

Louisiana Budget Crisis: Stop Settling for Scraps

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Louisiana Budget Project

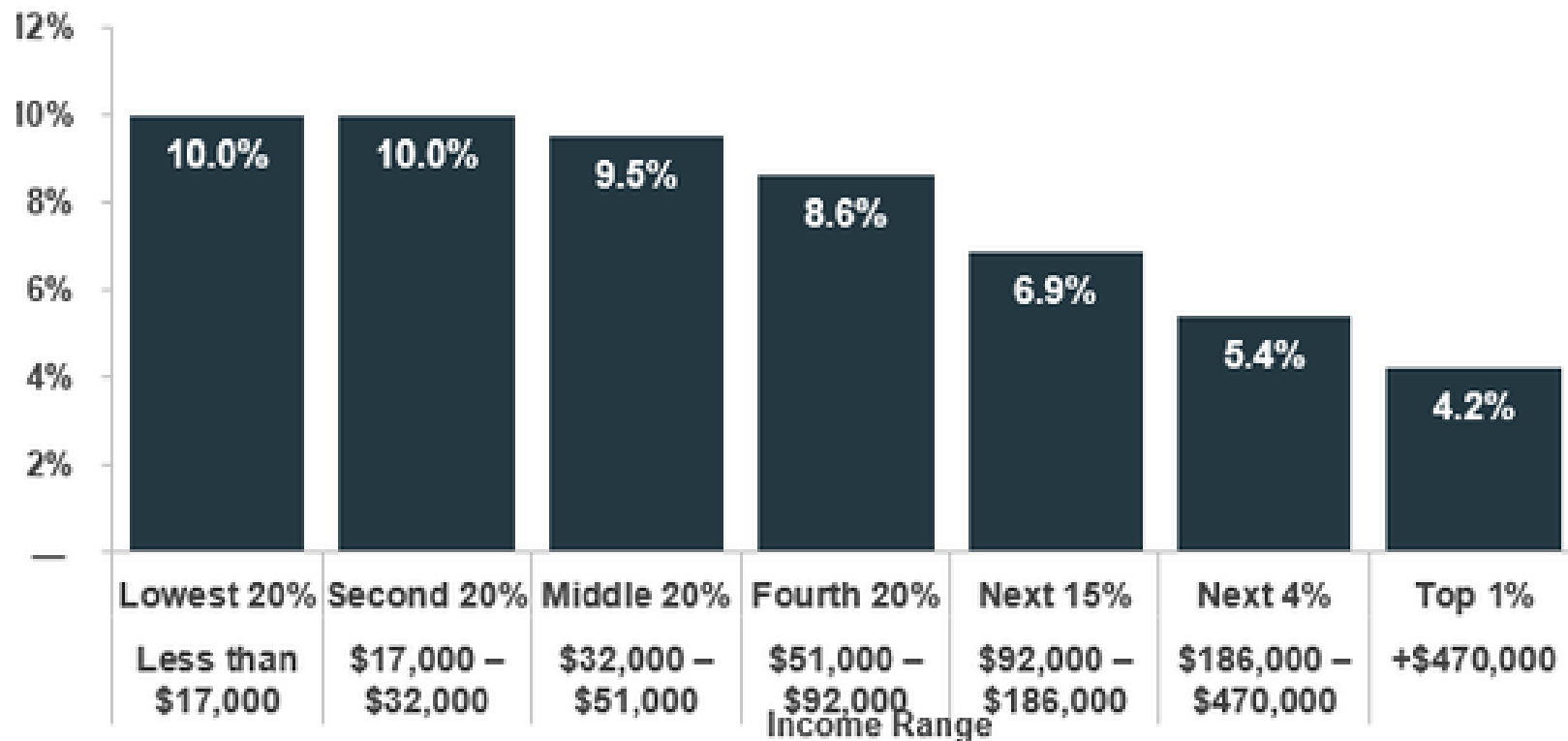
Louisiana's taxes are low

State Rank	Total State & Local Taxes
1. New York	12.7% of income
2. Connecticut	12.6%
3. New Jersey	12.2%
...	
44. New Hampshire	7.9%
45. Louisiana	7.6%
46. Texas	7.6%

Source: Tax Foundation

But the poor pay the most

Louisiana State & Local Taxes in 2015



Source: ITEP

Highest combined sales tax*

State	Sales tax rate (state & local)
1. Louisiana	10.01%
2. Tennessee	9.46%
3. Arkansas	9.30%
...	
Five states do not have a broad-based sales tax	

High sales taxes are a burden on low-income families. Adding an additional (temporary) penny gave Louisiana the highest combined sales tax in the country

