LOUISIANA

Platform for Children

REPORT

What is Public Policy and What is its Connection to the Budget?

The Governor, the Legislature and the Board of Elementary and Secondary Education have the joint responsibility of setting public policy for the children of Louisiana. Public policy for children includes courses of action, regulatory measures, laws, and funding priorities to address their needs.

Ideally, public policy will be a principled guide to address the needs of children and ensure they mature into productive citizens. It should identify a need and direct resources to meet the need in a way that will assure the desired outcome. Good public policy will provide for investments in evidence-based programs that have been shown, through studies, to provide desired results and deliver a real return on investment.

The executive budget is the primary public policy document for the state. Laws and resolutions that identify needs and responses will not be effective if funding is not provided.

As elected officials, the children of Louisiana are your constituents. The future of Louisiana requires elected officials to make children their top priority to guarantee a vibrant Louisiana in the future.

The term, Evidence-Based Practice (EBP), originated in the medical community in the 1990s. An EBP is the current best practice that has been subjected to strong scientific research and interpreted using a very narrow set of methodological criteria. Since the 1990s, the EBP concept has been adopted in many other fields, including child and family services.

LOUISIANA'S
Budget for Children

In 2008, Louisiana's economy was at an historic high point, as were the revenues coming into state government. The post-Katrina reconstruction economy was booming, as billions of federal dollars along with private insurance proceeds were coursing through the economy to rebuild public and private infrastructure. Louisiana's energy sector was booming as well, with oil prices topping $140 per barrel and activity ramping up in the Haynesville Shale. This produced a spike in state revenues, with the state general fund (which consists of income taxes, sales taxes, mineral revenues and other taxes collected by the state) growing from $6.5 billion in 2003-04 to $10.5 billion in 2008-09 – an increase of 37 percent after adjusting for inflation.

State government began running large annual surpluses. While some new money was invested in children's programs, the surplus dollars generated by post-hurricane reconstruction activity also provided the impetus for the two largest tax cuts in Louisiana history. In 2007 and 2008 the Legislature cut taxes on middle and upper-income households, which reduced Louisiana's tax base by around $800 million per year. Just as quickly, however, the boom turned to bust. The national economy cratered, the hurricane recovery slowed and oil prices fell from a record high of $140 per barrel to $30 per barrel in the span of a few months. The combination of these factors – an economic slowdown and two massive tax cuts – had profound effects on the budget. State general fund revenues dropped by 31 percent, on an inflation-adjusted basis, over the next three years.

Although net state tax collections have grown slowly but steadily since the current economic recovery began in January 2010, they have been flat when adjusted for inflation at a time when the state's population and the cost of providing basic services such as health care, education and retirement for state employees has escalated. In short order, the large budget surpluses of the early post-Katrina years became shortfalls, which is defined as the gap between the amount of recurring revenue the state expects to collect and the cost of maintaining services at current levels after adjusting for inflation.

State policymakers have dealt with these shortfalls in three basic ways: by making cuts to various programs, including programs that benefit children; by swapping out state dollars for federal money ("means of finance substitutions"), and by filling gaps with non-recurring "one-time" revenue from various sources. These changes have affected children's programs in various ways.

Medicaid services were affected by a series of rate reductions to doctors and hospitals that restrict access when providers refuse Medicaid patients or limit the number of patients they will accept. In K-12 schools, policymakers for several years froze the per-pupil funding the state sends to school districts through the Minimum Foundation Program, without accounting for inflationary increases. That has forced many school districts to cut positions and reduce services to make room for rising mandatory costs such as retirement.

Programs that were once funded with a mix of state and federal dollars are now financed entirely with federal money, and are smaller as a result. The child-care assistance program (CCAP) helps low-income families pay for child care while working or attending school. In 2009-10 this program served more than 38,000 children from low-income families, who received an average of $2,870 to defray the cost of child care. Five years later, in 2014-15, the program served fewer than 15,000 children, and the average benefit had dropped to $2,354 per year even as the cost of care had risen along with inflation. That translates to a 68 percent drop in total funding and a 61 percent drop in children served over the past five years.

The CCAP program is currently funded entirely with federal Child Care and Development Fund block grant dollars and receives no state general fund support, despite a wide body of research showing that public investments in high-quality education programs for the youngest children earn a lifetime of returns. This program should ideally be financed with a mix of state and federal dollars, to ensure that as many families as possible are being served and to hedge against changes in federal policy that could lead to a reduction in support.

It is a similar story for child welfare programs, which have sustained deep cuts in recent years that have affected the state's ability to safeguard the welfare of children who suffer from abuse or neglect. A 2014 audit found that a series of budget cuts has led to increased staff turnover, higher caseloads and increased job stress. The audit also found that from fiscal year 2009 to fiscal year 2013, the number of child welfare caseworkers fell by 19 percent, and the average caseload per worker increased 18 percent. Overall spending on child welfare services - which includes child protection, foster care programs and other services - dropped by 26.7 percent over that four-year span.

