


# Budget

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Louisiana should make budget decisions that put the state on sound fiscal footing and ready for any financial problems on the horizon.



**Stabilize the  
Budget and  
Pay for  
Priorities**

Whatever issues policymakers want to tackle, whether education, crime, infrastructure or something else, they all run through the budget.

State government budgets are statements of priorities. They should focus spending on critical services, areas of need and programs that improve residents' quality of life and move the state forward.

Louisiana hasn't always followed that roadmap with its budgeting tactics but will need to chart such strategies to respond to the pressures facing policymakers next term.

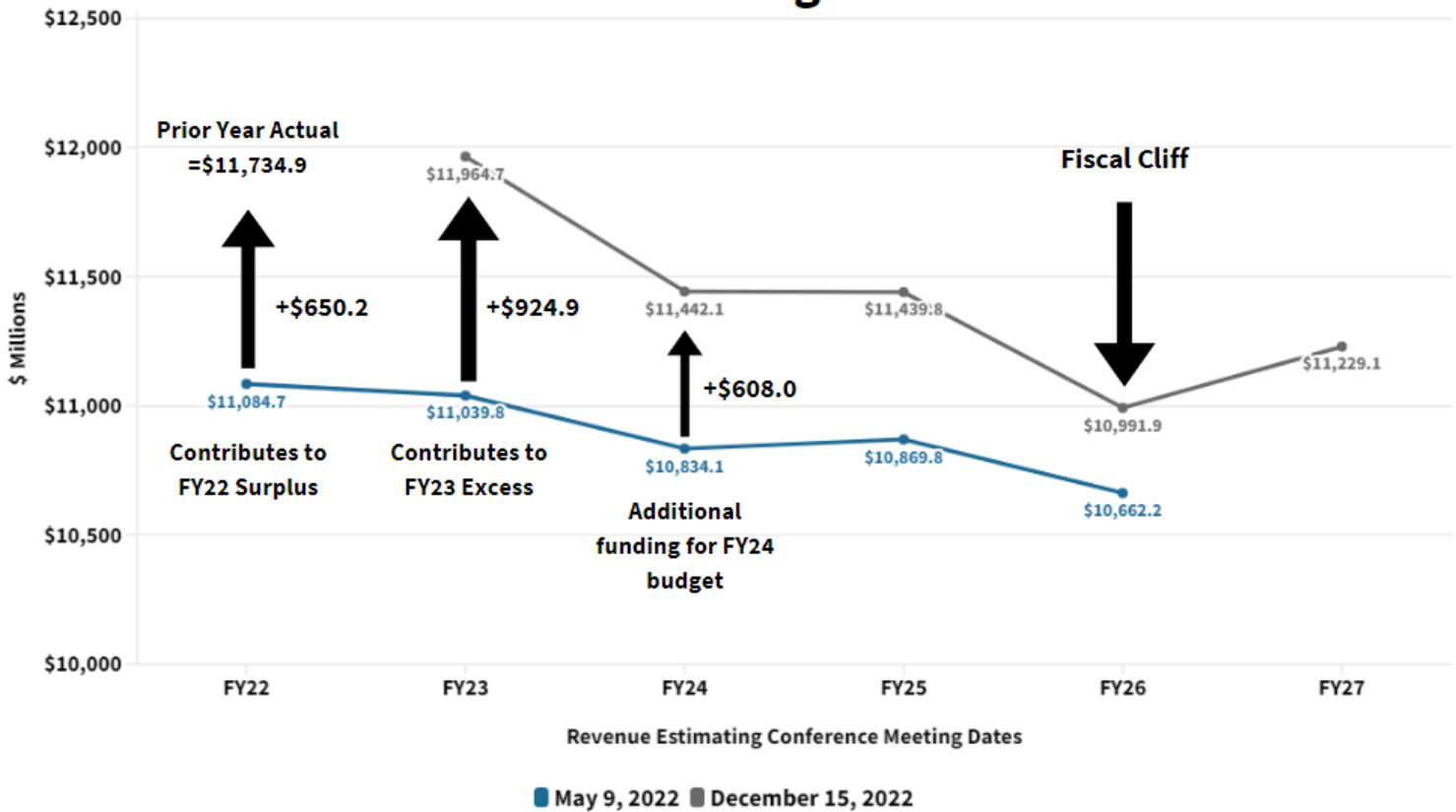
Rather than see state finances hobbled by the coronavirus pandemic and disasters, Louisiana experienced a recent budget boom. In fact, Louisiana has repeatedly seen surpluses since Gov. John Bel Edwards and lawmakers struck a seven-year tax deal in 2018 to balance the budget. Billions of dollars in federal pandemic aid and more from state tax collections that repeatedly top forecasts have given the governor and Legislature the luxury of divvying up a largesse instead of grappling with the cuts of years past.