Source: Tax Foundation/LBP

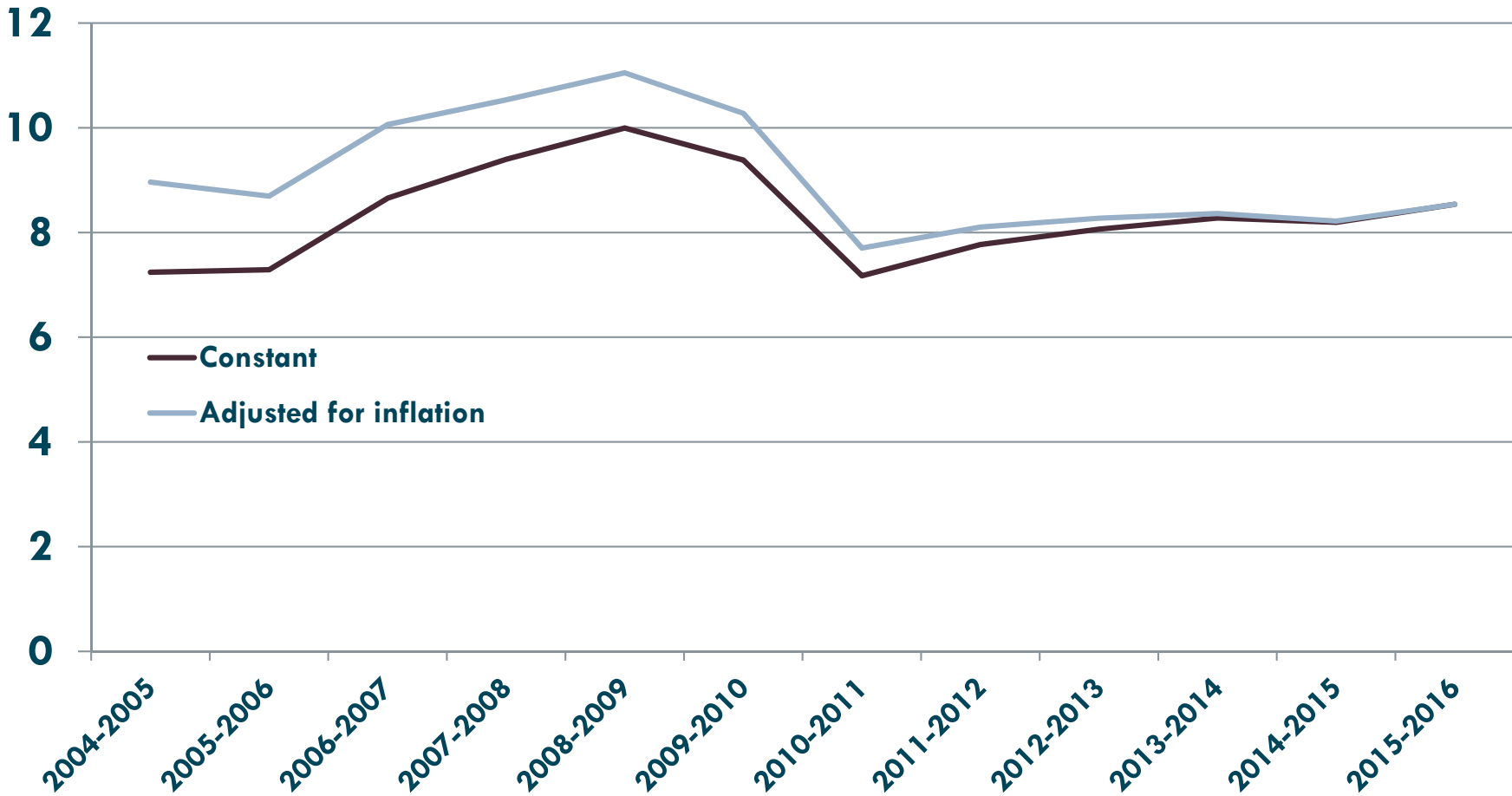
Income taxes are low

State	Per Capita Income Tax
1. New York	\$2,431
2. Connecticut	\$2,053
3. Maryland	\$1,958
...	
38. New Mexico	\$553
39. Louisiana	\$539
40. Mississippi	\$503

The income tax is the only progressive part of our tax system

Source: Tax Foundation

SGF: 2005-2016 (in billions)

