?

www.labudget.org