But serious financial headwinds arrive next term, threatening vital services that state government provides. Federal pandemic aid is ending, and national economic uncertainty has ripple effects that could impact state tax collections. In addition, Louisiana officials' decisions will lessen the money available for general government programs.

The temporary 0.45% state sales tax enacted in 2018 as part of the budget deal will expire in mid-2025, lessening tax collections for the state general fund by an estimated \$460 million a year, according to the Legislative Fiscal Office. Meanwhile, a portion of taxes charged on sales of new cars and trucks will shift to a transportation fund, starting with an estimated \$164 million in the 2023-24 financial year and \$338 million a year later.

Those combined self-created hits will reduce state general fund revenue by nearly \$800 million, shrinking the dollars available to pay for higher education, health services and public safety programs, among other government initiatives without dedicated income from taxes or fees.

# State General Fund Changes and Fiscal Cliff



Source: House Fiscal Division

Growth in other tax collections is projected to increase enough to offset some, though not all, of the cuts to the general fund. And if the governor and lawmakers expand spending now for ongoing programs, then the size of the gap will worsen.

Louisiana has an unfortunate history of squandering its money or making poor decisions when unexpected dollars arrive. With the temporary influx of state and federal money this term, lawmakers and Edwards have made wise investments in water and sewer upgrades, education improvements, road and bridge work and debt payments that won't balloon recurring annual costs to the budget. They've socked away dollars into savings accounts. But they've also wasted millions on pet projects chosen behind closed doors.

Lawmakers also have done little to prepare for the fiscal cliff, but should be strategizing for how to address the revenue drop if they don't intend to renew the sales tax. They'd do well to learn the lessons of the post-Hurricane Katrina era, when then-Gov. Bobby Jindal and lawmakers cut individual income taxes based on a short-term budget boom caused by an infusion of hurricane recovery spending and other temporary sources of cash. Those tax cut decisions came without any plans for dealing with the lost revenue. Jindal and the Legislature then made significant cuts to public colleges, health services, child welfare programs and other areas. They didn't make strategic choices or craft any sort of well-developed plan for how to handle the budget gaps.