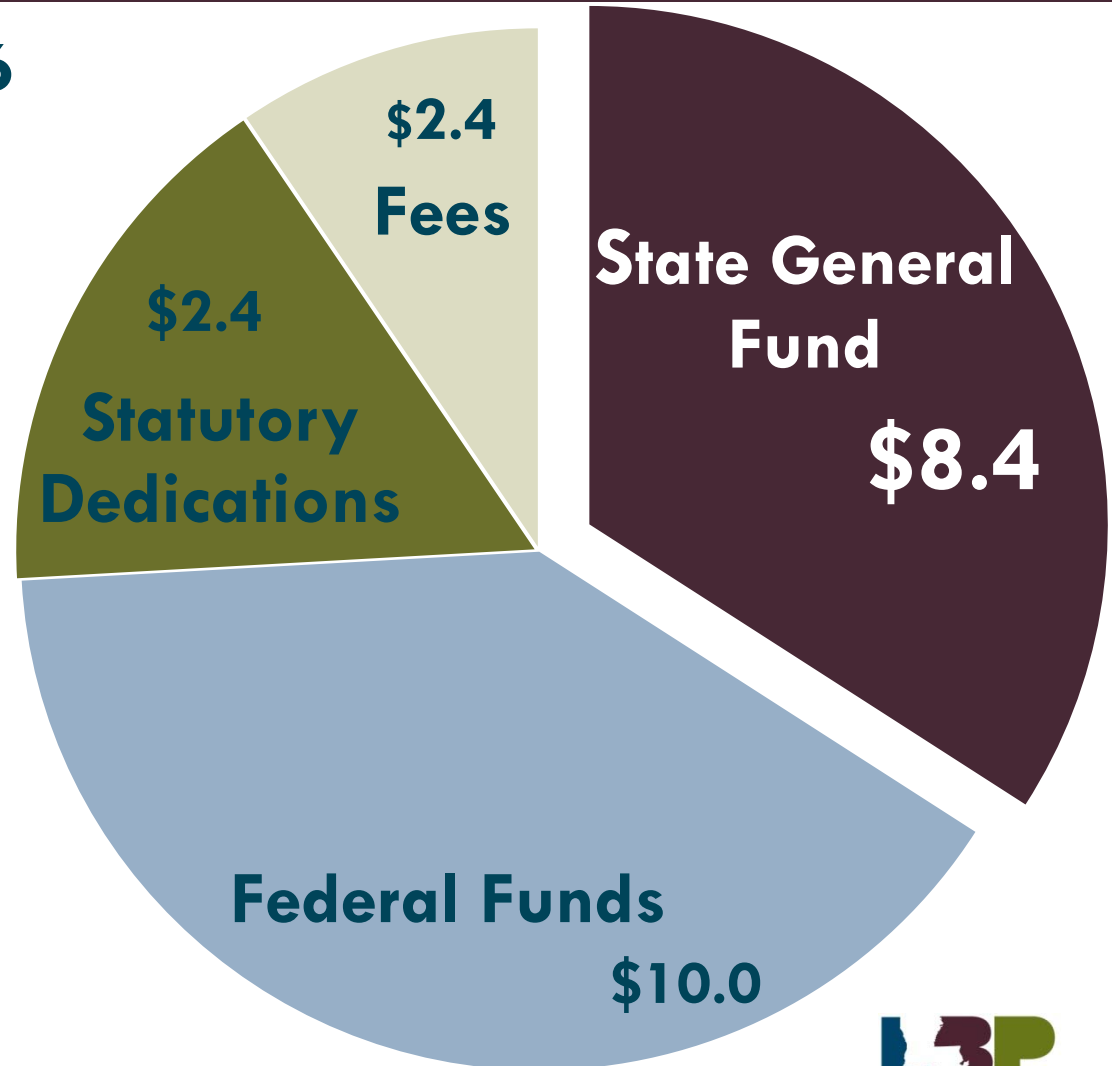


Source: House Fiscal Division



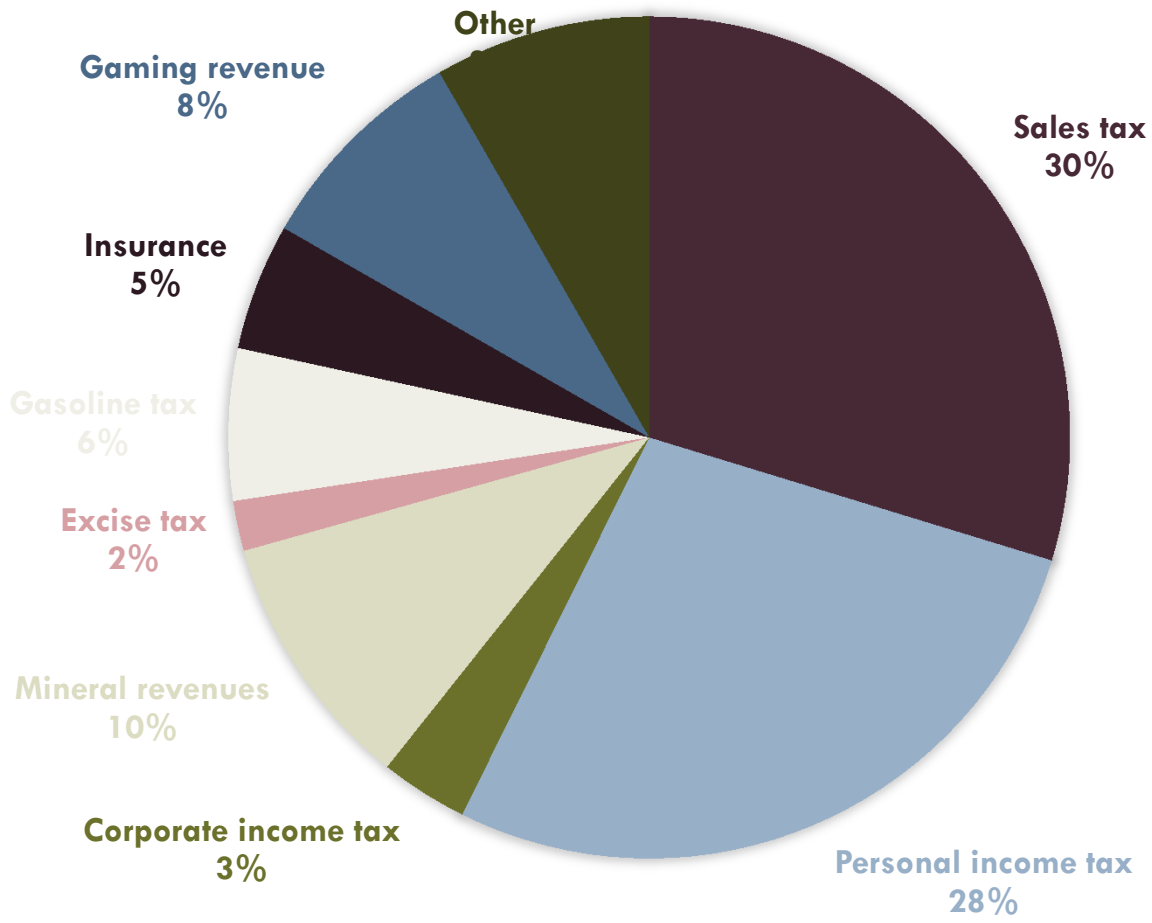
How is the budget built?

**Louisiana's 2015-2016
budget by source
(in billions)**



**Total Budget:
\$24.94 billion**

State General Fund: FY 2015