Even programs that have been spared from budget cuts have seen dramatic swings in their funding mix as a result of the state's budget problems. The LA4 pre-kindergarten program is a true Louisiana success story, and currently provides six hours per day of instruction for more than 16,000 children from disadvantaged backgrounds. Launched in 2001-02 with fewer than 3,000 enrollees, the program grew rapidly and by 2008-09 it was serving more than 15,000 children around the state. In recent years, the growth of the program has slowed, and the per-student spending has dropped. In 2008-09 the program spent $5,169 per student and was entirely financed with state general fund support. In the 2015-16 budget year the program is projected to spend $4,641 per student, and is financed mainly with federal TANF block grant dollars - $67.6 million from TANF and only $8 million in state support.

The Temporary Assistance for Needy Families (TANF) program was created by the federal welfare reform law signed in 1996 by President Clinton, and was designed to give states new flexibility in the way they spend safety-net dollars. Louisiana has taken advantage of this flexibility to make investments in teen pregnancy prevention programs, fatherhood initiatives, after-school tutoring programs and other initiatives.

While many of these programs are worthwhile, it means fewer and fewer dollars are flowing to low-income families with children in the form of basic assistance.

In Louisiana, which has the third-highest poverty rate in the country, only 11 percent of the state's grant goes to basic assistance, and only 6 percent of poor families with children receive benefits. The average state devotes 28 percent of their TANF budget to basic assistance. Budget shortfalls at the state level thus create a vicious cycle: Top-priority programs such as LA4 are propped up with TANF dollars, which leaves less money for other worthy initiatives that help children and their parents such as child care assistance and work-training programs, and fewer dollars for basic assistance that keeps families above the poverty line.

Funding for Early Childhood

Created by the Legislature in 2008, the Early Childhood Systems Integration Budget (ECSIB) was designed to show how the state spends money on young children by different subject areas - instead of the usual practice of breaking down spending by state agencies and "budget units."

Looking at the budget this way tells us a few important things: First, programs that serve young children are far more dependent on federal money than other parts of the state budget. While roughly one-third of the executive budget (35 percent) consists of federal funds, more than two-thirds (67 percent) of the budget for early childhood comes from federal dollars.

Second, overall funding for early childhood programs - including state and federal dollars, along with fees and dedicated revenues - has dropped considerably in recent years as the state has experienced a series of revenue shortfalls. On an inflation-adjusted basis, overall funding for children's programs dropped nearly 12 percent from 2010 to 2015.

And third, the way money is allocated between programs has changed, with more dollars flowing to Medicaid health services as less money is spent on mental health, early care and education programs, and family support

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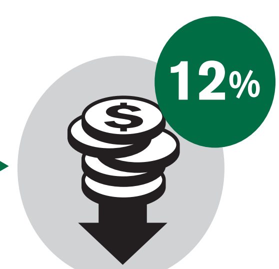
ECSIB



services. In fiscal year 2009-10, for example, health care services consumed 58 percent of the early-childhood budget. But by 2014-15, the health-care took up 64 percent of the budget, crowding out money for other needs.

Maximizing Federal Dollars

The Coordinated System of Care (CSOC) is an example of a program where the state reorganized the way it pays for and delivers services for children with severe emotional problems in a way that maximized federal Medicaid dollars. In this and other areas, particularly Medicaid, Louisiana has a long history of finding creative ways to maximize the amount of federal dollars flowing to the state. But in other cases, Louisiana has refused to take advantage of opportunities to access dollars that could help children.

One such case occurred in 2011, when state officials refused to apply for a $60 million federal grant to promote early learning, citing potential "red tape" associated with the funding. Had Louisiana applied for and received the money, it could have been used to implement the vast reorganization of early learning programs that the state undertook in 2013 as part of Act 3.

Policy Recommendations – Budget for Children

- Eliminate or minimize the use of non-recurring dollars for ongoing expenses in state government, including for programs that support children.
- Implement recommendations in the April 2014 Legislative Auditor's report on child welfare services, including reducing caseloads to the levels recommended by the Child Welfare League of America.
- Fold the LA-4 pre-K program into the Minimum Foundation Program for public schools, to free up federal block-grant dollars for other needs.
- Require each budget unit in state government to provide an annual report to the Legislature by February 1 of each year that details the following:
  - Amount of federal block grant or entitlement funds available to the state that is not being accessed and the reason for that action;
  - Amount of federal competitive grant funds that are not being sought through grant applications and the reason for that action;
  - Amount of federal competitive grant funds that are applied for but not awarded;
  - Amount of unused federal funds at the end of the federal fiscal year for the last five periods that have been returned to the federal government.
- Commit to a balanced approach to solving future budget shortfalls that includes new revenues.
- Require an annual briefing on the state demographics prior to the beginning of the legislative session.