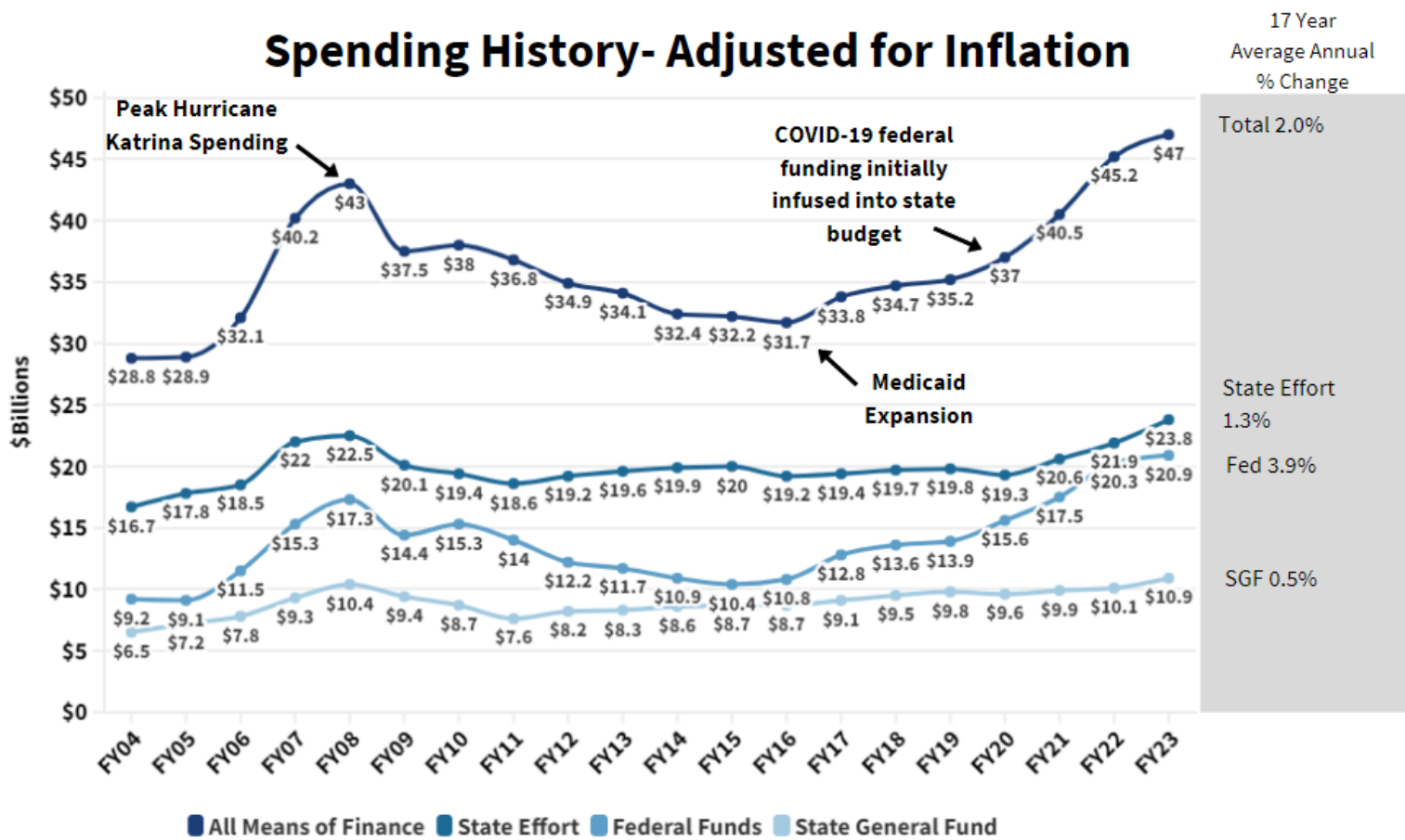
If the next governor and lawmakers don't want to reup the expiring sales tax, they need to stop growing government spending on new, ongoing programs and find a way to account for the tax dollars that will be lost – rather than waiting until the cliff hits and scrambling for solutions.

Policymakers shouldn't try to stockpile the short-term cash they have to plug shortfalls in future years because that won't solve their problems. Using gimmicks to patch together budgets for one year with money that disappears a year later creates constant cycles of unnecessary financial crises, a repeated problem during Jindal's tenure.

Such an irresponsible approach leaves a governor and legislators struggling to pay for basic services on which people rely, fostering widespread worries about cuts to necessary programs. It creates fear and stops the state from having broader conversations about the types of smart spending that would address critical needs, protect vital government services and put Louisiana on a better path for the future.

Louisiana's state spending on government programs and services has grown by an average of 3.3% annually over the last two decades, according to the House Fiscal Division. When adjusted for inflation over the same period, the number declines.

But the state also receives significant sums from federal sources, such as dollars for the Medicaid program, hurricane recovery money and pandemic aid. That federal money accounts for about 44% of the current year's budget.



Source: Office of Planning and Budget

# **The RESET**

To put the state on a sound financial footing and ready for the financial problems on the horizon, Louisiana should:

- **Wean the state off new recurring spending to soften the cliff. Spend some recurring dollars on debt payments and other short-term expenditures.**
- **Don't use one-time money for recurring expenses. Use short-term cash to pay debt and other obligations to place Louisiana on a sounder financial footing before the cliff.**
- **Eliminate pet project earmarks and focus on the state's broader needs, such as backlogs of deferred maintenance on college campuses, roadwork and other infrastructure.**
- **Reform capital outlay by increasing the local match required for non-state projects and steering less money to those non-state priorities.**
- **Eliminate many of the state's hundreds of dedications. Require all statutory funds to sunset, renewed only after legislative scrutiny. Limit the funds in the constitution.**
- **Closely track federal pandemic aid spending to ensure it's focused on prioritized state needs, with a transparent web portal that updates citizens on the money's use.**