State General Fund

The “state general fund” is made up of revenue from taxes and fees and is the pot of money that legislators have the most control over

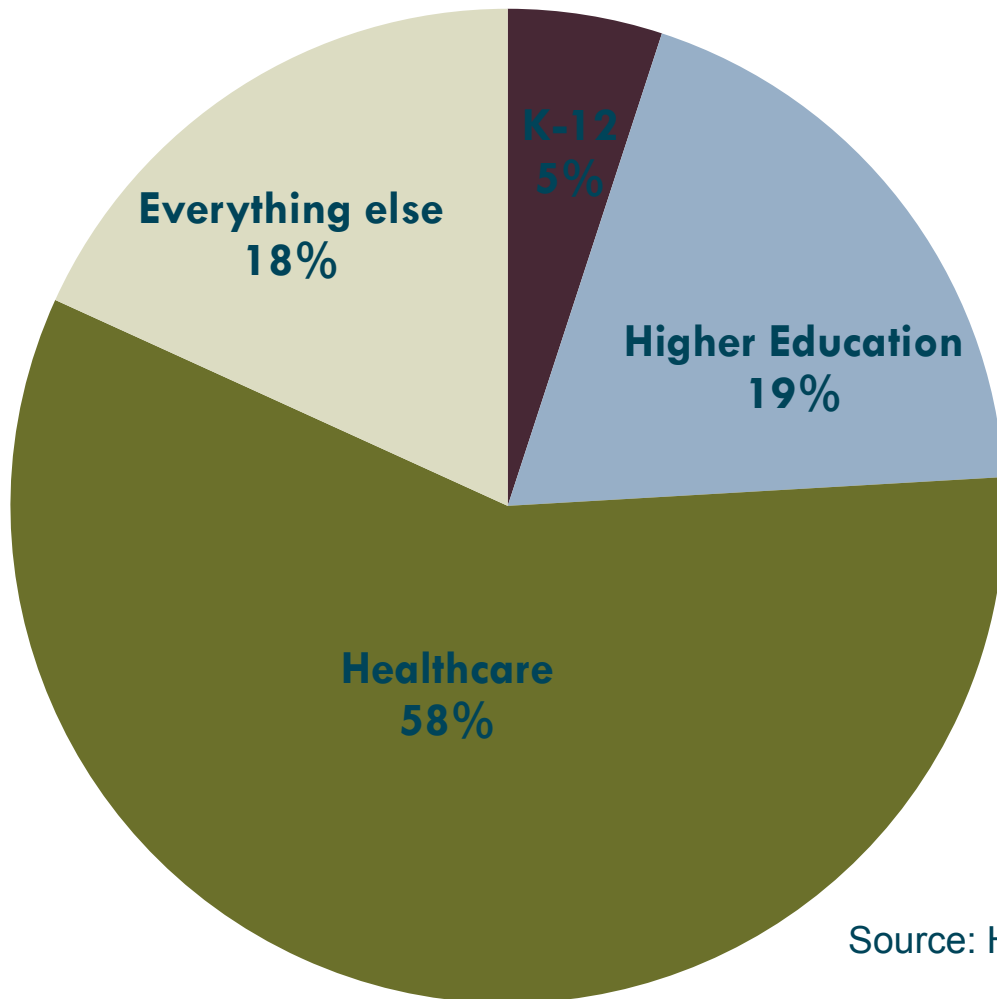
Higher education, K-12 schools and most other government services get some SGF funding

Non-Discretionary
\$6.1 billion

Discretionary
\$2.9 billion

Higher education and health care are always on the chopping block

Discretionary SGF: \$2.9 billion



The vast majority of discretionary state general fund goes to higher education and health care

Everything else is protected, so there is no where else to cut

Source: House Fiscal Division

Impact of budget cuts

- K-12 public schools: **\$463 less per student** compared to 2008—a drop of 8 percent
- Higher education: **\$4,941 less state support per student** since 2008. Biggest drop in the country
- Transportation: **\$12 billion repair backlog**
- Child care assistance **cut by 60 percent** since 2009

Cuts in HB 1

- MFP: \$44.2 million
- Higher education: \$94 million (\$48M net)
- TOPS: \$156 million
- Louisiana Department of Health: \$174.5 million
- DCFS: \$8.9 million
- Corrections: Eliminates 11 re-entry centers

What about “spending reform”?

- Streamlining government commission (238 recommendations)
- “Tucker” commission (higher ed reorganization)
- Revenue Study Commission
- Charity Hospital privatization
- Alvarez & Marsal GEMS study
- 30,000 jobs cut (lay-offs and privatizations)

First special session

Tax Type	2016-17 Raised (millions)	Permanent?
Alcohol and Tobacco	\$68	Yes
Auto rental	\$5	Yes
Corporate (Franchise & EZ)	\$10.3	Yes*
Excise	\$8.3	NO
Sales	\$1,171	NO

The vast majority of the special session tax changes expire in 2018

Temporary Taxes

- \$1.03 billion in taxes from this year's special session expire in 2018
- Another \$277 million in 2015 tax changes also come off the books next year
- **Bottom line**: **At least \$1.3 billion** will need to be renewed or replaced next year.

The \$2 billion problem

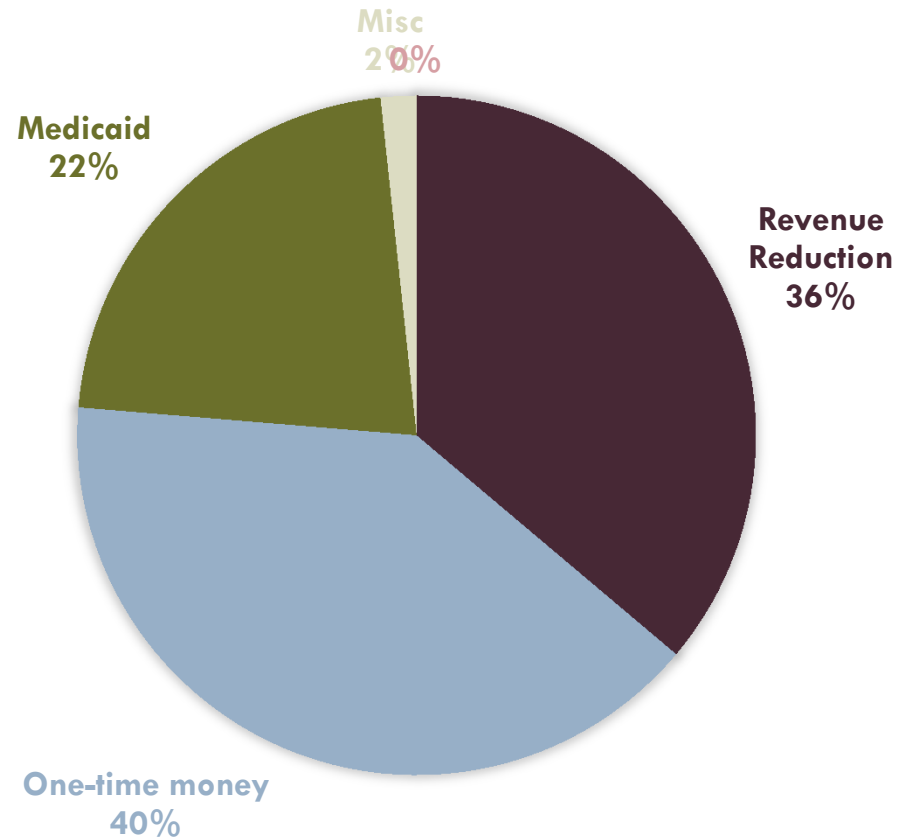
One-time money - \$826

Revenue - \$743

Medicaid is \$190M utilization and \$262M for extra MVP payment

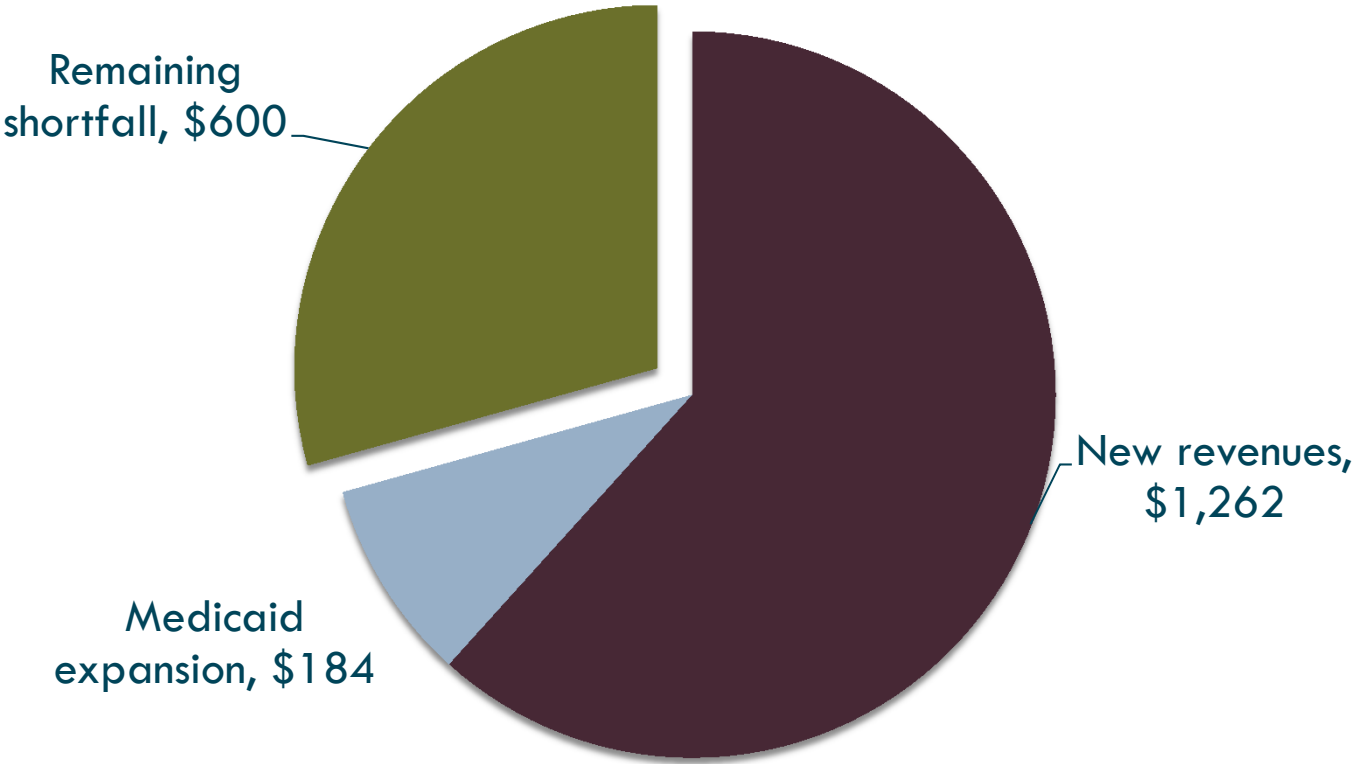
Does not include continuation

HOW DID WE GET HERE?



The job is not done

What's been done so far

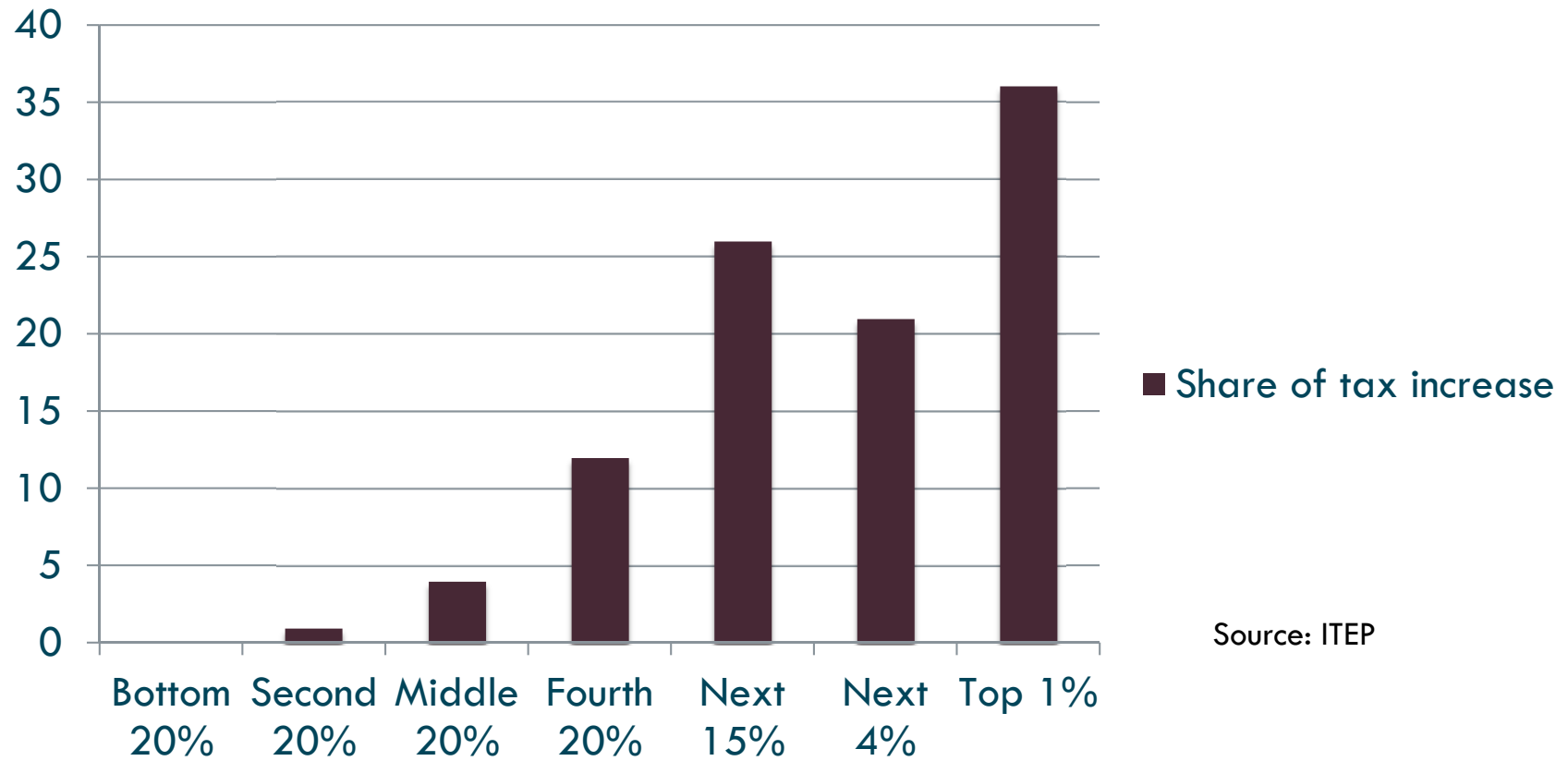


Bills to watch

- House Bill 38 (White): Eliminates state income tax deduction: \$88 million. **FAILED**
- Senate Bill 10: Makes inventory tax credit nonrefundable for manufacturers: \$60 million. PASSED
- As of today, revenue would plug about \$284 million of the gap.

Federal Income Tax Deduction

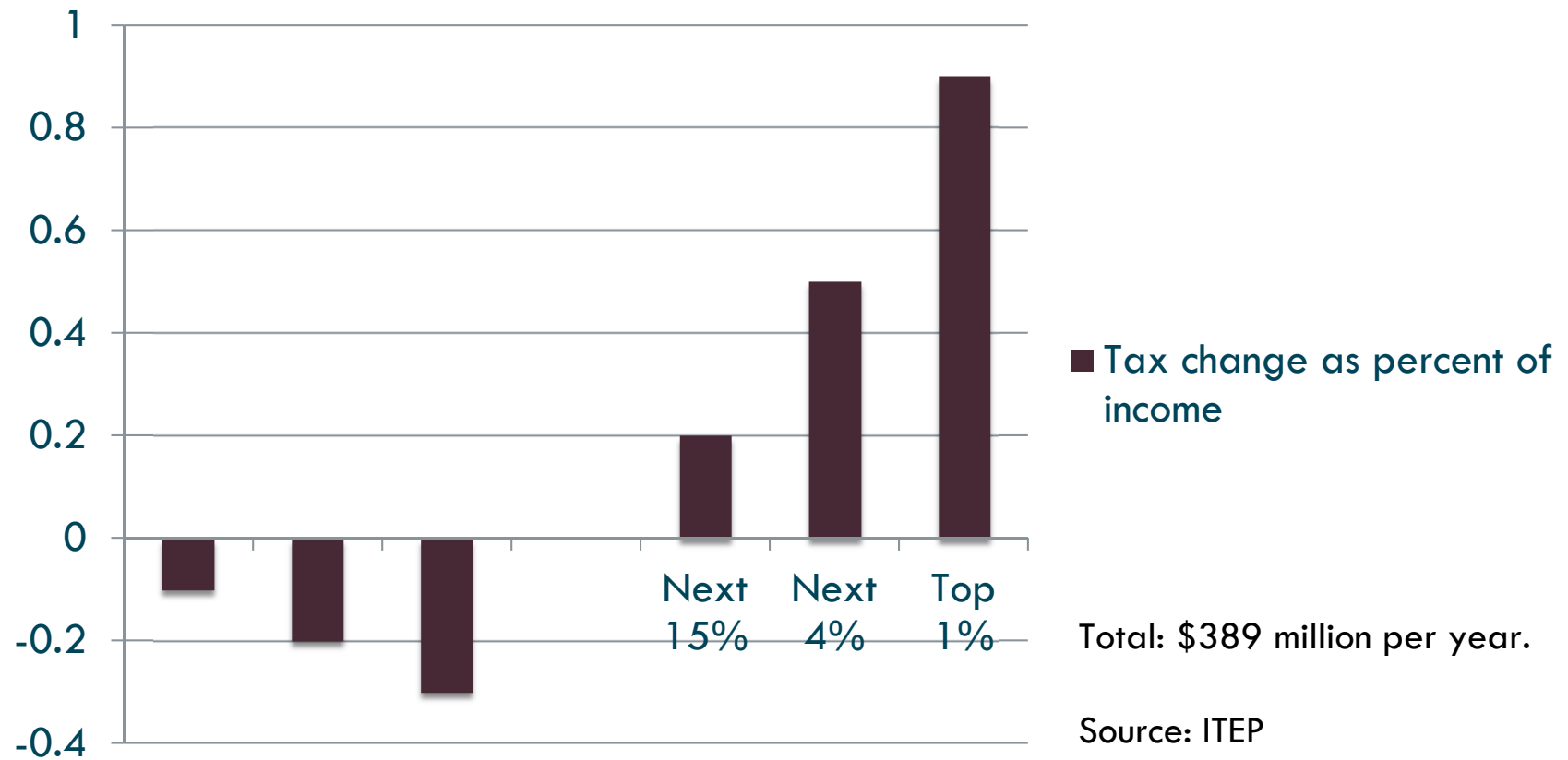
Share of tax increase



Source: ITEP

Eliminate fed deduct/lower rates

Eliminate fed deduction, rates 1.5, 3.5, 5.5



Long-term tax reform options

- Adjust personal income tax brackets and deductions
- Leave caps on tax credits put in place last session
- Reform industrial tax exemption & inventory tax credit
- Expand sales tax to services

Principles for tax reform

- Real tax reform must:
 - Raise the revenue we need
 - Correct our “upside-down” system that asks more from the poor than the wealthy
- Closing regressive tax loopholes like excess itemized deductions and the federal income-tax deduction would help accomplish both goals. **It will only happen with the help of advocates**